



# THE TRADE CONSEQUENCES OF A GLOBAL CIRCULAR ECONOMY TRANSITION

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# The role of trade in the Circular Economy transition

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## Objectives

- Connect the insights from OECD work on circular economy with trade policy
- Discuss the role of trade in the CE transition

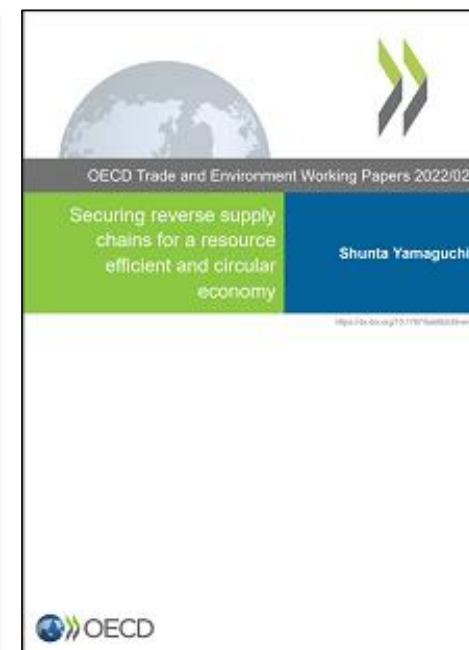
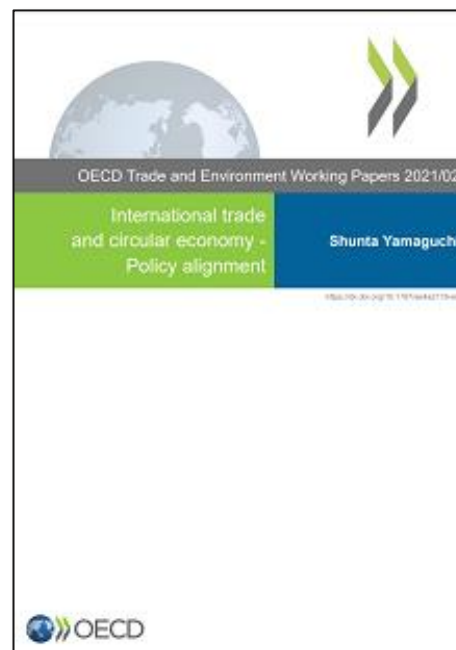
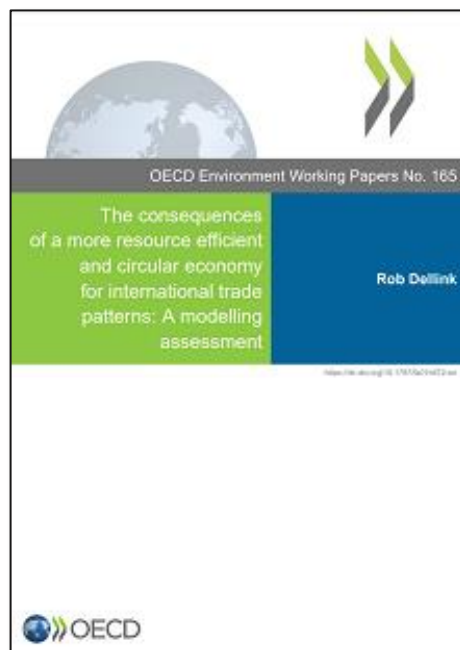
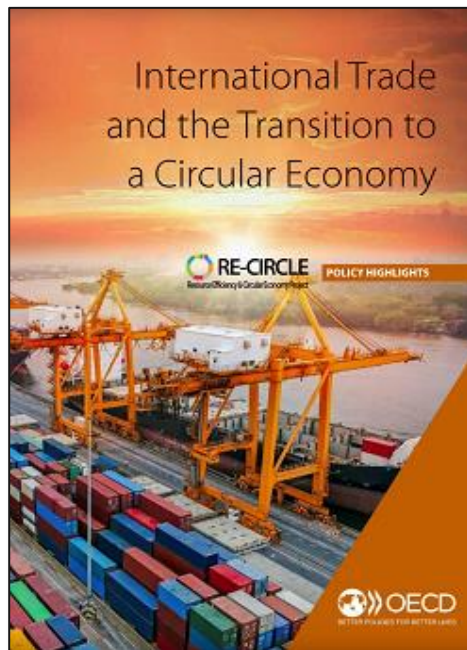
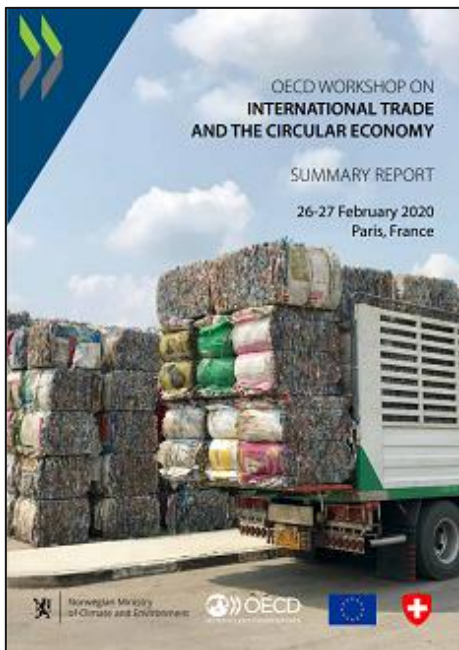
## Key questions

- How can trade contribute to a more resource-efficient and circular economy?
- In what ways can we secure policy coherence to facilitate the circular economy transition?





# Policy guidance on trade from the RE-CIRCLE project

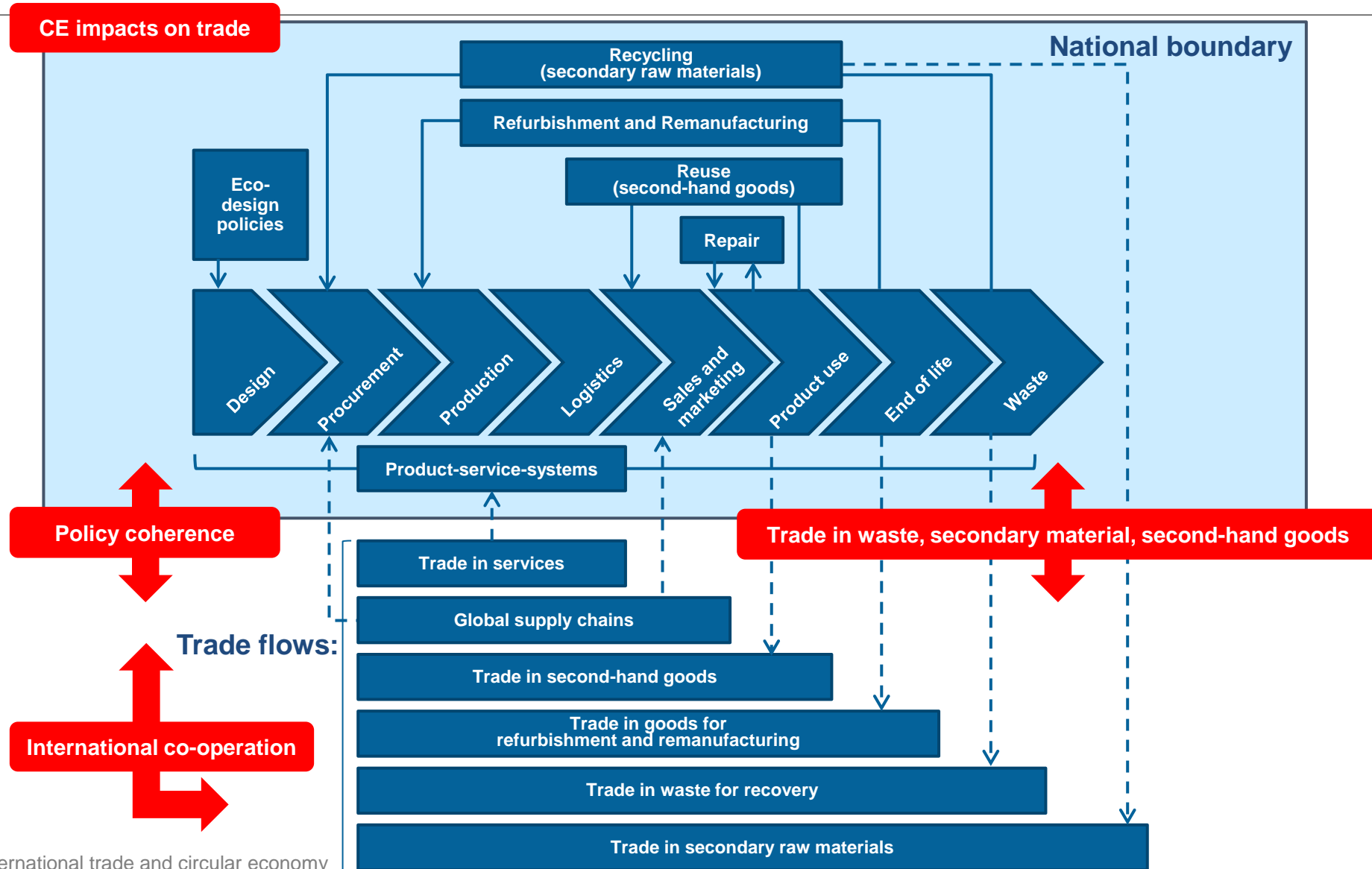




# INTERNATIONAL TRADE AND CIRCULAR ECONOMY

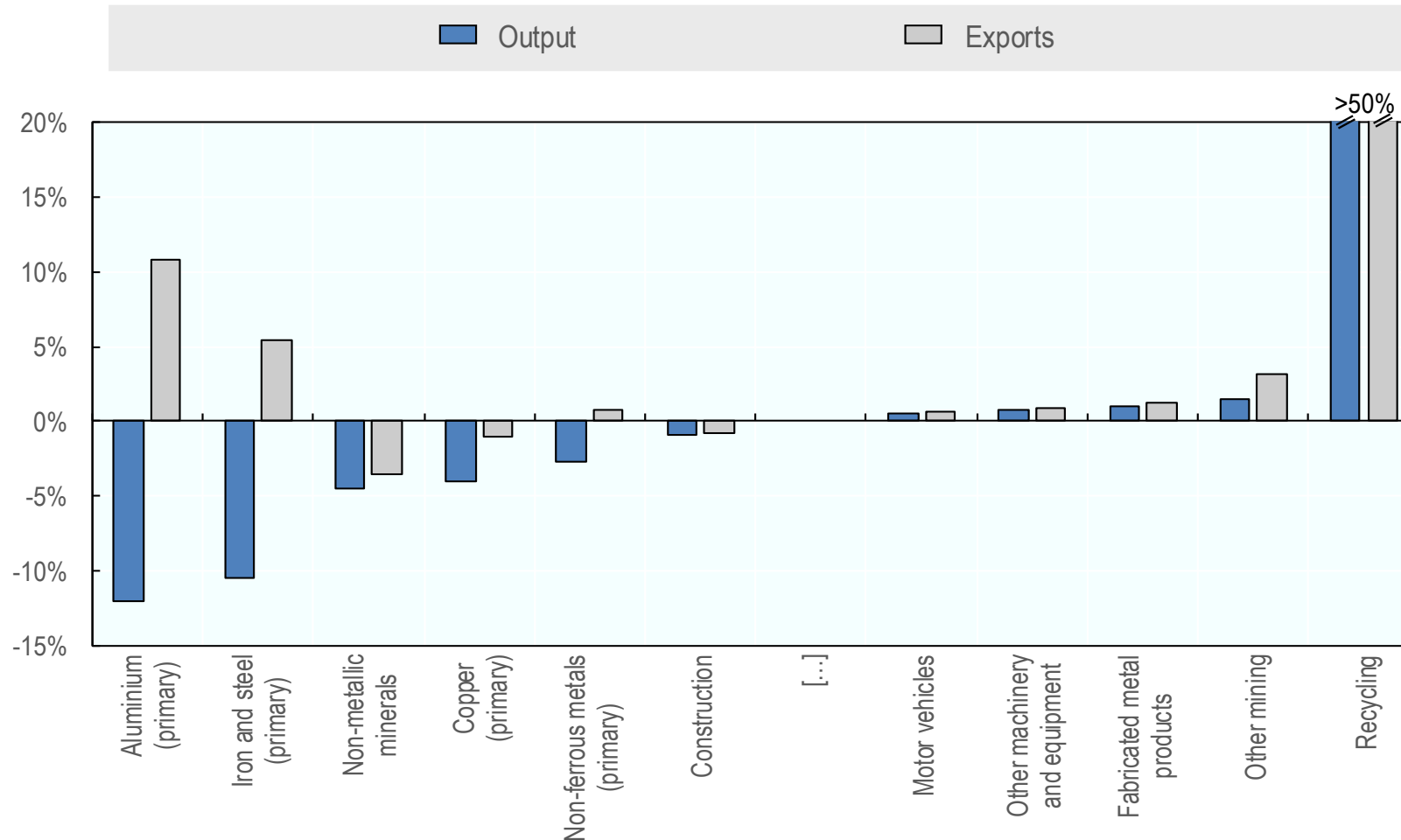


# Broad interlinkages between trade and circular economy





# A material fiscal reform affects global sectoral output and exports in 2040

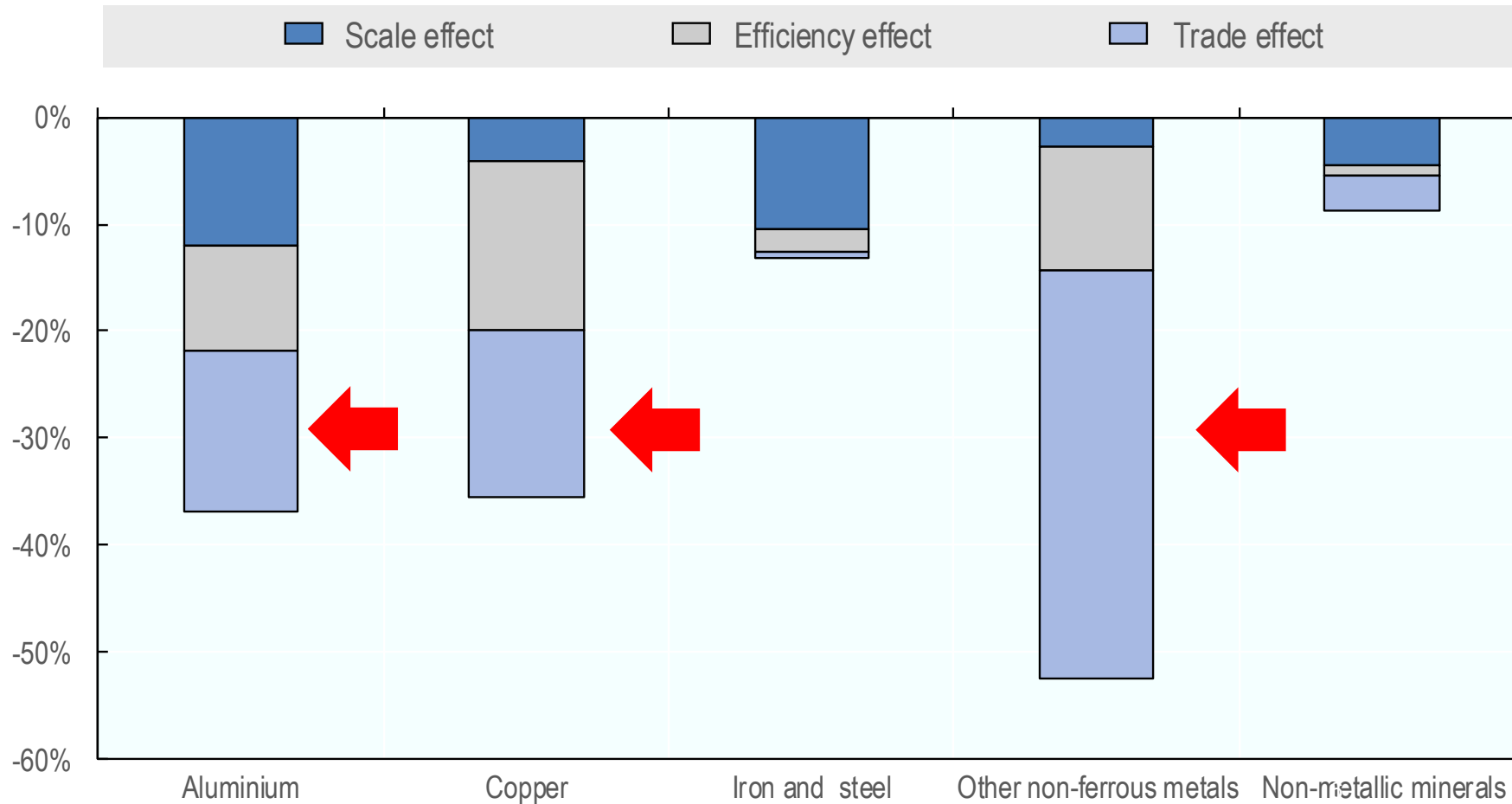


Results in deviation from baseline projection

Policy package: tax on raw materials, subsidy to recycled materials, labour tax reduction



# International trade can contribute to reduced material use

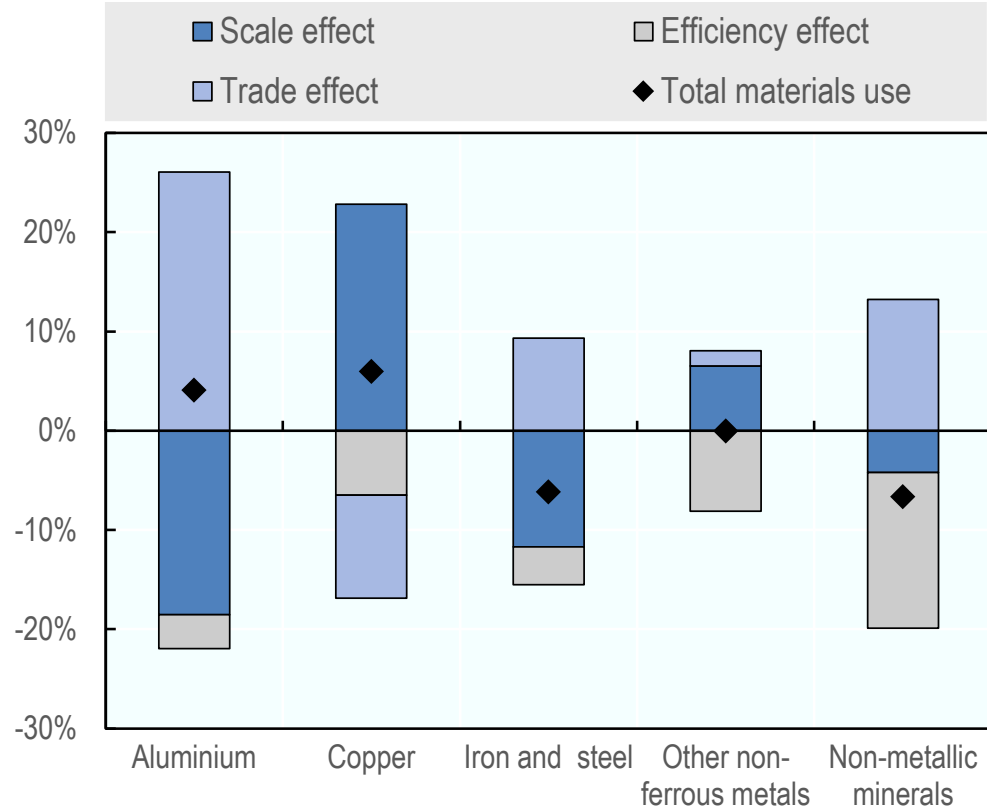
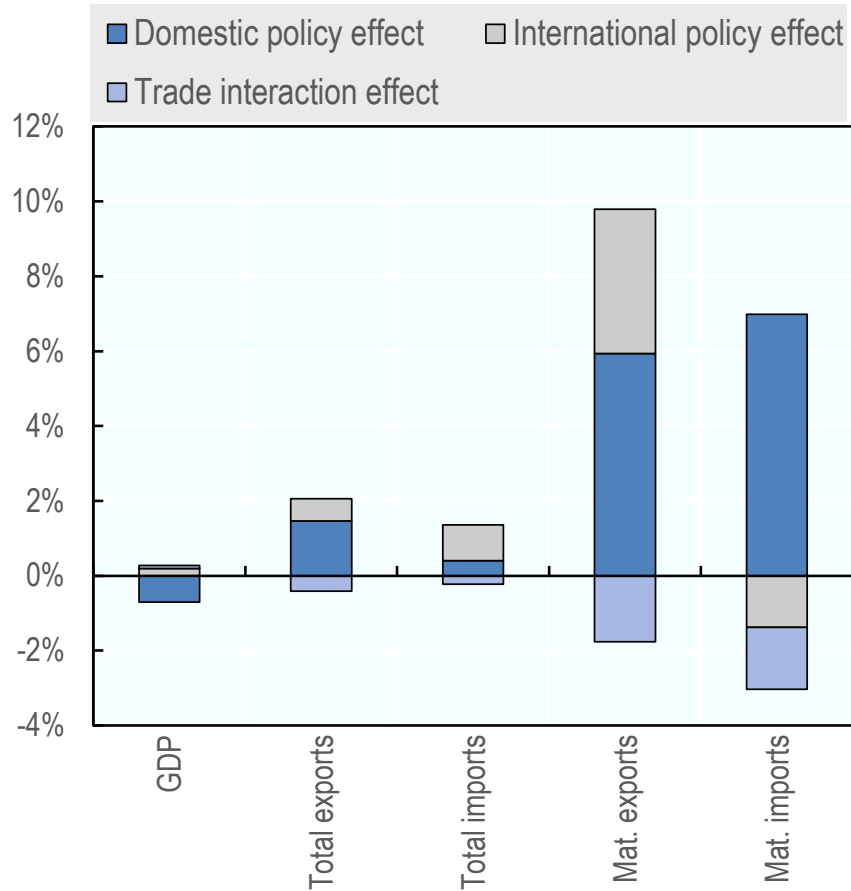


Results in deviation from baseline projection in 2040

Policy package: tax on raw materials, subsidy to recycled materials, labour tax reduction



# Key projections for South Africa



Results in deviation from baseline projection in 2040

Policy package: tax on raw materials, subsidy to recycled materials, labour tax reduction





# Trade policies - multilateral trade regime

## Multilateral trade rules

- **Non-discrimination** (National Treatment and Most Favored Nation Treatment)
- **General exceptions** (GATT article XX(b) & (g))
- **Technical Barriers to Trade** (TBT) Agreement
  - facilitate trade and harmonise technical regulations as widely as possible.
  - encourages members to adopt international standards for policy making.
- **Transparency, consultation, capacity building** (GATT, TBT Agreement)

## On-going discussions at the multilateral level

- **Trade and Environmental Sustainability Structured Discussions (TESSD)**
  - Informal working group on circular economy



# Trade policies - regional trade agreements

**Specific provisions on circular economy** so far found in 2 agreements + 5 drafts

- **UK-New Zealand FTA** (Environment Chapter, Article 22.13) → eco-design, information, labelling, quality standards
- **EU-United Kingdom** Trade and Co-operation Agreement (MEA, Article 400)
- (Draft) **EU-Mexico** Global Agreement, Modernisation (TSD Chapter, Article 13)
- (Draft) **EU-New Zealand** FTA (TSD Chapter, Article 5)
- (Draft) **EU-Australia** FTA (TSD Chapter, Article 5)
- (Draft) **EU-Mercosur** FTA (TSD Chapter, Article 13)
- (Draft) **EU-Chile** FTA, Modernisation (TSD Chapter, Article 12)

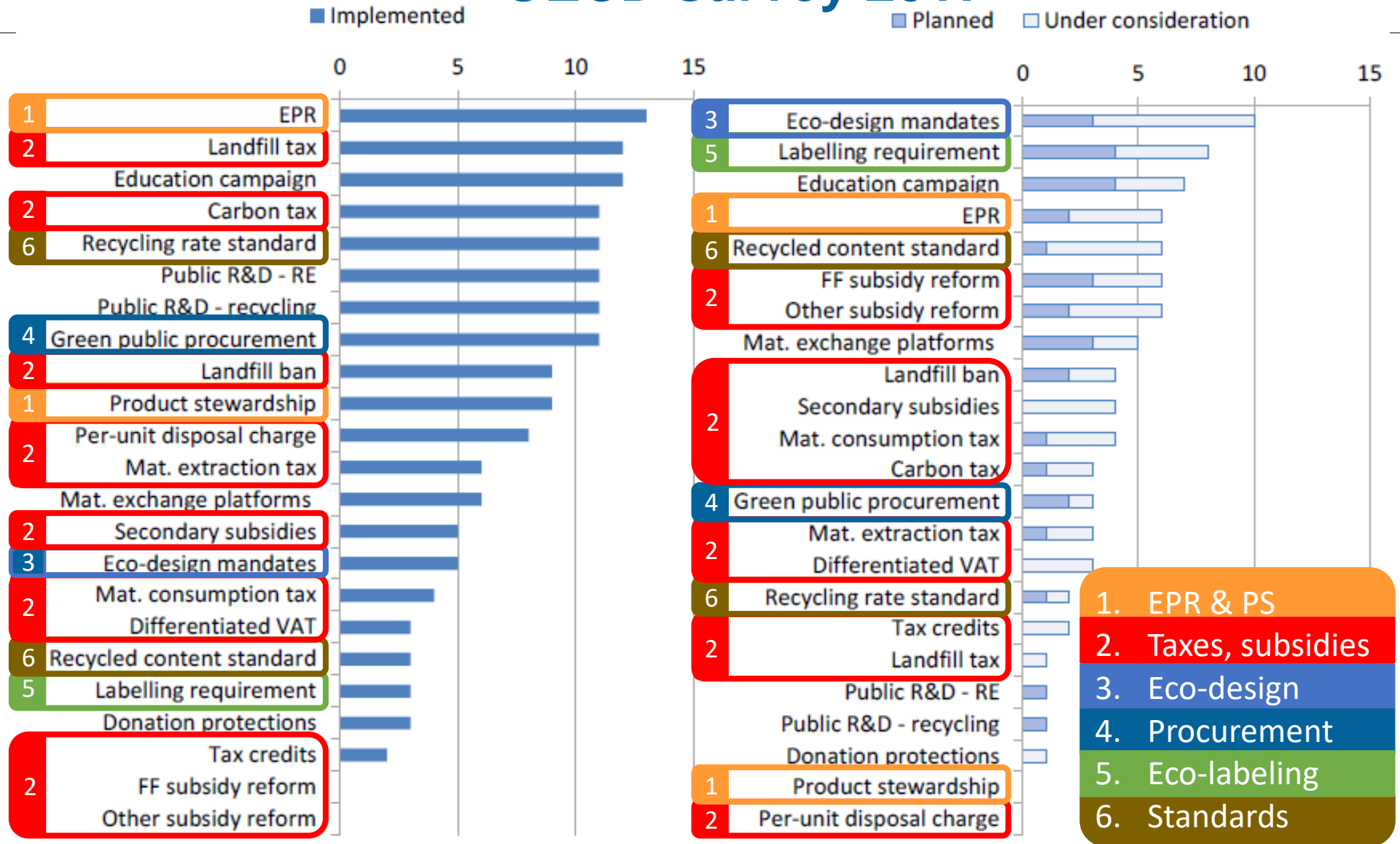
**Circular economy related provisions** found more broadly:

- natural resources and waste management
- references to the Basel Convention
- specific provisions on food waste (i.e. USMCA)
- clarifying status of remanufactured goods (e.g. EU-Japan, EU-Vietnam FTAs)
- limit use of import restrictions for remanufactured goods (e.g. CP-TPP, USMCA)
- recycling services commitments (e.g. EU-Korea, EU-Singapore, EU-Vietnam FTAs)
- bilateral dialogues on raw materials (i.e. CETA)



# Policies for resource efficiency & circular economy

## OECD survey 2017





# Issues for consideration

## **Trade can contribute to a circular economy via economies of scale**

- Trade impediments for circular business models need to be addressed
- Trade leading to negative environmental consequences needs to be avoided

## **Circular economy concept should extend to supply chains**

- Environmentally sustainable just transition for the extractive sector is vital

## **Circular economy opportunities for end-of-life value chains are mixed**

- Promising areas (e.g. secondary raw materials, refurbishing & remanufacturing)
- Challenging areas with potential trade-offs between environmental protection and economic efficiency (e.g. trade in waste and scrap, second-hand-goods)

## **Trade in services appear critical for circular business models**

- Typically require the movement of people, information and data

## **Better transparency & traceability of value chains needed**

- Definitions & classifications, standards, regulations, trade facilitation, innovation



# Towards a mutually supportive agenda

## Promoting trade in environmental goods and services

- Goods for recycling and waste management
- Secondary-raw materials, goods for refurbishment and remanufacturing

## Definitions & classifications

- Clarify different definitions and classifications of waste, secondary materials, second-hand goods, goods for refurbishment and remanufacturing
- Co-operation towards establishing HS codes and alignment of industry codes

## Standards

- Harmonisation and mutual acceptance of circular economy related standards & conformity assessment
- Co-operation towards common standards (e.g. quality of secondary raw materials, recovery facilities)

## Regulations

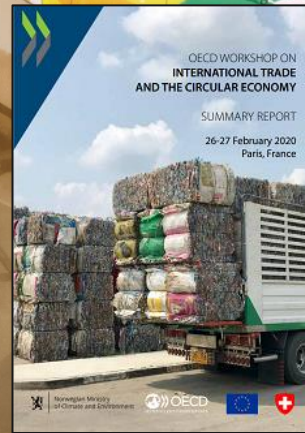
- Account for end-of-life value chains and tackle free-riding from online sales (EPR)
- Support cross-border reverse supply chains - secure prior informed consent procedures, clarify status
- Tackle illegal waste trade, remove trade restrictions where possible

## Further areas for co-operation

- Aid for Trade, trade facilitation, digital technology, innovation, upstream (eco-design & product passports)



**THANK YOU!**



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<http://oe.cd/recircle>

<http://oe.cd/trade-ce>

