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

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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

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)

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)