



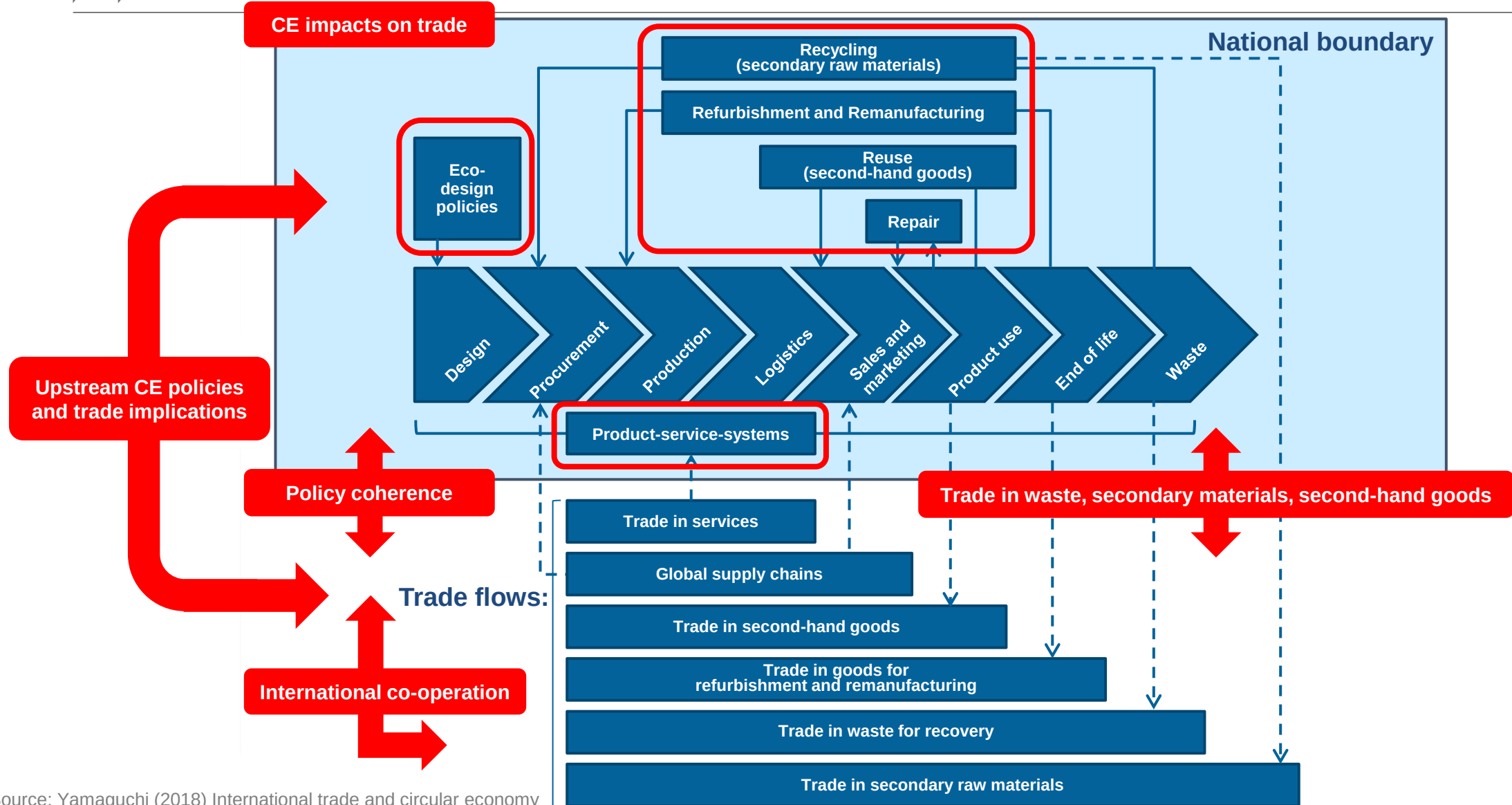
TRADE IMPLICATIONS OF UPSTREAM CIRCULAR ECONOMY POLICIES

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WTO TESSD Working Group on Circular Economy
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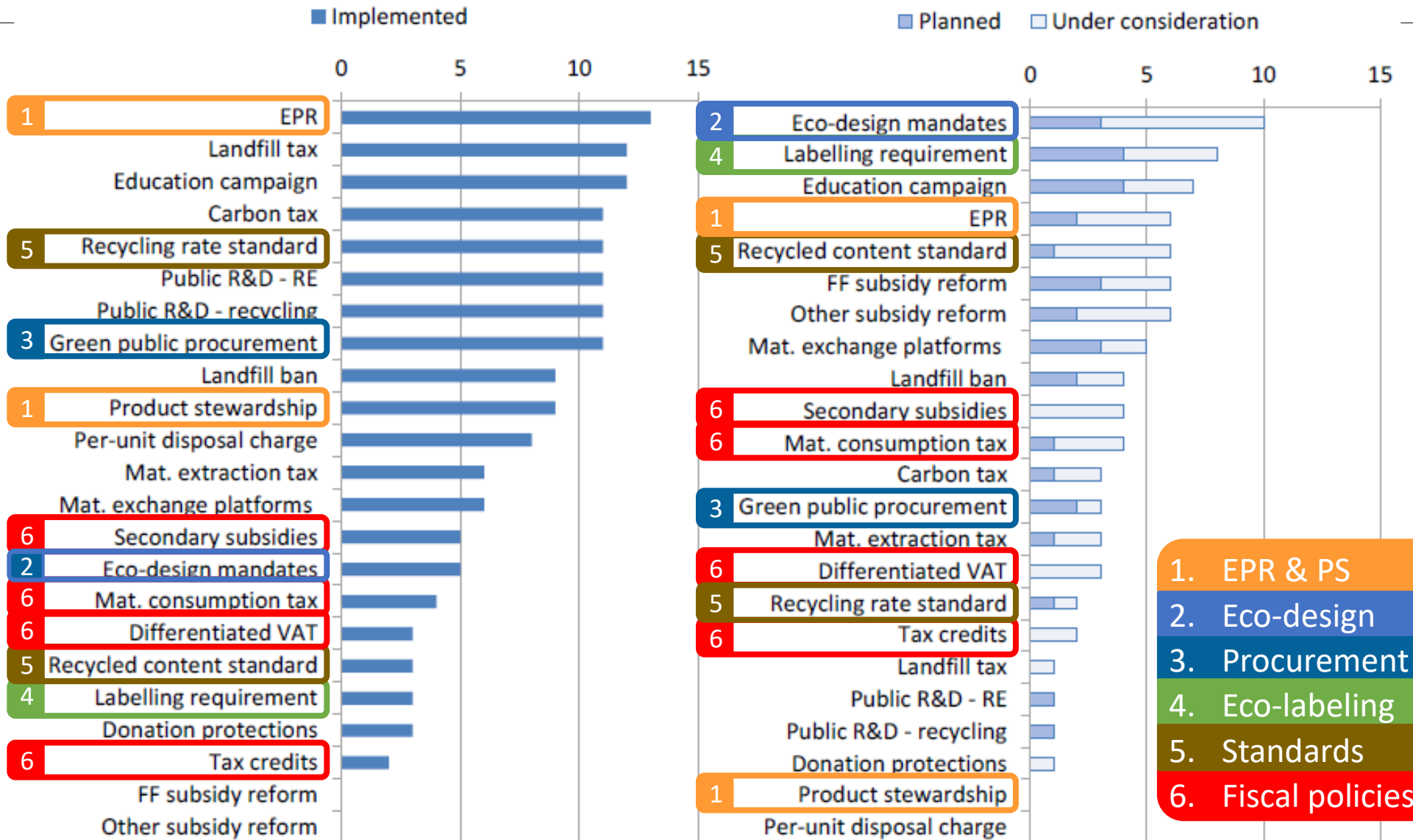


Report to explore the trade implications of upstream circular economy policies and requirements





Policies for circular economy - OECD survey 2017





Objective and outline

Objective

- To explore trade implications of upstream circular economy policies and requirements

Outline

- **Chapter 1 - Introduction - background, objectives and outline**
- **Chapter 2 - Overview of upstream circular economy policies considered internationally**
- **Chapter 3 - Nexus of trade-related measures, non-tariff measures and circular economy policies**
- **Chapter 4 - Opportunities and challenges**
 - Upstream circular economy policies and potential implications to trade
 - Lessons learned from past experience (eco-labeling, energy efficiency)
- **Chapter 5 - Findings and recommendations**
 - Exploiting synergies and alignment between trade and upstream circular economy policies
- **Chapter 6 - Concluding remarks**



Overview of upstream circular economy policies & initiatives

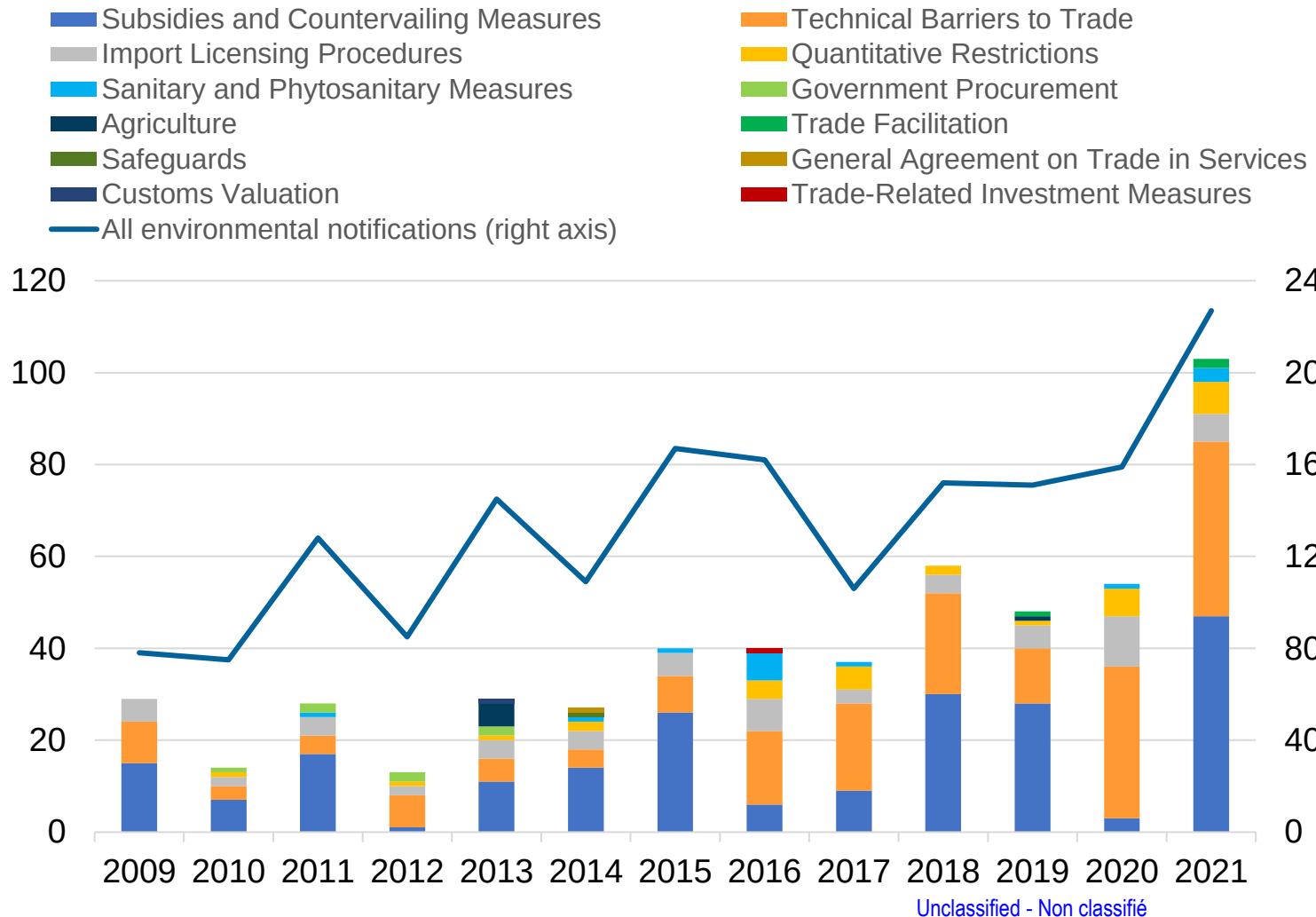
Product status	Criteria	Sub-criteria	EPR	Labelling schemes	Standards	Eco-design	Public procurement	Fiscal policies
Policy approaches	Material Content	Hazardous Content	✓	✓	✓	✓	✓	
		Recycled Content	✓	✓	(✓)	✓	✓	✓
		Cross-cutting		✓	(✓)			
	Recyclability		✓	✓	(✓)	✓	✓	
	Product Lifespan	Durability	✓	✓	(✓)	✓	✓	
		Reparability	✓	✓	(✓)	✓	✓	
		Reusability	✓	✓	(✓)		✓	
Policy approaches	Sustainable production			(✓)	(✓)			
	Cross-cutting			✓	(✓)	✓	✓	
Secondary products	Material quality	Secondary materials			(✓)			
	Product quality	Remanufacturing Second-hand goods			(✓)			

Note: ✓ identifies mandatory schemes or voluntary schemes linked to regulation, (✓) in brackets indicate voluntary schemes.

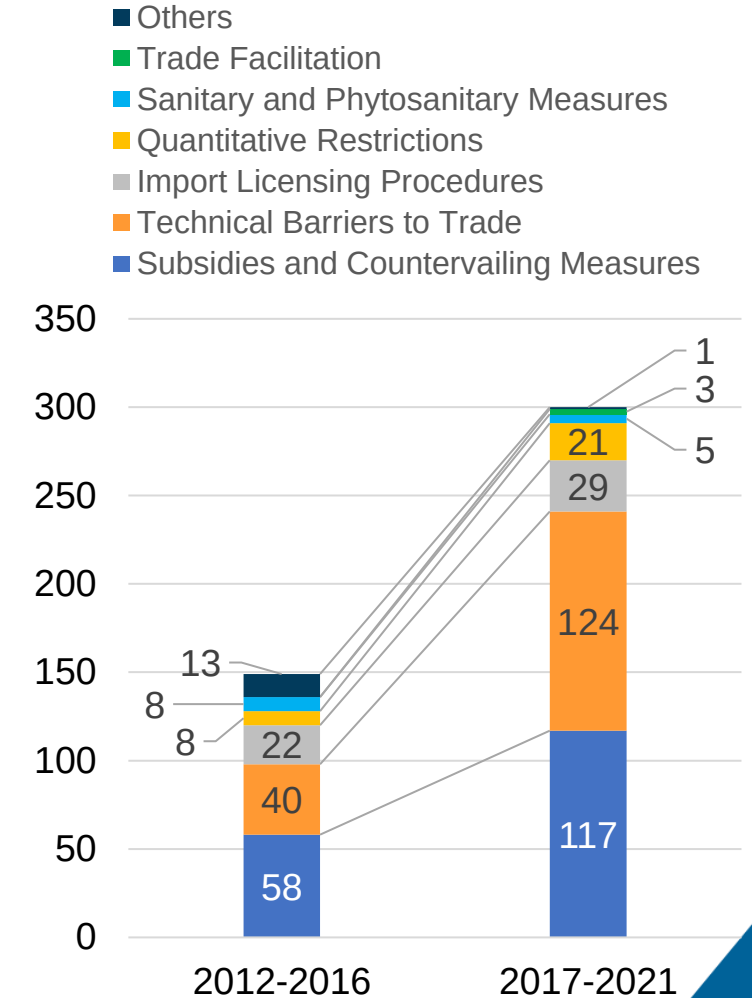


Growing number of circular economy measures notified WTO Environment Database (2009-2021)

Panel A: Trends in notifications



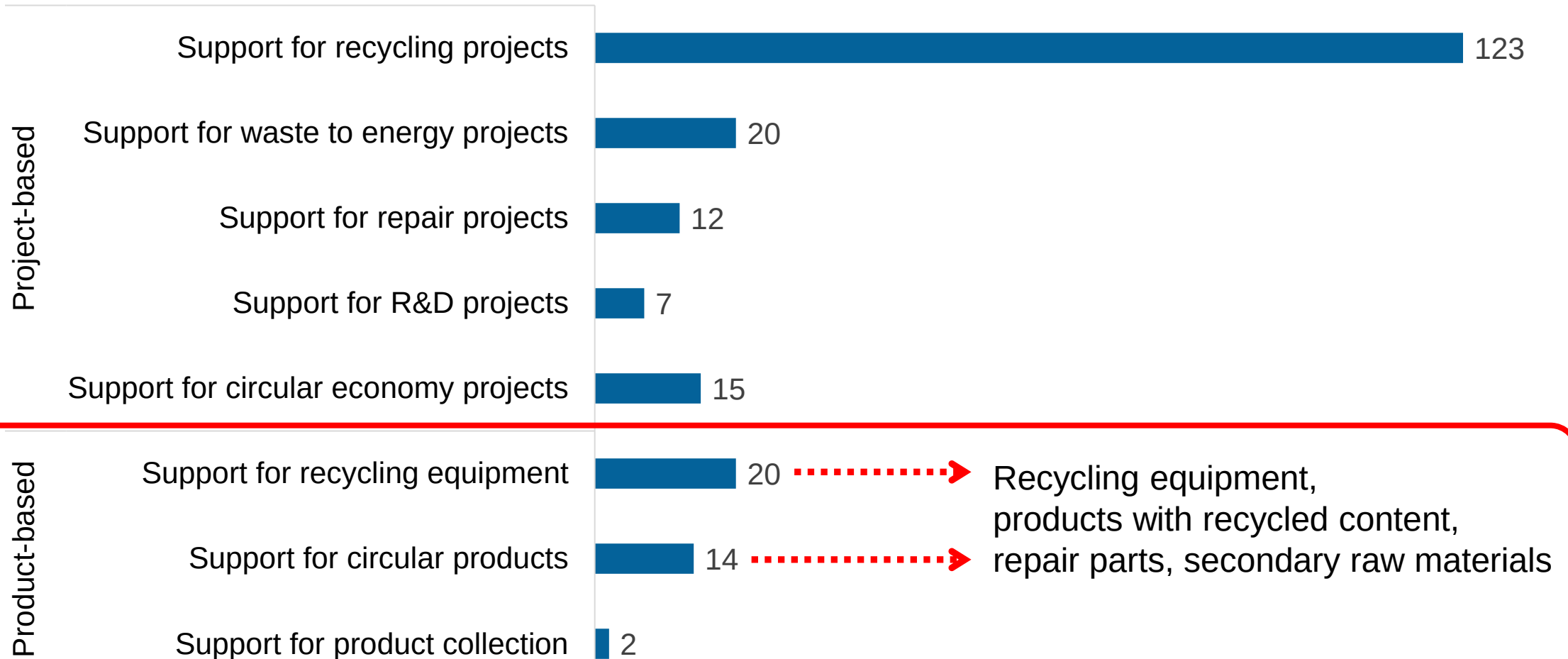
Panel B: 5-year trends





Breakdown of support measures for a circular economy WTO Environment Database (2009-2021)

CE measures notified under the Agreement on Subsidies and Countervailing Measures (ASCM)



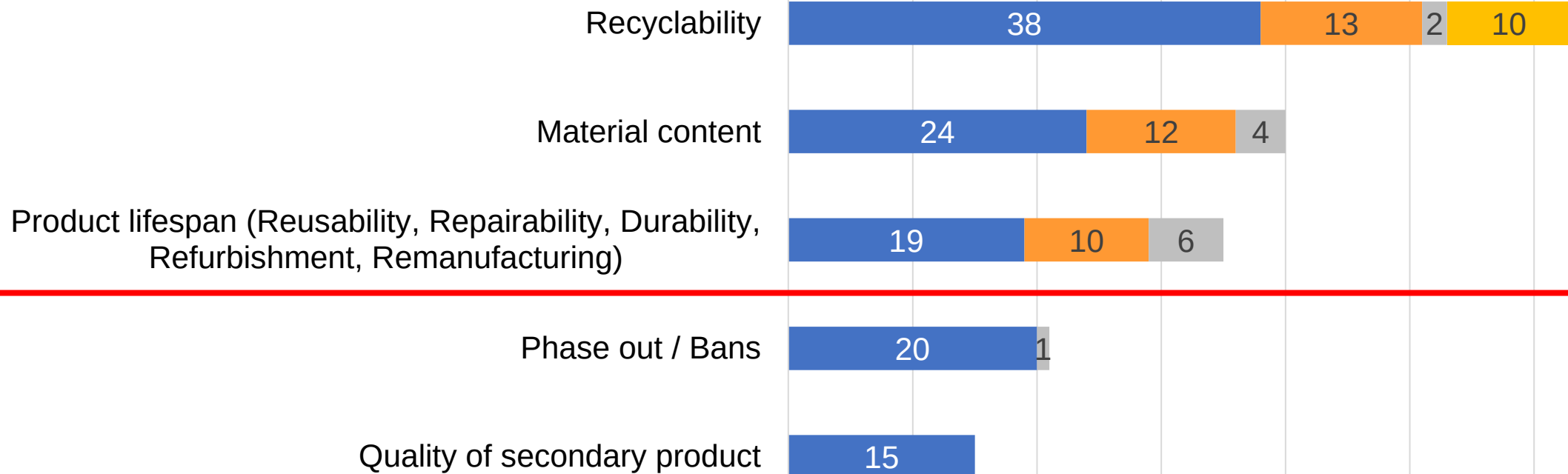


CE product requirements in regulations and standards WTO Environment Database (2009-2021)

CE measures notified under the Technical Barriers to Trade (TBT) Agreement

■ Product-based standards ■ Eco-labelling ■ Eco-design ■ Extended Producer Responsibility

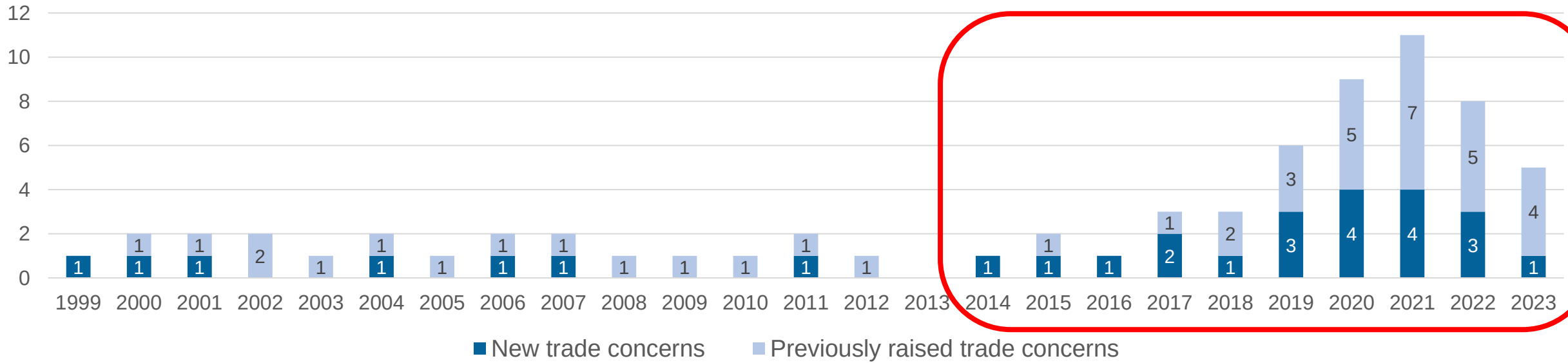
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Specific trade concerns related to a circular economy

WTO Database on Specific Trade Concerns (1999-2023)

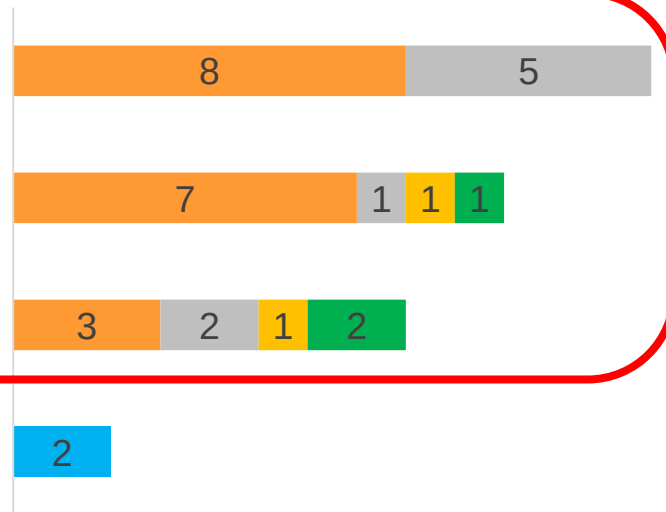


Material content

Product lifespan (reusability, repairability, durability)

Recyclability

Quality of secondary materials



- Eco-design
- Environmental labelling and information schemes
- Extended Producer Responsibility
- Product-based standards
- Incentives



Specific trade concerns related to a circular economy, cont...

WTO Database on Specific Trade Concerns (2000-2023)

Types of concerns

Illustrative examples

Requesting for further information and clarification

- Calculation methods, test methods for reusability, repairability, recyclability
- Labelling and information requirements on material content

Indicating difficulty to comply

- Labelling and information requirements (e.g. recyclability, material content)
- Reuse, collection, and recycling targets, and material content requirements
- Reparability and durability requirements (e.g. spare parts, product life)

Requesting for amendments, exemptions, and grace periods

- Requesting exemptions from trade restrictions or requirements on problematic substances
- Requesting amendments of measures on product durability and repairability
- Requesting more time to comply (e.g. phase outs, info requirements, recycling targets)

Concerns over discrimination and excessive restrictions to trade

- Concerns over minimum proportion of re-used packaging to be placed on the market
- Concerns over minimum recycled content and information requirements on material content
- Concerns over proliferation of labels (suggestions for mutual recognition and equivalence)

Indicating international standards and classification systems

- Reference to available standards - automobiles, electronics, batteries (forthcoming)
- Reference to internationally recognized recycling labels



Opportunities

Upstream circular economy policies can help trade to be part of circular solutions

- **Circular initiatives upstream the value chain can help promote products that can contribute to sustainable trade opportunities**
 - Creating proper incentives early in the supply chain that help align trade and sustainability objectives (e.g. prevent planned obsolescence of products)
 - Circular design can support recycling by making products free of hazardous substances and easier to dismantle to recover valuable materials to inject back into supply chains through trade
- **Government support and green public procurement used to promote circular goods and services**
 - Goods: recycling equipment, products with recycled content, repair parts, secondary materials
 - Services: repair and maintenance services
 - Can inform possible ways to identify circular goods & services and promoting their free and fair trade



Challenges

Upstream circular economy policies can pose potential challenges to international trade

- **Processes and production methods (PPMs)**, e.g. recycled content, cannot be easily distinguished from physical quality of a traded good, posing potential challenges to its verification and trade
- **Circular economy related product policies that are non-transparent, discriminatory, or excessively restrictive** to achieve their goals can constitute barriers to international trade
 - Discriminatory practices so far appear to be rare
 - Nevertheless, such policies that favour domestic over foreign products can hinder trade and limit opportunities to benefit from economies of scale
- **Diverging regulations, standards, and conformity assessment procedures can add trade costs** especially if international aspects are not taken into account
 - Examples: different calculation methods, test methods and criteria required for product durability, repairability, and recyclability

➔ Linked to 28 specific trade concerns related to upstream circular economy policies (1999-2023)





Exploiting synergies and alignment between trade and circular economy related product policies (cont...)

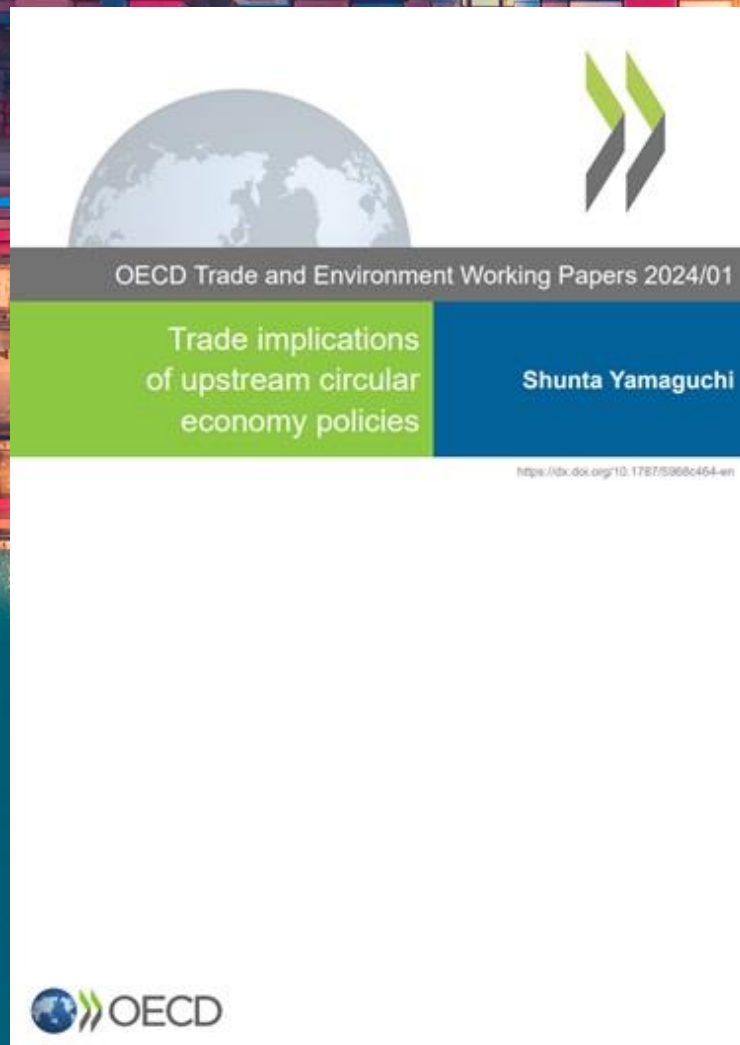
Lessons learnt from other sectors (energy efficiency, ecolabels)

1. **Start early in the process** so that there is still regulatory flexibility to consider harmonisation and alignment of regulations and standards, and mutual acceptance of conformity assessment procedures
 2. **Start small with a clear business case** and a targeted set of product categories relevant in different markets
 3. **Start in regions or with a group of countries** that share similar interests
- ➔ **ASEAN (2021) Framework for Circular Economy** example of promoting regional harmonisation

Stimulate dialogue and share best practices at the international level

1. **Promoting trade in circular goods and services**
2. **Trade implications of conformity assessment procedures beyond physical traceability**
(e.g. recycled content of plastics from chemical recycling)
3. **New circular economy related information requirements and their implications to trade**
(e.g. digital product passports)

Thank you for joining the discussion!



Access the report



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