Sustainable Trade, Circular Economy and Aid for Trade

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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
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.
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

Circular Economy will change trade dynamics, but how?

Chatham House (2019)
Moving to a Circular Economy: Trade and Development Dimension

- 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