Circular Economy and Trade: Policy Perspectives

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Presentation overview

1. Inclusive circular economy and just transitions
2. Circulareconomy.earth trade explorer
3. Benefits of multilateral approaches for CE & trade
4. Research on CE and trade 2021-2022
Chatham House research on inclusive circular economy

• Greater focus is needed on circularity in international value chains, and on the governance of trade and investment frameworks required to enable a global CE.

• Trade in secondary materials, if not carefully managed, can lead to tensions with traditional sectors and between countries.

• Important to develop integrated, transparent supply chains in waste and secondary materials, if harmful waste-dumping practices are to be avoided and CE value chains are to emerge at scale.

• Trade and cooperation are key ingredients for accelerating the CE in developing economies, and harnessing opportunities for innovation will depend on leveraging foreign investment.
Just transition to a circular economy

• Critical in ensuring that the CE does not create new disadvantages for countries in the future trade system.

• Issues of corruption and unequal distribution of burdens and access to resources are all in strong evidence in the current global trade in waste.

• Effective governance mechanisms to regulate waste trade will be required to reduce tensions between high- and lower-income countries in all these respects.

• Many low- and middle-income countries that rely heavily on ‘linear’ sectors (mining & extractives, manufacturing of non-repairable fast-moving consumer goods, textiles & garments etc.) will require support to make the shift to a CE.
Circulareconomy.earth

$1.3tn
Need for multilateral cooperation on circular economy and trade

Multilateral approach for mutual benefits:
• Regulate trade flows of secondary materials (scrap, recyclables) and prevent dumping of waste;
• Exporter and importer countries collaboration to improve domestic circular economy strategies;
• Create new markets for higher value environmental goods and services
• Improve quality, information and transparency of products traded (e.g. new QS codes, blockchain enabled electronic product passports)
• Collaboration on standards and product specifications, including eco-design specifications, ISO, etc.
Need for multilateral cooperation on circular economy and trade

Multilateral approach for mutual benefits:
• Increase resilience of global value chains and coordinate shortening of supply chains;
• Prevent unilateral actions can disrupt existing trade of secondary materials;
• Ensure developing countries do not miss out on opportunities;
• Facilitate transfer of best available technologies (e.g. for processing, pollution control, health & safety);
• Ensure common standards about working conditions in material processing and recycling sectors;
Circular economy and SDGs

How can the circular economy contribute to sustainable industrialization and innovation (SDG 9)

- Create higher-value opportunities, maximise valorisation of resources
- Industrial symbiosis & eco-industrial development (e.g. in export processing zones)
- Support SMEs and start-ups with circular business models
- Digitalisation, Industry 4.0 and CE are closely connected
- CE is a new frontier for R&D on materials and industrial design
Creating ‘Virtuous Circles’ for circular economy &

Global trade

National circular economy strategies and action plans

- Eco-design and product specifications (elimination of toxic chemicals from products)
- Support policies, e.g. public procurement and EPR

Post Covid-19 economic stimulus packages

- Finance support for circular economy business models
- Investments in material re-processing and recycling

International Trade system reform

- Circular economy provisions in FTAs
- Tariff reduction for secondary materials
- Removing trade barriers on environmental goods
- Harmonisation of rules on waste & end-of-life

New employment creation opportunities

Reuse and recycling of resources; creating value from waste

Consumer acceptance and uptake

Reduced costs and improved affordability

Higher quality and quantity of environmental good and services
Circular economy and trade workstream 2021-2022

- (i) principles for CE trade governance;
- (ii) topical analysis on three major topics influencing CE trade (geopolitics, global finance and the economic system);
- (iii) quantitative illustrations of emissions, resource extraction, and waste in relation to CE trade in 2030-2050
- (iv) identification of the necessary steps to reform the global trading system to support an inclusive CE

- The workstream will include a desk based literature review, expert workshops, expert interviews
Thank you for your attention!

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CE and international trade

The circular economy will require significant changes in the way global value chains are governed and how trade between countries and regions is conducted. Circular economy does not equal trade protectionism!

Bloomberg Green

A “circular economy will make us less dependent and boost our resilience,” European Commission President Ursula von der Leyen told EU lawmakers in Brussels. “This is not only good for our environment but it reduces dependency by shortening and diversifying supply chains.”

“We need to look at how to build resilient supply chains, based on diversification, acknowledging the simple fact that we will not be able to manufacture everything locally,” - EU trade chief Phil Hogan.