

# Sustainable Trade, Circular Economy and Aid for Trade

*Visvanathan  
Subramaniam*

# Outline

- I. Sustainable Development and Trade: an Overview
- II. The Circular Economy: Concepts and Definitions
- III. Circular Economy, Trade and Development
- IV. Aid for Trade, Sustainable Trade and the Circular Economy

# Sustainable Development



*“Development which meets the needs of the present without compromising the ability of future generations to meet their own needs”*

*- World Commission on Environment and Development (1987)*



# WTO and Sustainable Trade

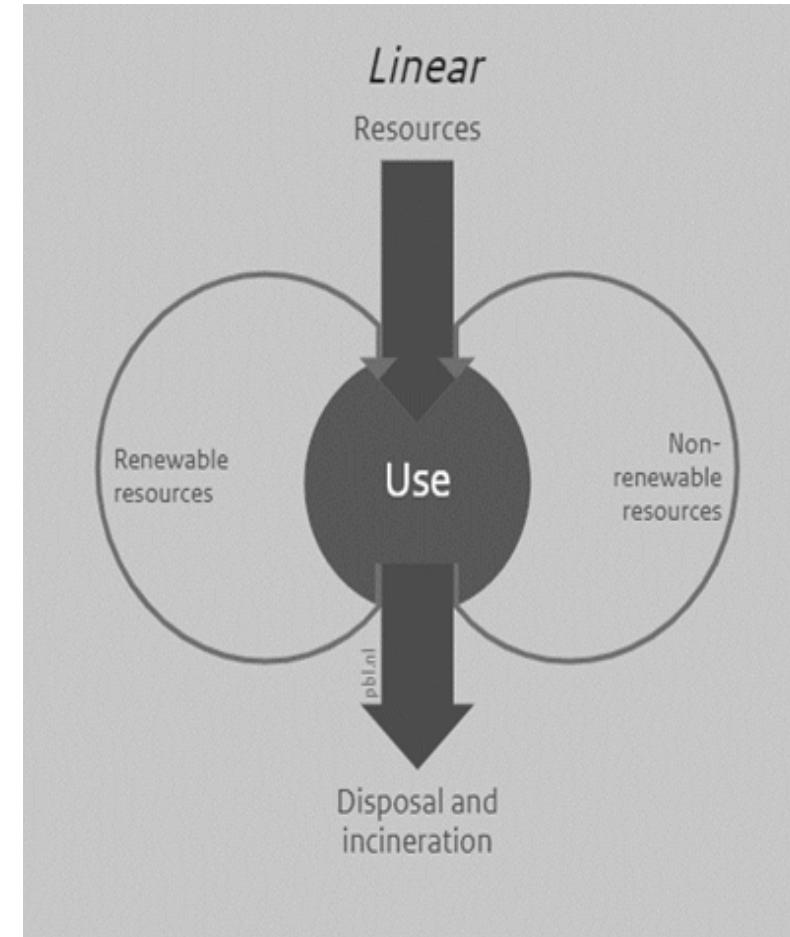


- Sustainable Development finds mention in the first paragraph of the **Marrakesh Agreement** establishing the WTO
- Its different dimensions have long been considered at the:
  - WTO Committee for Trade and Environment (CTE)
  - WTO Committee for Trade and Development (CTD)

The Aid-for-Trade Work Programme for 2020-2022 focusses on “**Empowering Connected, Sustainable Trade**”

# The Linear Economy: Today's Economic Model

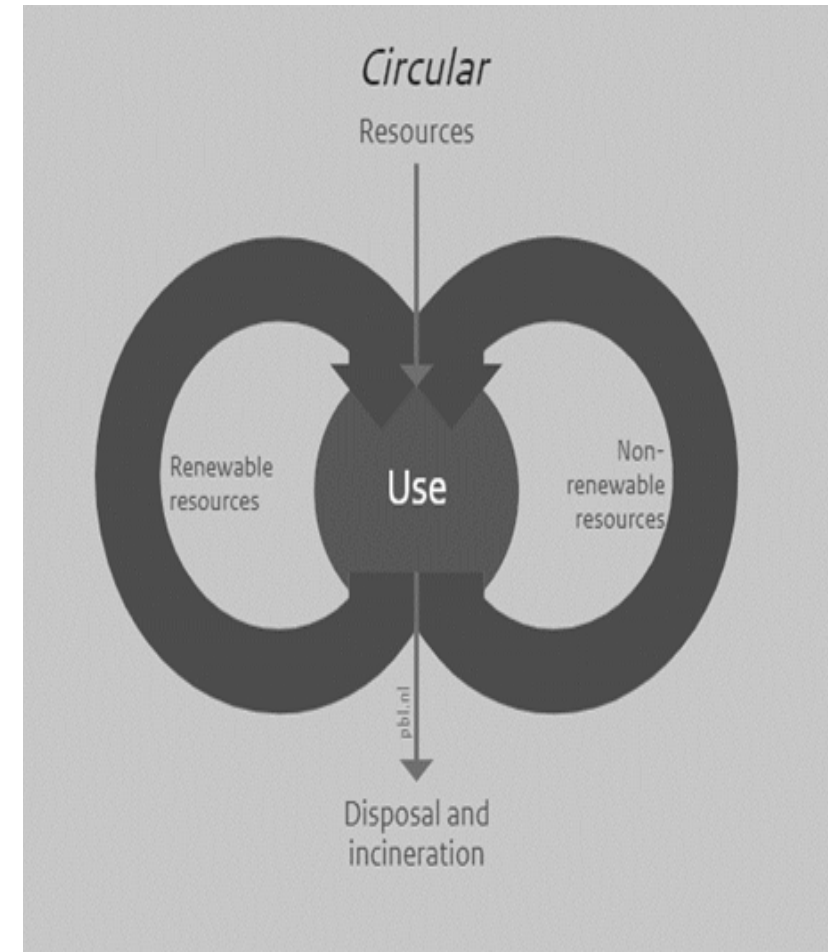
- Economic models predominantly function on a “take, make dispose” basis
- Creates several externalities in the form of resource exhaustion, waste generation and pollution
- Several studies allude to the environmental costs in pursuing this model



Netherlands Environment Agency (2016)

# The Circular Economy

- Emphasizes upon the formation of *feeder loops* that transform waste into new inputs for production in all nodes in the value chain
- **Renewable loops** tackle natural systems with regenerative capacity  
Ex: renewable energy generation
- **Non-renewable loops** manage finite resources within the production cycle.  
Ex: Reusing, repairing re-manufacturing



Netherlands Environment Agency (2016)

# Terminology and Definitions



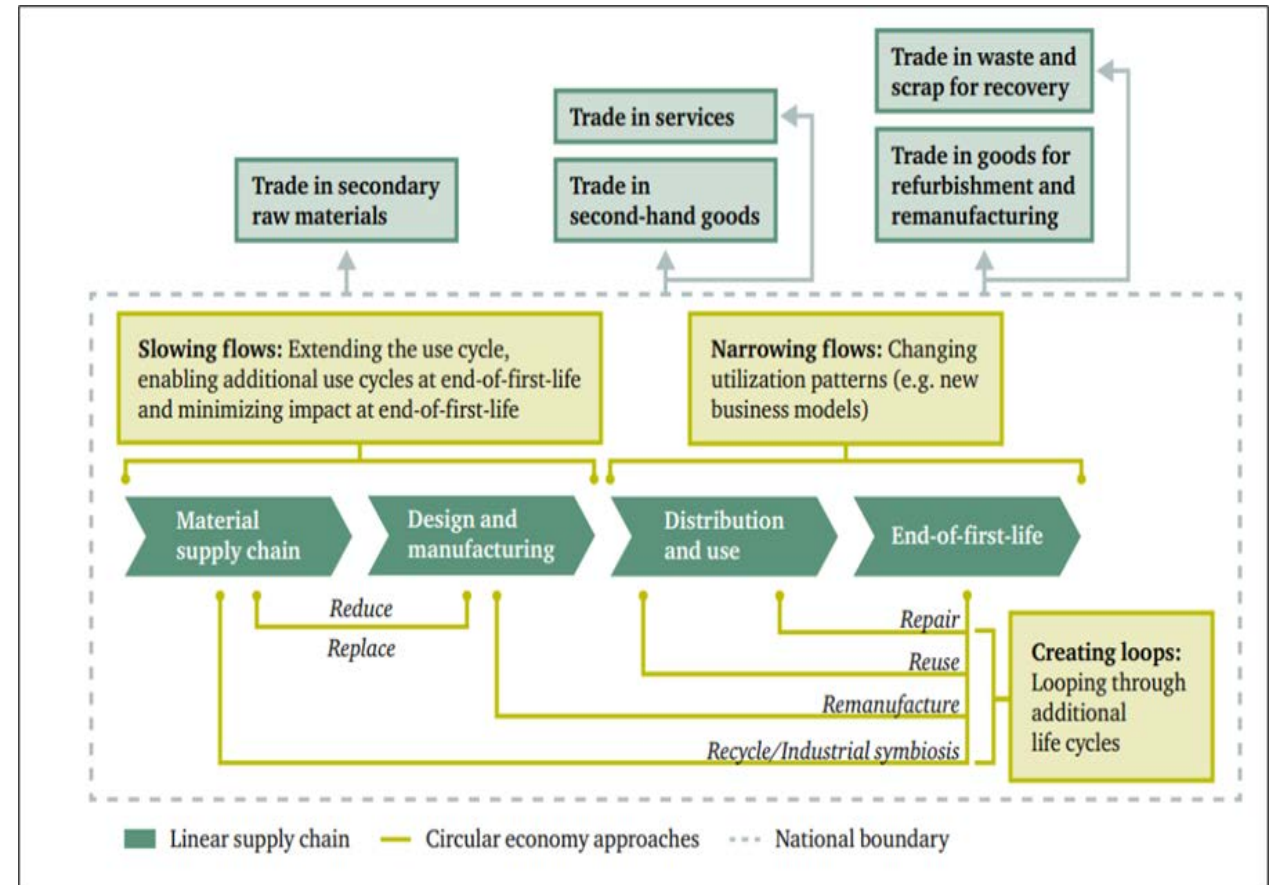
- Sustainable Development ✓
- Sustainable Trade ≈
- Circular Economy ≈

Regarding the Circular Economy:

- Definitions are more focused on merchandise goods
- Limited consideration of services trade – more amenable to broader conception of sustainable trade?
- Only a limited number of sectors have been explored and research has mainly focused on high-income countries

# Trade and the Circular Economy

- Trade is influenced by comparative advantage. *How does Circular Economy relate to this concept?*
- Trade may provide access to a larger supply of materials required for recirculation
- Firms can exploit economies of scale
- Technology solutions will be however critical for the Circular Economy



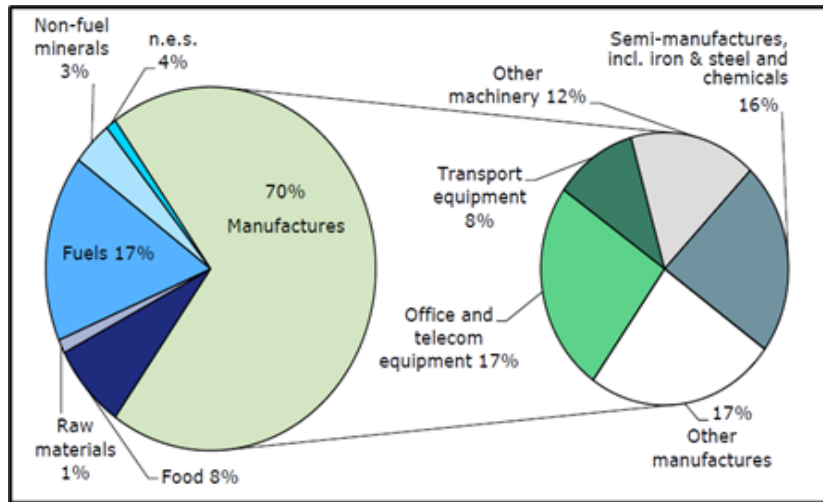
Chatham House (2019)

**Circular Economy will change trade dynamics, but how?**



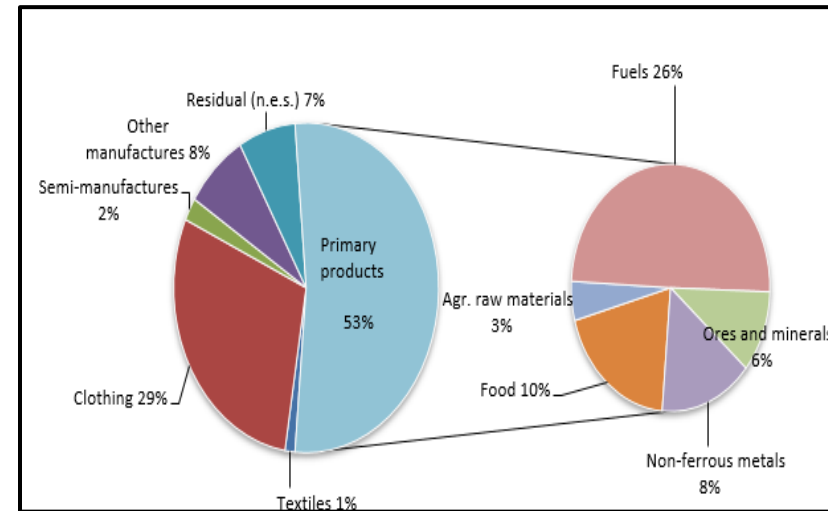
# Moving to a Circular Economy: Trade and Development Dimension

Merch. Export Structure: Developing Countries (2018)



WTO/COMTD/W/251

Merchandise Export Structure: LDCs (2019)



WTO/COMTD/LDC/68

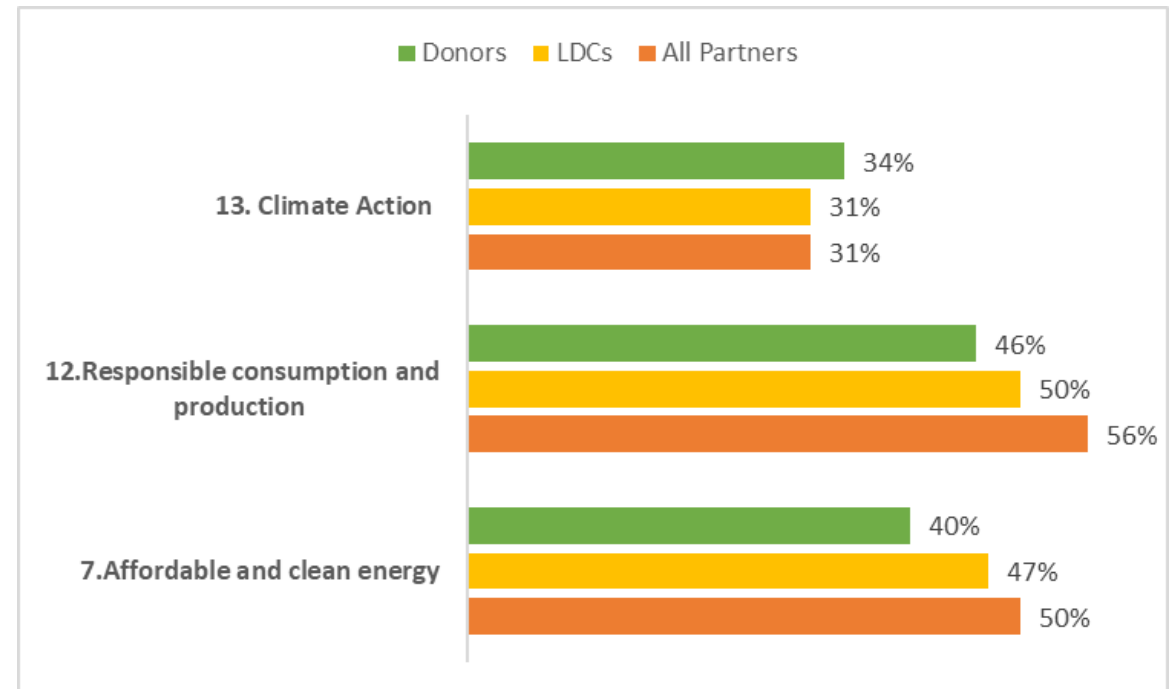
- Top exports of developing countries and LDCs are in product categories with a circular economy emphasis

# Aid for Trade, Sustainable Trade and the Circular Economy



- Examples of “Green” Aid for Trade are growing e.g. *renewable energy, recycling and re-manufacturing* infrastructure
  - Some categories (e.g. renewable energy) are easy to track
  - Others need further investigation

Partner countries and donors believe that Aid for Trade can contribute to 2030 Sustainable Development Agenda



## Conclusion

- An ongoing transition to sustainable development
- Magnified in the context of a green economy
- Circular Economy approaches are gathering momentum
- This processes is still in its infancy
- Aid for Trade monitoring and evaluation exercise can help promote consideration of the trade implications, adaptation strategies and financing needs of developing countries