



## WTO TRADE AND ENVIRONMENTAL SUSTAINABILITY STRUCTURED DISCUSSIONS

INFORMAL WORKING GROUP ON CIRCULAR ECONOMY – CIRCULARITY  
HELD ON 18 MAY 2022 (10:00-13:00)

### *Summary of discussions<sup>1</sup>*

#### **1 Introductory remarks by the facilitators**

1.1. The facilitators of the Working Group on Circular Economy, Olivia Cook (Chile) and Kazunari Morii (Japan), recalled the constructive discussions on circular economy that took place in the TESSD plenary meeting of March 2022. They noted Members' recognition of circular economy as an important policy objective for environmental sustainability while setting different policy scopes and employing various policy tools at the national level. They mentioned that this meeting would serve to introduce business perspectives on the circular economy to enhance Members' common understanding in this regard. This would enable Members to identify trade-related issues that businesses were facing and which could be addressed by governments.

#### **2 Presentations by the International Chamber of Commerce (ICC) and representatives of IKEA, Mercedes Benz Group, Ragn-Sells Group and TrashCon**

2.1. The representative of the International Chamber of Commerce (ICC) recalled a study commissioned by the ICC on Trade and Circular Economy, which had been presented at the TESSD meeting of 7 February 2022. The study had found that the lack of consistent policy frameworks at national, regional and global levels had hindered progress towards a circular economy. Businesses could help identify related obstacles by sharing their perspectives on what sort of policy frameworks could promote the transition to the most sustainable and circular business models.

2.2. The representative of IKEA made a presentation on how IKEA was rethinking business models to enable a transition from a linear to circular economy. Working on a global scale, trade played a key role for IKEA's ability to conduct business in this transition and a change in its customer behaviour emphasized the need to find long-lasting sustainable solutions. IKEA had made a commitment to use only renewable and recyclable material sources by 2030, which required transforming its complete value chain. Opportunities in the process included: (i) using circularity to limit climate impact and address resource scarcity; (ii) exploring new business models and circular innovations; and (iii) redefining waste. Challenges for the development of circular business models included the need for: (i) a holistic approach and scalability through harmonization and common definitions; (ii) an incremental development approach; (iii) understanding new sustainable models, including trade of primary and secondary materials and products; and (iv) developing infrastructure while limiting administrative burdens.

2.3. The representative of the Mercedes Benz Group underlined three action points on how to reduce and rethink resource consumption: (i) design for circularity; (ii) achieving longer lifetime; and (iii) closing the loop by introducing recycled material into the supply chain. Emphasizing the importance of batteries and extending their lifetime, the presentation informed about related difficulties such as: (i) cross-border transport issues; (ii) classification of batteries as "waste"; (iii) customs procedures; and (iv) regulatory fragmentation for batteries' regulation. She also

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<sup>1</sup> This summary, prepared and circulated under the facilitators' responsibility, is being shared with a view to providing delegations with a record of the discussions. It provides a non-exhaustive, illustrative review of the issues addressed by Members at the meeting.

pointed to possible solutions such as rethinking used batteries as secondary raw materials by looking at their purpose instead of their functionality, and international harmonization on how to treat batteries.

2.4. The representative of the Ragn-Sells Group informed on the company's activities to circular solutions and re-using resources that would help food security and build a sustainable society. The company was working towards putting CO<sub>2</sub> in a circular loop by treating ash and combining it with captured CO<sub>2</sub> to form calcium carbonate, which could then be used to produce vinyl flooring. On the agricultural front, the company was providing closed loop solutions by devising technical solutions to extract detoxified nutrients from wastewater treatment plants. Regulatory barriers and heterogeneity hindered trade in recycled products, including detoxified nutrients (e.g. potassium, nitrogen, phosphorus) that could be used in fertilizers.

2.5. The representative of TrashCon noted that less than 10% of waste in developing countries such as India was segregated. The company had developed a technology to resolve the issue of waste segregation by separating plastic and food wastes and reusing plastic waste to make plywood sheets that could be used for furniture. Trade challenges faced by the company included vague policies, fragmented regulations for the waste management industry, lack of subsidies on circular economy, different approaches to waste management by governments/bureaucracy, and a lack of uniformity in operating models and policies suited to fit vested interests. Suggestions for short and long-term solutions included improving the policy framework, enhancing accountability, allocation of subsidies for circular technologies, increased stakeholder involvement, and standardization of products.

### **3 Presentation by the World Economic Forum (WEF) on possible vertical and horizontal approaches for circular trade**

3.1. The World Economic Forum (WEF) made a presentation on trade-related challenges and possible solutions for improving e-waste recycling, as well as what trade policy could more broadly do to support the momentum towards a global circular economy. Opportunities related to e-waste recycling included tapping into approximately USD 57 billion in materials like iron, copper and gold, and critical materials for green energy transition, creating new jobs, and reducing emissions by replacing primary extraction of materials with recycling. It also highlighted challenges pertaining to the transboundary movement of electronics and e-waste under the PIC procedure of the Basel Convention and suggested exploring digitalization and improving cooperation between environment and trade policy to bring trade facilitation expertise to hazardous waste trade management.

### **4 Reactions to the presentations**

4.1. Five Members<sup>2</sup> took the floor to react to the presentations and discuss challenges and opportunities of businesses in the respective sectors. The representative of Tajikistan announced that it would join TESSD as co-sponsor, underlining the importance of boosting trade and environmental sustainability for the benefit of all Members. He noted that, under the Paris Agreement, Tajikistan had committed to reduce greenhouse gas emissions by 80-90% compared to the 1990 level and, with the support of the international community, it aimed to reduce its emissions by 65-75%.

4.2. One Member emphasized the importance of achieving "circularity" beyond material flow and encompassing emissions and, in this context, shared its belief in the key role that the circular economy and circular carbon economy could play in achieving the goal of global sustainable trade. Another Member noted the strong message that came through the presentations that circular economy needed a holistic approach, which could be impeded by fragmented regulations even when done with best interests. It also noted the interlinkages of climate change with circular economy and suggested to focus on specific areas such as e-wastes.

4.3. Another Member emphasized that the objective of the Basel Convention was the protection of the environment and that Members' objectives to facilitate trade should not undermine the need to protect the environment and human health. It was also suggested to explore the contributions of the circular economy in achieving the 10 Year Framework of Programmes on Sustainable

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<sup>2</sup> Ecuador, European Union, Japan, Saudi Arabia and Tajikistan.

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Consumption and Production Patterns (10YFP), which would be presented at the Stockholm+50 conference.

4.4. Another Member highlighted the role that circular economy played in contributing to the conservation of biodiversity. It noted that discussions on circular economy should focus on promotion and facilitation of trade in environmental goods and services, including bioeconomy, sustainable tourism, agriculture, forestry and substitutes. According to this Member, technology and financing are essential elements to enhance the potential of circular economy. Further, it noted that discussions on circular economy should be aligned with the Basel and Stockholm Conventions and should also account for public health.

## 5 Exchange of views by Members

- What are Members' experiences and lessons learned from efforts to advance circular economy goals (including reducing unsustainable resource use, promoting resource efficiency, sustainability and safety across product lifecycles, restoring and regenerating ecosystems, and minimizing waste) and the opportunities and challenges linked to trade and trade policies? (Indications of specific sectors/trade-related issues of Members' interests and expected outcomes are welcome.)

5.1. The last segment saw eight Members<sup>3</sup> take the floor to exchange views. Several Members shared their national experiences on how a circular economy approach was supporting sustainable development and climate change goals. Canada shared that it was actively pursuing research and engagement to identify opportunities to accelerate the transition to a more circular economy across the country. In order to achieve its ambitious plan to eliminate plastic waste by 2030 and transition to a circular economy, it had implemented a "right to repair" to extend the lifetime of products such as home appliances and electric appliances rather than purchasing new ones. It was also developing a strategy to encourage value-retention processes (VRPs) including remanufacturing, refurbishment, reuse and repair.

5.2. Switzerland also shared a national experience by stating that it had a well-functioning system of PET and glass bottle recycling. The system operated within a federal regulation that required three quarters of bottles to be recycled. A deposit fee occurred if the percentage did not reach this threshold. It noted that, in practice, more than 80% of bottles were returned to dedicated collection points, which were managed on the basis of a voluntary sectoral solution. While such systems had their own limitations, these experiences demonstrated that putting circular economy into practice could be successful.

5.3. As the first country in Latin America to adopt a National Circular Economy Policy in 2019, the representative of Colombia informed that its strategy promoted efficiency in the use of materials, water and energy, taking into account the resilience of ecosystems and the circular use of material flows. The main objective of its strategy was to increase its recycling rate from 8% to 12.5% by 2022 while prioritizing action on six material or resource flows: industrial materials and consumer goods; packaging materials; biomass; energy; water; and building materials.

5.4. The representative of Chile noted that circular economy should be realised through: (i) eliminating waste from product design; (ii) keeping materials and products in use for as long as possible; and (iii) regenerating natural systems. On this note, it spoke about a management tool that had resulted in a Roadmap for Circular Chile by 2040, prioritizing 28 initiatives and serving as a basis for promoting the transition. This roadmap was organized into four main and complementary axes: circular innovation, circular culture, circular regulation, and circular territories. This was in addition to the Extended Producer Responsibility Law, in force since 2016, which made producers of priority products responsible for financing the proper management of waste generated by products that were sold on the domestic market (whether national or imported products). Chile also shared a few ideas on challenges it had faced such as encouraging better access to spare and repair parts for products through trade facilitation or innovative regulatory tools and facilitating recycling and waste recovery by improving the information provided on the composition of certain products that were imported-exported.

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<sup>3</sup> Canada, Chile, Colombia, Costa Rica, European Union, Japan, Switzerland, and United States.

5.5. The representative of Japan shared a national practice with the group. It apprised the group of its domestic legislation that had been updated to reflect the evolving concept of a circular economy, and currently encompassed themes such as resource efficiency, material efficiency and the interdependence of environmental sustainability and economic growth. On this note, it encouraged discussions within TESSD on a sector-specific basis in areas where there was widespread recognition of the benefits of circular economy, while avoiding unnecessary overlap with other fora.

5.6. The representative of Costa Rica noted that it had launched its National Bioeconomy Strategy in August 2020, an initiative that had a knowledge-based, green and resilient decarbonized and competitive economy as its model. It proposed the application of the principles of a circular bioeconomy and decarbonization of production and consumption processes. It also provided a framework for the integration of public and private proposals, the orientation of investments, development of incentives and the articulation of production and environment. This strategy was expected to be implemented in three phases over the course of 10 years: the impulse phase, the scaling-up phase and the consolidation phase.

5.7. The representative of the United States shared that, since 2009, it had promoted the concept of sustainable materials management (SMM), which advanced the systemic and productive use and reuse of materials over their lifecycles with limited impact on the environment. Under its Save our Seas 2.0 Act, a circular economy was defined as an economy that used a systems-focused approach. It had also recently released a National Recycling Strategy with five strategic objectives: (i) improve markets for recycling commodities; (ii) increase collection and improve materials management infrastructure; (iii) reduce contamination in the recycled materials stream; (iv) enhance policies to support recycling; and (v) standardize measurement and increase data collection. It clarified that, while this initial 2021 Strategy focused on the recycling of municipal solid waste, it intended to undertake additional work to create a circular economy where materials (such as plastics, food waste, electronics and industrial materials) were sustainably managed throughout their lifecycle.

5.8. The representative of the European Union shared its three-pronged approach to circular economy: (i) improving product design so that waste and hazardous chemicals could be designed out right at the beginning of a product's conception; (ii) maintaining the material resources and energy from which products were made for as long as possible in the economic cycle; and (iii) end-of-life phase of products, where the objective was to bring back into the economic cycle secondary raw materials and recycled waste to the extent possible. Echoing Japan's point, the EU noted that trade policy should be synergic to relevant multilateral environmental agreements, notably the Basel Convention, in supporting the harmonization of waste standards and treatment practices at the international level, as well as making sure that exports of waste did not generate environmental or public health challenges in destination countries.

## **6 Interventions by stakeholders**

6.1. The representative of Forum on Trade, Environment and the SDGs (TESS) raised a few points in mapping circular economy trade. First, limitations in the HS system in relation to definitions made it difficult to extract enough information about trade in circular, for e.g. it did not differentiate between second-hand goods, secondary raw materials or re-manufactured goods. Second, it would be useful to map the circular economy policies which had trade implications and map different trade related issues across the lifecycle of a product starting from the extraction stage to product design, manufacturing, packaging, consumption and the end-of-life stage. Third, it suggested that focusing on key value chains in sectors such as electronics, chemicals, textiles or agriculture could also be useful.

6.2. The representative of the United Nations Environment Programme (UNEP) shared that, in alignment with the recent UNEA resolution of March 2022, UNEP was working on a project with two national case studies – in Thailand and Kenya – to assess the role of trade policy in supporting circular and sustainable textile value chains. The project built on the flagship report on [Sustainability and Circularity in the Textile Value Chain](#), published by UNEP in 2020, which identified environmental and socio-economic hotspots and impacts along the value chain, recognized a plethora of initiatives to address these impacts, and outlined priority action areas. This project had undertaken two main activities, which were identifying environmental hotspots in textile value chains linked to the triple planetary crises and identifying and evaluating trade policy and trade-related measures to support textile value chains.

6.3. The representative of the Quaker United Nations Office (QUNO) highlighted a key challenge in differentiating waste from recyclable waste was developing benchmarks in the form of joint standards as that would give a boost to trade that supported the circular economy. It was noted that, with the right enabling conditions, the circular economy could provide new opportunities for economic diversification, value creation and skills development. It was also emphasized that circular economy transition at the international level should include technical assistance and capacity building for developing Members and, at the local level, it should consider the impact on resource and land requirements and, by extension, on the human rights of all, including indigenous communities.

6.4. The representative of the United Nations Economic Commission for Europe (UNECE) underlined the role that consumers and producers played in circular economy transition, and how they could be supported at national, regional and international levels. It also emphasized the importance of a sectoral approach and as an example shared its UNECE Toolbox on Transparency and Traceability, which traced the environmental and social impacts along supply chains. At present, it covered sectors such as cotton, leather, minerals and agrifood. It also invited the group to participate at its event on 27 June, "Harnessing the power of trade and economic cooperation for the circular economy transition".

6.5. Echoing other speakers' points, the representative of the Organisation for Economic Co-operation and Development (OECD) noted that circular economy should extend to supply chains and to achieve that there was a need to improve transparency and traceability of value chains. It also reiterated the need to have clarity in definitions and classifications of waste, secondary materials, second-hand goods and goods for refurbishment and remanufacturing while harmonizing circular economy-related standards and conformity assessment procedures.

6.6. The representative of the United Nations Industrial Development Organization (UNIDO) provided updates on its medium-term programming framework with three strategic objectives, which were climate neutral industry and circular economy, digital transformation and innovation, and a focus on the value chains sector to trigger structural transformation. Based on this portfolio, they covered circular bioeconomy, plastics, textiles, electronics, construction and construction materials such as cement, green chemistry and innovative business models. In addition, it had set up 66 resource efficient and cleaner production centres in 51 developing countries in collaboration with UNEP since 1994. UNIDO also informed that it was a member of the International Organization for Standardization (ISO) technical committee on circular economy, which was working on standardizing definitions under circular economy practices.

## **7 Concluding remarks by the Facilitators**

7.1. The facilitators thanked Members and stakeholders for sharing their perspectives and experiences in advancing circular economy goals across a broad range of areas. They noted that it would be important to pay attention on how to address opportunities and challenges of the circular economy for the sustainable development of developing countries and LDCs. Going forward, the facilitators invited interested Members to share their ideas and views with them regarding issues to be addressed in their work.

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