

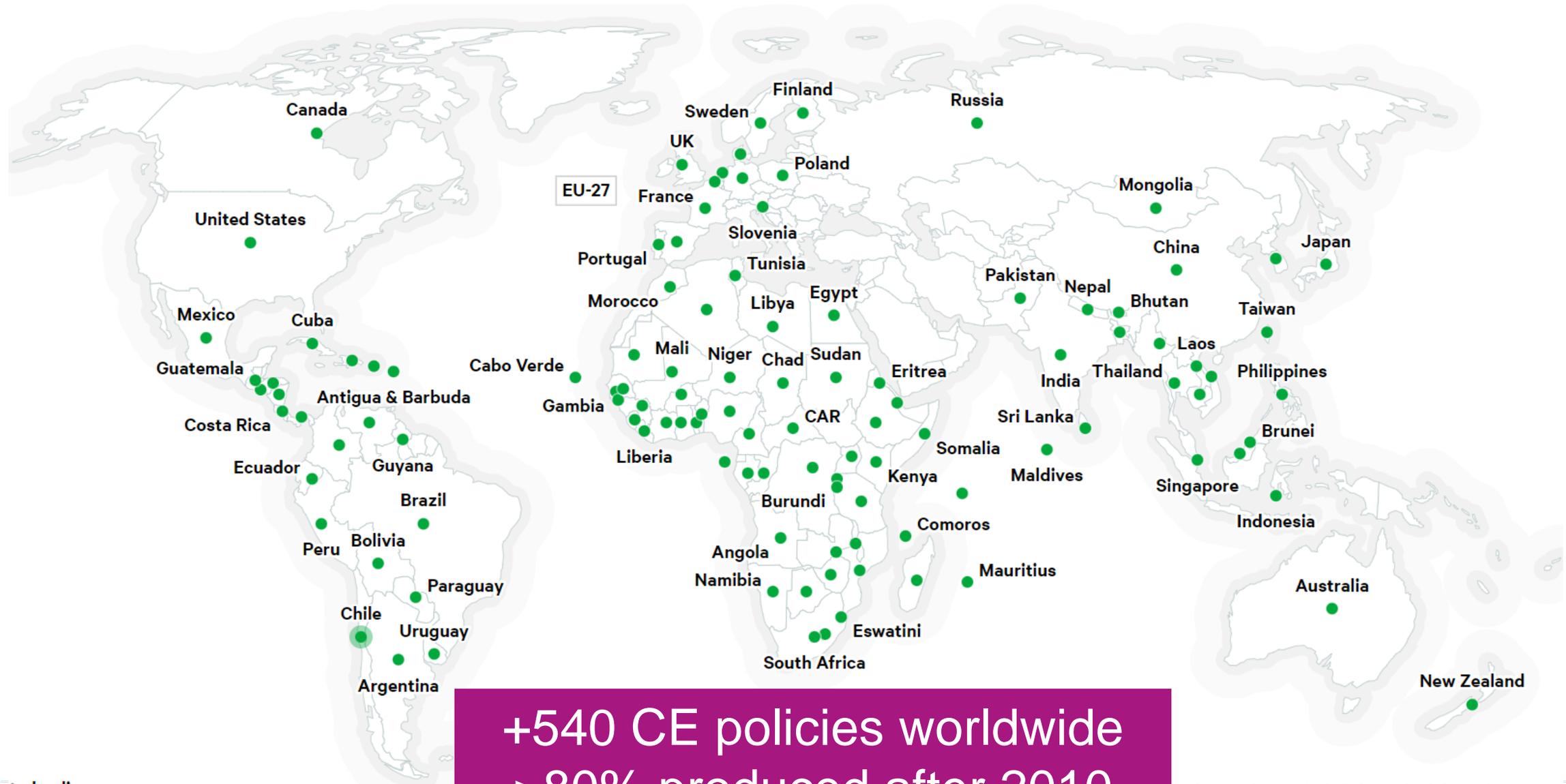
Trade and the circular economy

Presentation for TESSD Informal Working Group on Circular Economy – 16th April 2024.

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Part 1: Global Overview on CE developments relevant for Trade Community

Proliferation of CE policy & legislation



Regional or international developments...

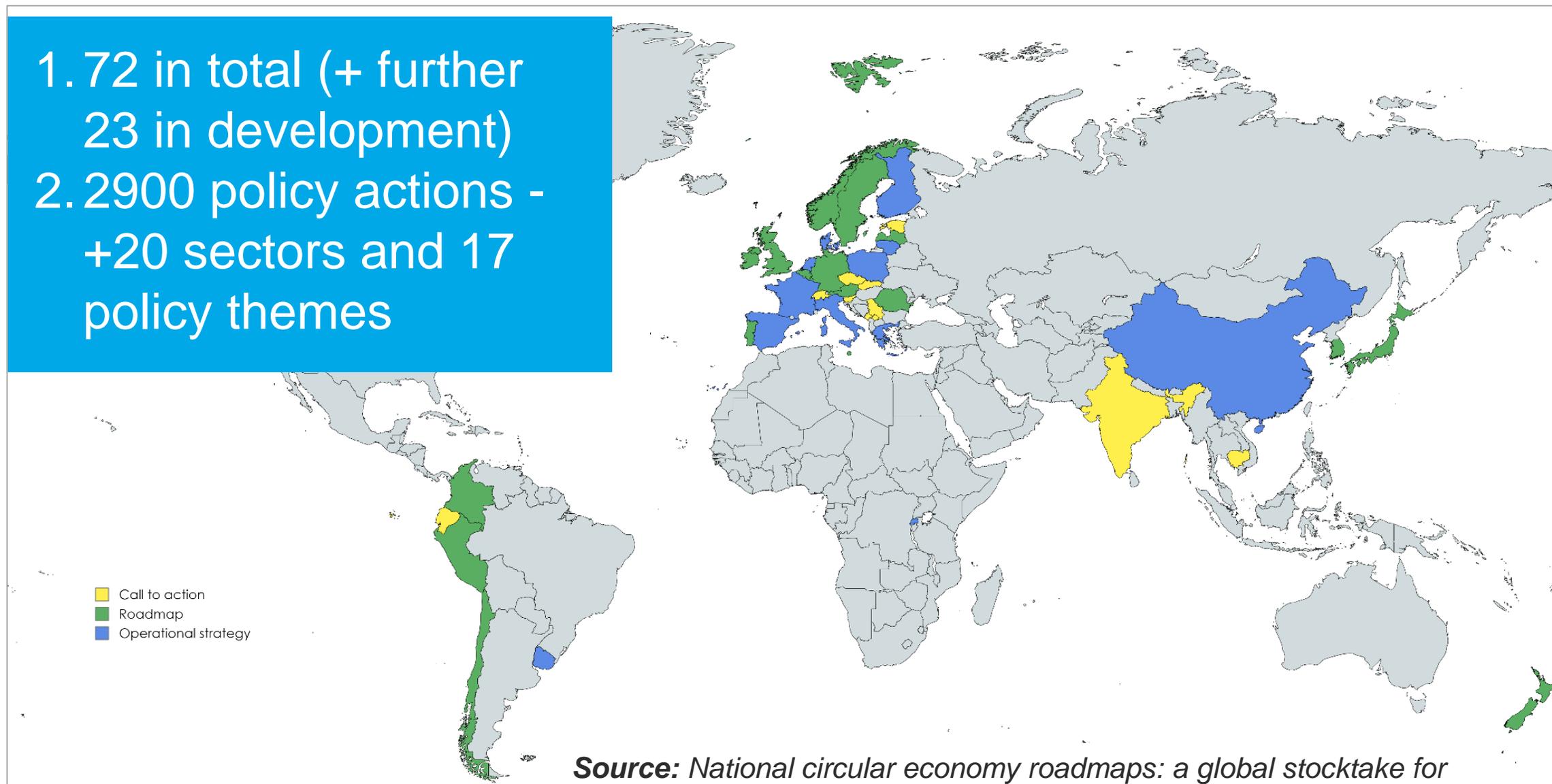
- **National Roadmaps/Strategies:** 72+ published
- **Regional/Plurilateral Roadmaps:** ASEAN Framework on CE, African CE Roadmap, EU CEAP2.0, G7 Berlin Roadmap on Resource Efficiency and Circular Economy
- **Multilateral Environmental Agreements:** e.g INC on plastic pollution, and BRS Conventions; Integration of CE into Paris Agreement NDCs - 79 countries
- **Trade agreements and trade forums:** TESSD, DPP, CTE, WCO
- **Standards and guidelines** - ISO CE Standard (TC 323), WBCSD Circularity Protocol, ERS5 & many others...
- **International coalitions:** GACERE, ACEA and LAC CE Coalition, EU CE Stakeholders Platform, Nordic Hotspot, PACE, UNECE Step, Global Roadmap for a CE...
- **Industrial alliances:** Global Battery Alliance, Circular Electronics Partnership..



**Summary list of
global initiatives**

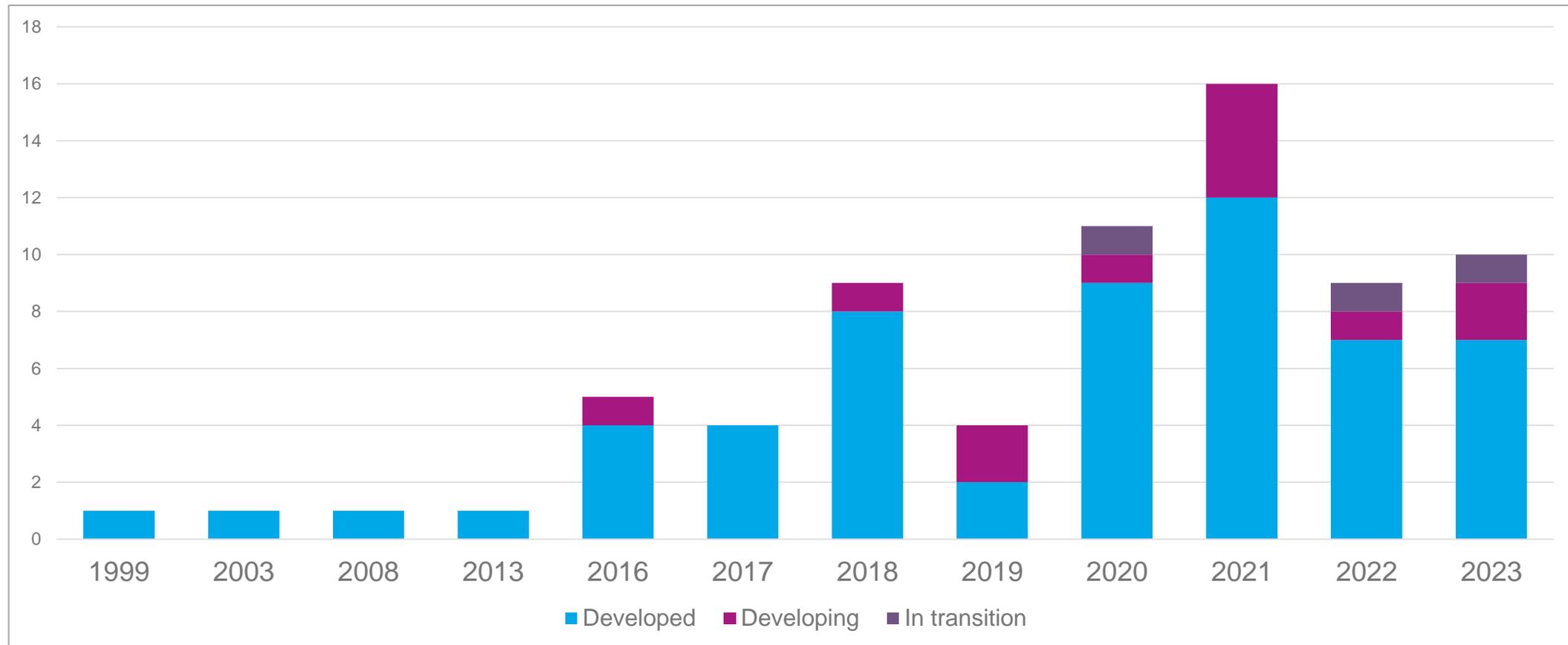
National circular economy roadmaps

1. 72 in total (+ further 23 in development)
2. 2900 policy actions - +20 sectors and 17 policy themes

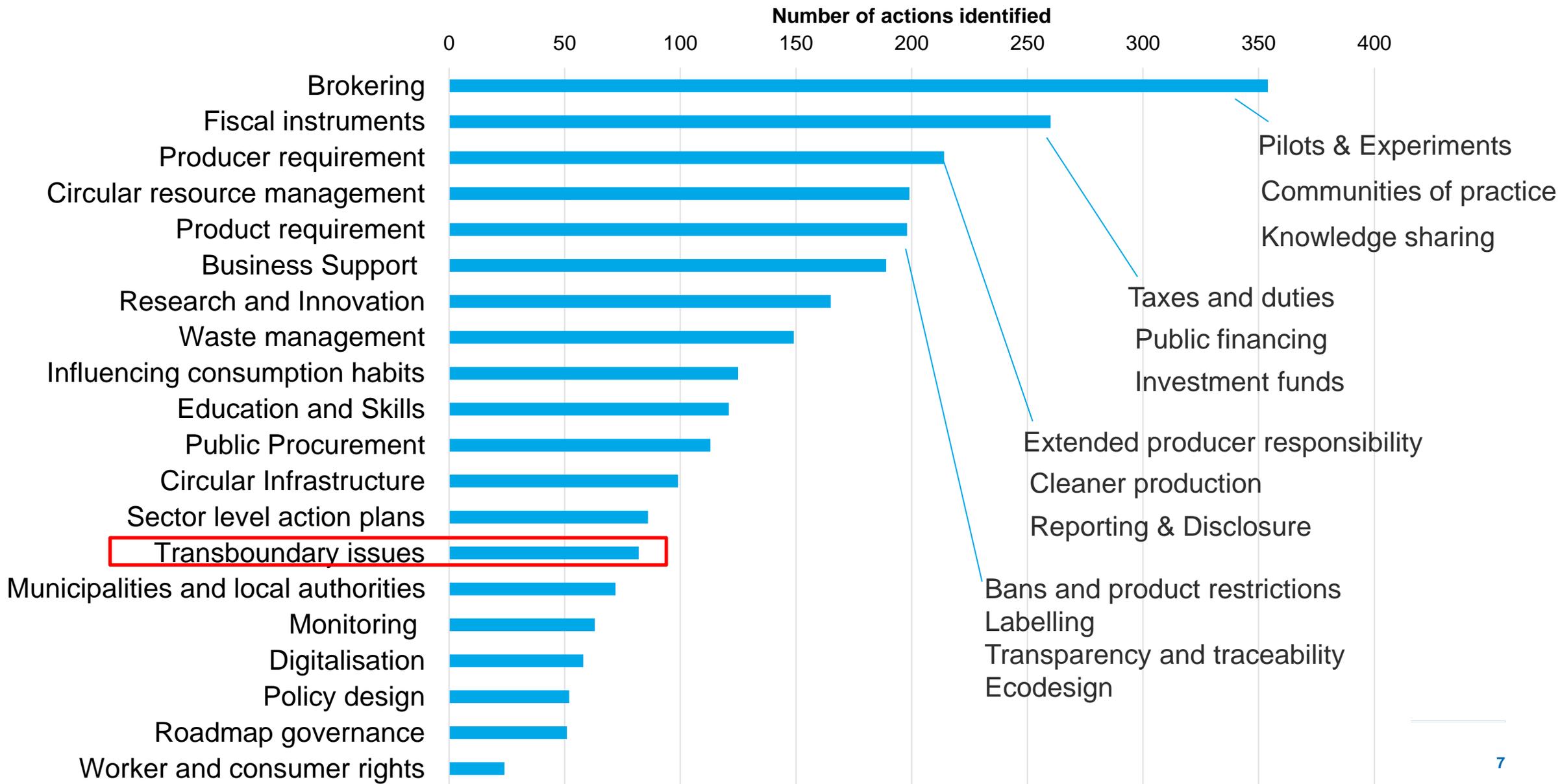


Source: National circular economy roadmaps: a global stocktake for 2024 (UNIDO & Chatham House) (To be published at WCEF 18th April 2024)

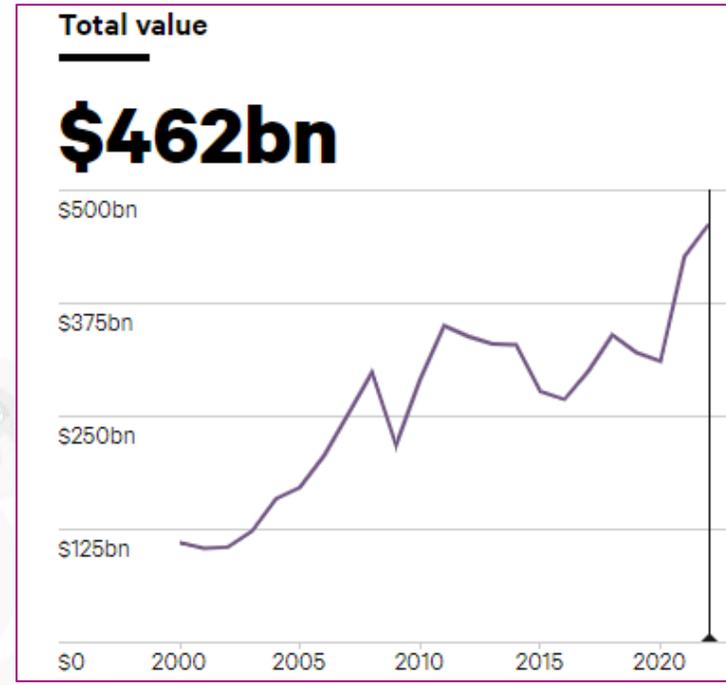
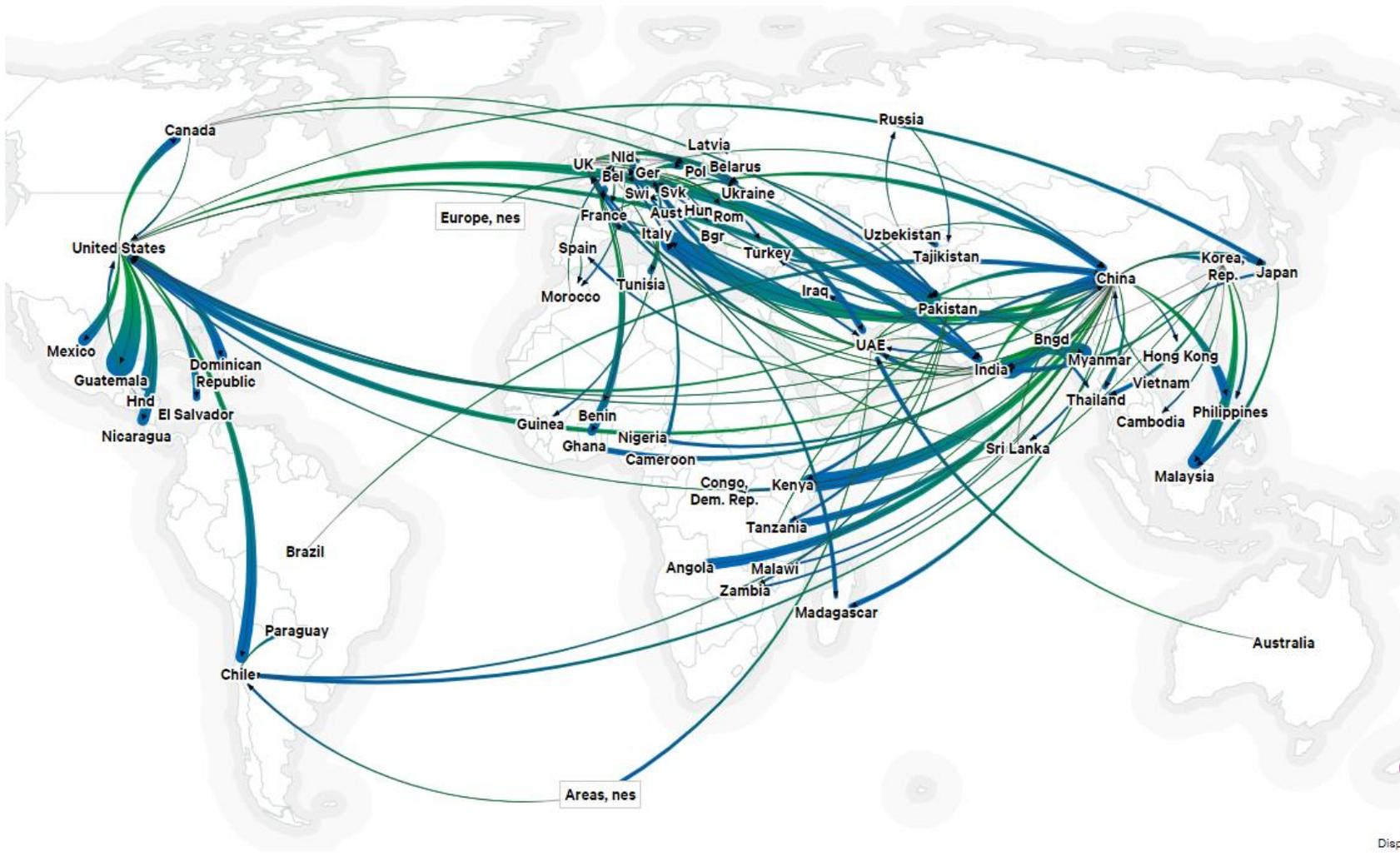
Geographical spread of national CE roadmaps



Types of CE Policies in roadmaps



Scale of circular trade



Growth in circular trade 2000-2022

Source: Chatham House (circulareconomy.earth)

Framework for collective action on inclusive circular trade



Framework Document

Trade for an inclusive circular economy

Recommendations from a global expert working group

A framework for collective action

June 2022

Jack Barrie, Latifahaida Abdul Latif, Manuel Albaladejo, Ieva Baršauskaitė, Alexey Kravchenko, Amelia Kuch, Nanno Mulder, Melissa Murara, Antoine Oger and Patrick Schröder



Target outcomes



SDG 8
Decent work and economic growth



SDG 10
Reduced inequalities



SDG 12
Responsible consumption and production



SDG 17
Partnerships for the goals

Areas for collective action

Definitions and classifications

1. Work towards a shared set of definitions for circular goods.
2. Ensure circular economy-relevant information is captured when goods or services cross borders, in a way that is globally interoperable.

Technical barriers to trade

1. Map circular economy standards with implications for circular economy trade, and move towards greater alignment.
2. Seek mutual recognition agreements (MRAs) to align conformity assessments.

Trade facilitation

1. Digitize the Basel Convention Prior Informed Consent (PIC) procedure for low-income countries.
2. Establish a working group to enhance PIC interoperability.
3. Pilot cross-border traceability and transparency for circular economy trade flows.

Capacity-building

1. Embed circular economy in existing multilateral capacity-building programmes.
2. Establish a global 'repairation' fund for circular economy.
3. Create a dedicated WTO Initiative for circular economy awareness-raising.

Trade and economic cooperation agreements

1. Embed circularity across the full spectrum of agreements.
2. Initiate discussion on impact of 'linear' and circular subsidies.
3. Set up well-resourced and long-term initiatives to tackle illegal waste trade.

Principles for action

Traceability and transparency

Enhanced transparency and traceability is essential to enable circular trade that contributes positively to sustainability and human development while discouraging trade that does not.

Subsidiarity

Decisions should be taken as close to affected people as possible to ensure effective solutions are developed. International policies should be developed only where they can be more effective than national policies.

Non-discrimination

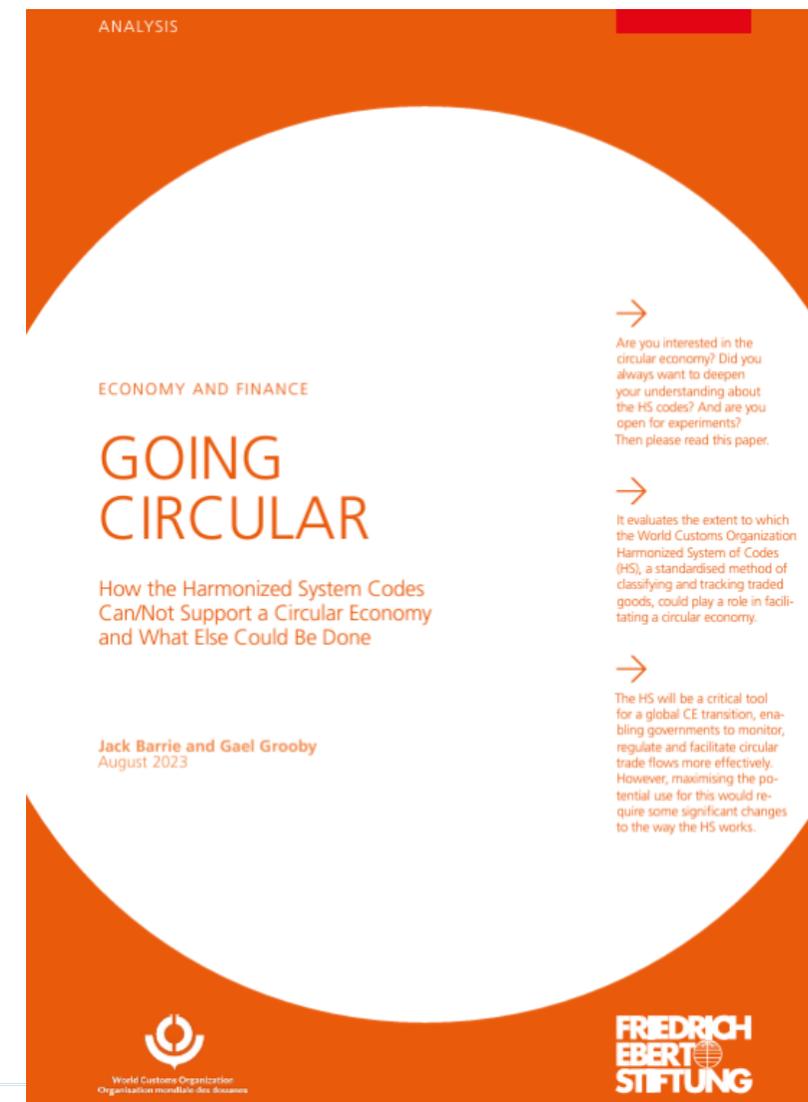
Ensure that circular trade improvements meet the WTO principle of non-discrimination while providing enough support for countries facing the greatest challenges and impacts.

International collaboration

An inclusive circular transition will require a strengthening of international cooperation systems for both settling trade disputes and ensuring a fair and inclusive transition to more circular value chains.

The report highlights potential reforms to the HS to better facilitate circular trade.

- (i) the creation of new or revision of existing classifications for circular enabling goods;
 - (ii) strengthening institutional capacity of the WCO and customs administrations to develop and regulate effective systems for circular trade;
 - (iii) improving coordination with multilateral environmental agreements; and
 - (iv) extending to an 8 digit international system.
- (iv) experimentation with additional trade facilitation measures which promise to streamline circular trade flows while reducing the burden on customs administrations.
 - trusted circular trader and resource recovery lane initiatives;
 - integrating circular product data with Single Windows and electronic data systems
 - the potential use of Special Economic Zones for certain circular trade activities.



Part 2: Recommendations for future action for the TESSD Informal Working Group on CE

Recommended areas for further work:

Deep dive into a specific sector (Electronics and electrical, textiles): Rigorously examine regulatory/standards/institutional developments in this sector. Examine divergence/gaps in definitions & classifications, relevant goods and services, prevailing TBTs, innovative trade facilitation approaches and needs based assessment.

Trade facilitation: Undertake study to identify practical/best practice solutions to better capture and communicate circular relevant information on goods at international borders in a way that is globally interoperable and compatible with the HS system or other customs measures but can extend classification beyond physical attributes. This may include, but not be limited to: (i) trusted circular trader and resource recovery lane initiatives; (ii) integrating circular product data with Single Windows and electronic data systems; (iii) the potential use of Special Economic Zones for certain circular trade activities. Evaluate needs and opportunities for strengthening capacities of regulators, customs, and standards infrastructure to build trust along the supply chain.

Technical barriers to trade: Improve understanding and synthesise range of potential impacts, costs and challenges developing and least developed countries currently and will face with regards to ambitious CE legislation and standards in advanced industrialised nations (examples ESPR and DPPs) and identify mechanisms to mitigate such challenges.

Expand dialogue from Informal Working Group with other trade fora - TBT committees, Trade facilitation committees

Relevant specific actions from framework for TESSD

Category	Recommended actions
Definitions and Classifications	<ul style="list-style-type: none"> • ‘Stocktaking’ exercise of best practices, existing definitions and classification of products as regards circularity. Identify potential divergences, gaps and opportunities for wider uptake of shared definitions and classifications. • Working group to identify practical solutions to better capture and communicate circular-relevant information on goods at international borders in a way that is globally interoperable and compatible with the HS system. • Identify initial shortlist of goods that are critical for conducting circular activities either as new classifications or as ex-outs (TESSD Informal Working Group on circular economy). Draw from list of circular goods and trade flows classed under 8 and 10 digit codes and shortlist the most promising for harmonisation/mutual recognition
Technical Barriers to Trade	<ul style="list-style-type: none"> • Prioritization and knowledge-sharing exercise between willing countries would help identify the evolving areas (or lack thereof) of regulations and standards most critical for circular trade, and where opportunities exist for mutual recognition or cooperation towards common standards • Mutual recognition agreements of conformity assessment procedures would allow an importing country to recognize ex ante the technical competence of a specific body in an exporting country to perform conformity assessment. • Explore linking Producer Responsibility Organizations (PROs) of exporting and importing countries so that the EPR fees are transferred to the importing country PRO that will bear the waste management costs of the products once they reach end-of-life. A common set of standards and/or best practices for PROs could be established to ensure transparency and fairness in the system and eliminate the risk of abuse.
Trade facilitation	<ul style="list-style-type: none"> • Explore the possible value of creating new classifications to facilitate circular trade flows - Host a discussion on the need and process for identifying potential additional codes required to facilitate circular trade flows • Dedicated capacity-building initiative for automating and digitizing the PIC procedure is particularly needed. Such an initiative could specifically focus support to border and environmental agencies in low-income countries that do not have the resources, digital infrastructure or skills base to participate in an e-PIC system. • Identify practical solutions to better capture and communicate circular relevant information on goods at international borders in a way that is globally interoperable and compatible with the HS system or other customs measures but can extend classification beyond physical attributes • Plurilateral pilots between cohorts of willing countries to pilot technological and procedural solutions for improving the transparency and traceability of circular trade flows
Capacity building	<p>A global ‘repairation’ fund established to provide investments and financing to local governments, workers’ cooperatives and social entrepreneurs for circular solutions such as repair, recycling and remanufacturing.</p>
Trade and Economic Cooperation Agreements	<ul style="list-style-type: none"> • Map shortlist of goods necessary for conducting activities that offer a substantial contribution to the circular economy, as defined by the EU taxonomy for sustainable activities, but are currently subject to high tariffs. • Embed circularity in specific areas of trade and economic cooperation agreements: Technical barriers to trade; mutual areas for investments in the circular economy; public procurement processes and best practice. • Evaluate the scale, nature and environmental impact of linear subsidies for different kinds of circular trade flows, and identify where opportunities exist to introduce circular subsidies.

**Recommended priority actions*

Additional resources

ANALYSIS

ECONOMY AND FINANCE

GOING CIRCULAR

How the Harmonized System Codes Can/Not Support a Circular Economy and What Else Could Be Done

Jack Barrie and Gael Grooby
August 2023

→ Are you interested in the circular economy? Did you always want to deepen your understanding about the HS codes? And are you open for experiments? Then please read this paper.

→ It evaluates the extent to which the World Customs Organization Harmonized System of Codes (HS), a standardised method of classifying and tracking traded goods, could play a role in facilitating a circular economy.

→ The HS will be a critical tool for a global CE transition, enabling governments to monitor, regulate and facilitate circular trade flows more effectively. However, maximising the potential use for this would require some significant changes to the way the HS works.



World Customs Organization
Organisation mondiale des douanes



FRIEDRICH
EBERT
STIFTUNG

[Available
HERE](#)

Framework Document

Trade for an inclusive circular economy

A framework for collective action

June 2022

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Institute for European Environmental Policy



AFRICAN GREEN AND BLUE ECONOMY ALLIANCE



CIRCULAR ECONOMY COALITION



CHATHAM HOUSE



UNIDO



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

[Available
HERE](#)

Research Paper

The role of international trade in realizing an inclusive circular economy

September 2022

Environment and Society Programme

Jack Barrie, Patrick Schröder and Marianne Schneider-Petsinger, with Richard King and Tim G. Benton



CHATHAM HOUSE

Low res

[Available HERE](#)

Additional information

- Absence of, or divergence in the interpretation of, definitions and classification of goods in terms of their circularity.
- HS codes: (i) do not always permit border officials to discriminate between waste and used goods for reuse or SRM-recovery; (ii) do not align perfectly with the definitions of hazardous, non-hazardous and other wastes as outlined in the Basel Convention
- Many countries interpret remanufactured goods as being equivalent to used goods. Cores being destined for a new life often legally classified as waste.
- Limited incorporation of different circular trade flows into the Harmonized System (HS) - only one remanufactured good – retreaded tyres – has a universally accepted code

‘Stocktaking’ exercise of best practices, existing definitions and classification of products as regards circularity. Identify potential gaps and opportunities for wider uptake of shared definitions and classifications.

Working group to identify practical solutions to better capture and communicate circular-relevant information on goods at international borders in a way that is globally interoperable and compatible with the HS system.

- Important that barriers to circular trade are reduced for countries willing to participate in these trade flows.
- TBT: Technical standards (voluntary), regulations (mandatory) & conformity assessment procedures (CAPs) enable or inhibit circular trade flows.
- Example: introduction of overly restrictive conformity inspections on remanufactured goods

Prioritization and knowledge-sharing exercise between willing countries, hosted by the likes of TESSD, the Global Alliance on Circular Economy and Resource Efficiency (GACERE) or the regional circular economy coalitions, would help identify the evolving areas (or lack thereof) of regulations and standards most critical for circular trade, and where opportunities exist for mutual recognition or cooperation towards common standards

Mutual recognition agreements of conformity assessment procedures would allow an importing country to recognize ex ante the technical competence of a specific body in an exporting country to perform conformity assessment.

- Expediting the movement, release and clearance of goods, including goods in transit & measures for effective cooperation between customs and other appropriate authorities
- Challenges for circular trade facilitation include complexities of product classifications as well as cumbersome trade-permitting processes, particularly for products classified as hazardous.
- Developing countries lack infrastructure and capacity to implement trade facilitation measures (e.g ePIC)

Dedicated capacity-building initiative for automating and digitizing the PIC procedure is particularly needed. Such an initiative could specifically focus support to border and environmental agencies in low-income countries that do not have the resources, digital infrastructure or skills base to participate in an e-PIC system.

Plurilateral pilots between cohorts of willing countries to pilot technological and procedural solutions for improving the transparency and traceability of circular trade flows

- Existing global inequities in digital capabilities, infrastructure, finance and development are likely to mean that circular trade divide remains or, worse, becomes wider.
- Businesses in developing countries (particularly micro, small and medium-sized enterprises) will experience the biggest technical barriers to trade as circular standards and regulations (along with broader environmental measures such as the EU's Carbon Border Adjustment Mechanism) are ratcheted up in developed countries.
- Ambitious CE policies (e.g. in EU) will not be met without full value chain collaboration

A global 'repairation' fund established to provide investments and financing to local governments, workers' cooperatives and social entrepreneurs for circular solutions such as repair, recycling and remanufacturing.

Trade and Economic Cooperation Agreements

Trade and economic cooperation agreements (bilateral, regional and plurilateral) are important mechanisms to deliver on the other four areas for collective action.

Embed circularity in specific areas of trade and economic cooperation agreements:

- Technical barriers to trade - encouraging national and regional participation in the preparation and use of international circular economy standards;
- Clarifying mutual areas for investments in the circular economy;
- Public procurement processes and best practice.

Map shortlist of goods necessary for conducting activities that offer a substantial contribution to the circular economy, as defined by the EU taxonomy for sustainable activities, but are currently subject to high tariffs.

Evaluate the scale, nature and environmental impact of linear subsidies for different kinds of circular trade flows, and identify where opportunities exist to introduce circular subsidies.

Long-term, well-resourced and globally coordinated approach to the policing of illegal waste trade is needed. (Build on the work of the Green Customs Initiative and DEMETER Operations)

Examples of Circular Economy Enabling Goods

Category of traded circular good	Examples
Equipment, machinery, spare parts and tools for conducting circular activities	reuse, repair, remanufacturing, recycling and waste management or sustainable agricultural activities
Monitoring and tracking equipment and sensors	map the flow of materials along the entire value chain
Digital hardware and software	store and retrieve supply-chain data, conduct product-service system business models
Specialist equipment for producing circular materials	industrial biotechnologies and materials science
Goods related to achieving energy efficiency and the provision of renewable energy	energy efficiency technologies, renewable energy generation and storage technologies
Finished goods designed to be circular over their life cycle	durable, easy to recycle, non-toxic, repairable and reusable, produced via circular production methods, and complying with strict product standards

Examples of Circular Economy Enabling Services

GATS Mode	Traded circular service
<p>Mode 1: Cross border trade A user in importing country receives services from abroad through its telecommunications or postal infrastructure.</p>	<p>Online services: remote monitoring of equipment, provision of online sharing applications and platforms, or circular design expertise, educational courses</p>
<p>Mode 3: Commercial presence The service is provided within importing country by a locally-established affiliate, subsidiary, or representative office of a foreign-owned & controlled company</p>	<p>Repair, refurbishment, remanufacturing, recycling or waste management services</p> <p>Global trade in maintenance and repair services increased in value from a total of \$73.8 billion in 2015 to \$108.1 billion in 2019</p>
<p>Mode 4: Presence of natural persons A foreign national provides a service within A as an independent supplier</p>	<p>Assembly, installation, maintenance, repair and testing of circular equipment and infrastructure</p>

Examples of Circular Economy Enabling IP

- Protection of trade secrets and the minimal licensing of patents can **restrict third-party organizations from undertaking circular activities** on the goods that would otherwise end up as waste.
 - Particular problem when IP holders, such as OEMs, trade goods into markets where they have **limited presence or capacity to collect such goods at the end of their life**, and therefore limited ability to extract additional value from them.
 - **Consequences:** (i) inefficient, (ii) contributes to environmental pollution and human exposure to hazardous chemicals - in countries with poor waste management systems, (iii) curtails the potential for job creation in emerging markets.
 - **Right to repair** and **DPP** – how does IP transfer work across jurisdictions?
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