



**World Customs
Organization**

**Study report on the transition to a circular
economy and implications to Customs
administrations**

Tetsuo Mizunuma, technical attaché,
World Customs Organization

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1. Background of the study

- The WCO Strategic Plan 2022-2025 identifies “**Green Customs**” as one of the Focus Areas.
- In October 2021, the WCO members requested the secretariat to **study the relationship between circular economy, international trade and Customs’ operation.**
- The study contains;
 - Literature reviews
 - Interviews with Customs administrations (Belgium and Indonesia), private companies, industrial associations
 - Field visit to Indonesia
- The report was **published in June 2023**, and currently available in EN and FR on the WCO website (<https://www.wcoomd.org/en/topics/research.aspx>).



2. Outline of the study report

- Chapter 1: Transition to a circular economy: what Customs administrations should know?
- Chapter 2: International legal landscape and Circular Economy
- Chapter 3: Data as a first challenge for the circular economy policy-making and Customs administrations
- Chapter 4: Complexity in procedures and enforcement against waste crime as a second challenge
- Chapter 5: Case studies and solutions on the ground for Customs administration

Chapter 3: Data as a first challenge for the circular economy policy-making and Customs administrations



- Data and statistics are often viewed as key enablers toward CE. There are **growing needs for Circular Economy data** in the field of international trade.
- **HS and trade statistics**
 - Evolving to integrate environmental and social imperatives
 - Practical challenge to link HS codes based on different life stage
 - **Consultations toward HS 2027 are underway** at the Review Sub-Committee/WCO
 - A symposia series on Greening the HS (October 2022 to January 2023)
- **New initiatives** for data collection in the context of CE
 - EU's Digital Product Passport (DPP)
 - Global Battery Alliance
 - Global Trade Item Number (GTIN) by GS1
 - Catena-X for automotive industry
- **Customs administrations should keep their eyes on these initiatives, and consider how to use data for their own purposes.**

Chapter 4: Complexity in procedures and enforcement against waste crime as a second challenge



- Customs administrations might be put in a difficult position in a CE as they need to **facilitate trade in reverse supply chains** due to increased trading opportunities, while at the same time effectively **detect and prevent waste crime** against increased opportunities.

<Facilitation 1/2>

- Inefficiencies in the prior informed consent (**PIC**) procedure the **Basel Convention**.
 - It can **take from a couple of months to more than a year** to complete, and delays can cause a significant burden on businesses.
 - The **scope and definition of hazardous wastes** is not as clear and transparent as traders expect, which creates uncertainty and unpredictability.
 - **Digitalization in PIC is still at an embryonic stage**. Of the 34 Parties which responded, **18 reported** that the notification document was electronically available, while 86 WCO Members had already implemented some sort of Single Window system.
 - North American Notice and Consent Electronic Data Exchange (NCEDE) is introduced in Chapter 5, as the best practice.

Chapter 4: Complexity in procedures and enforcement against waste crime as a second challenge (cont'd)



<Facilitation 2/2>

- To identify the challenges, the author conducted stakeholder interviews
 - **Inconsistent treatment** and enquiry point for wastes
 - A lack of **HS codes** for a circular economy
 - Difficulty accessing **inward and outward processing**
 - **Customs valuation** in a case of negative value
 - **Customs valuation** in the absence of sales contracts
 - **Tax relief or repayment schemes** for multiple-use packages
 - Difficulty obtaining **certificate of origin** for used goods
 - Insufficient attention given to circular activities under tariff classification criterion (**CTC**) **rules of origin**
 - Incorporating a circular economy in the **Authorized Economic Operator (AEO)** scheme
 - Specific treatment for **remanufactured goods**
 - **Non-Customs regulations** on second-hand goods or used goods, such as import bans, non-automatic licensing requirements, quality control or other technical requirements

Chapter 4: Complexity in procedures and enforcement against waste crime as a second challenge (cont'd)



<Enforcement>

- The situation concerning **global waste crime is concerning**.
 - Illicit waste trafficking was estimated at USD 10 billion to USD 12 billion annually in 2016 (FATF, 2021; Interpol, 2018).
- **If the transition to a circular economy is perceived as leading to the proliferation of illegal waste, achieving the goal will become much more difficult** (UNCTAD, 2021; Kettunen, M. et al., 2019).
- **WCO efforts on environmental protection**
 - Recommendation of the Customs Co-Operation Council concerning Actions Against Cross-Border Environmental Offences (June 2009)
 - **Operation DEMETER** (since May 2009)
 - Environment Programme (established in 2012)
 - Correlation table between the HS codes and MEAs
 - The Green Customs Initiative (GCI) (established in 2004)
 - **The Asia Pacific Plastic Waste Project (APPW)** (April 2020-June 2023)
 - Green Customs Global Conference (June 2022)
 - **The Customs Enforcement Handbook on Circular Economy** (June 2023)



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(tetsuo.mizunuma@wcoomd.org)

