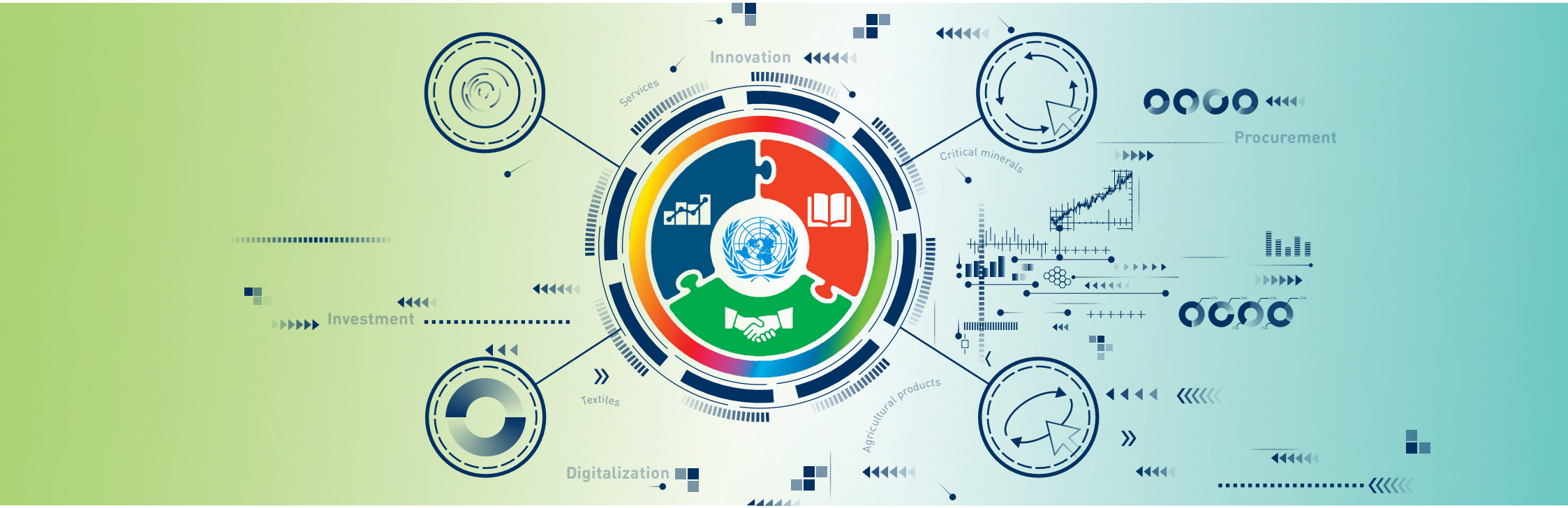
UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

Accelerating the Circular Economy Transition: Policy Options for Harnessing the Power of Trade and Economic Cooperation

Policy Brief



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Preface

This policy brief presents key findings of the paper "Accelerating the Circular Economy Transition: Policy options for harnessing the power of trade and economic cooperation". It corresponds, by and large, to document ECE/CTSC/2022/5, which was submitted to the seventh session of the UNECE Steering Committee on Trade Capacity and Standards (SCTCS) in June 2022 and discussed at its high-level event.

The paper, on which this policy brief is built, discusses the role of international trade as an accelerator of the circular economy transition. Specifically, the paper elaborates on the interface between trade and the circular economy; policy interactions and specific sectors to scale up the circular economy; and regulatory frameworks for trade and the circular economy. Particular focus is given to the specific challenges of transition economies in moving towards a more circular economy. Finally, the paper presents entry points for the type and nature of assistance that UNECE could provide to its member States in support of this transition.

The paper is funded by the project under the 13th tranche of the United Nations Development Account (UNDA), "Accelerating the transition towards a circular economy in the UNECE region", which aims to empower and build capacities of policymakers in the UNECE region on circularity. The paper was authored by Mr. Josip Pervan, International Trade Consultant. He compiled the data, carried out the analysis and interviews and drafted the study.

The paper and this policy brief are part of UNECE's paper series on circular economy, developed in response to UNECE's 69th Commission Session. It is launched under Circular STEP, UNECE's stakeholder engagement platform that aims to facilitate exchange of experience, sharing of good practices and stakeholder engagement in the transition towards a circular economy and the sustainable use of natural resources. The development of the series of briefs and policy papers is led by Ms. Elisabeth Türk, Director of the Economic Cooperation and Trade Division (ECTD) of UNECE and benefits from the UNECE-wide task force on circular economy, carried under the leadership of Mr. Dmitry Mariyasin, Deputy Executive Secretary of UNECE.

Key messages

Current international trade practices need to adapt to the circular economy, through changing current practices of producers and consumers. This trade interacts with numerous policy areas, including investment, innovation, digitalization and procurement. Sector-specific approaches need to be taken since sectors differ greatly.

Efforts to harness the power of trade for the circular transition need to be taken at all levels of trade governance: multilateral, regional and national. It requires an urgent, coordinated and strategic approach with universal political backing. It also requires the assurance that efforts to foster circular trade do not result in barriers to trade for countries who still have linear exports.

Standards can play a key role in efforts to harness the power of trade for the circular economy transition. In prescribing product characteristics, design production and disposal procedures, standards can promote circular trends down the supply chain (e.g. quality standards for secondary raw material, refurbished or remanufactured goods) and up the supply chain (e.g. eco-design, sustainable production, recyclability, or reparability). Furthermore, Voluntary Sustainability Standards and private standards (such as those of the Global Partnership for Good Agricultural Practices) can help support a quick transition to a circular, more sustainable future.[1]

Countries with economies in transition face many challenges: structural challenges, low productivity, ageing population, outward migration, challenging business environments, a depleted industrial base, and reliance on exports of primary commodities. The COVID-19 pandemic exacerbated these difficulties and added new challenges, including insecurity, loss of employment, and increased risks. Transitioning to a circular economy could be one potential avenue towards a sustainable and inclusive post-pandemic recovery. Some options for opening this transition include:

Introducing circularity to transition economies requires policy solutions. Areas of policy are directly connected to circular principles. Other sectors are also involved, including environmental, economic, and social dimensions. All these different sectors need to be considered.

1 For additional information see, for example, the work of the United Nations Forum on Sustainability Standards, available at https://unfss.org.

Chapter 1
INTRODUCTION

The global economy relies extensively on the extraction and use of raw materials. Materials are transformed through production processes, used or consumed, and discarded into the environment. This linear economic model generates about 50 per cent of all greenhouse gas emissions,[2] which puts it at the heart of the harmful impact that humans have on the environment. With projected global population growth (to more than 10 billion people by 2060) and a pattern of continued increases in consumption, these emissions are expected to grow by 80 per cent.[3]

The circular economy offers a response to these challenges by reducing waste and closing material and process loops, thereby preserving natural capital. The core objectives include reducing demand for primary materials, increasing the quality of life and creating a sustainable, regenerative society. In the circular economy, products are designed to promote their durability and upgradeability, reduce waste, eliminate harmful waste and create markets for by-products. This essentially means that the circular economy entails reuse, refurbishing, remanufacturing, repair and finally, recycling as the last, least desirable option.[4]

Greater implementation of circular economy business models can bring multiple economic, social and environmental benefits. Though not explicitly mentioned, principles of circular economy can be found in the United Nations Sustainable Development Goals (SDGs), notably 8, 9 and 12. SDG 8 (Decent work and economic growth) promotes global resource efficiency in consumption and production. SDG 9 (Industry, innovation and infrastructure) fosters the adoption of resource-efficient and environmentally sound technologies, while SDG 12 (Responsible consumption and production) emphasizes resource efficiency and waste reduction.

Beyond these apparent linkages, a change in our production, consumption and distribution patterns and improved efficiency along the supply chain can produce further benefits related to other SDGs and help achieve broader global policy objectives. Reducing demand for raw materials can foster competitiveness and help reduce dependence on certain critical materials while alleviating problems related to their price volatility. This is particularly relevant to transition economies in the UNECE region. By fostering recovery and re-use of critical minerals, the circular economy.[5] Therefore, the circular economy could support current pandemic recovery strategies and, if scaled up, can serve as a global resilient growth strategy.

Despite these potential benefits, today the degree of circularity in the global economy is still in the single digits, with a negative trend (8.6 per cent in 2021, down from 9.1 per cent in 2018), and action to reverse this trend is needed.[6]

In the globally interconnected economy, international trade and economic cooperation can be enablers of the circular economy transition. International trade, including trade in waste, scrap, environmental goods and services, can help scale up sustainable and circular solutions from the local to the regional and global levels.

2 United Nations Environment Programme, *Global Resources Outlook 2019: Natural Resources for the Future We Want*, A Report of the International Resource Panel (Nairobi, Kenya, UNEP, 2019). Available at https://www.resourcepanel.org/global-resources-outlook-2019.

3 OECD, *Global Material Resources Outlook to 2060: Economic Drivers and Environmental Consequences* (OECD Publishing, Paris, 2018). Available at https://doi.org/10.1787/9789264307452-en.

4 Ellen MacArthur Foundation, available at https://archive.ellenmacarthurfoundation.org/explore/the-circular-economy-in-detail.

5 As we all became aware in recent times, recurring supply shocks associated with critical materials can cause disruptions to global production chains of technologically advanced products such as tablets or electric vehicles. For further information, please see the results of the UNECE discussion on future-proofing the supply of critical minerals, available at https://unece.org/sites/default/files/2022-01/UNECE%20UK%20Critical%20Minerals%20Report%20Jan%202022.pdf.

6 Circle Economy, *The Circularity Gap Report 2022* (Amsterdam, Circle Economy, 2022), pp. 1-64, Rep.). Available at https://www.circularity-gap.world/2022#Download-the-report.

Chapter 2
KEY FINDINGS

The nexus between trade and circular economy

The transition to a more circular economy will require a departure from our current practices as producers and consumers of goods and services. International trade can play an important role in contributing to this transition.

Trade is increasingly interconnected through supply chains. Supply chains have an embedded linear logic and need to be fundamentally rethought, reengineered and repurposed to retain the same degree of importance in the circular world.[7] Circular economy-related efficiency could be sought within all inputs in the production process (land, energy, materials, services, labour, capital goods) and its outputs, including by-products. Circular economy initiatives should also address the consumption and post-consumption (waste) phases, where further efficiencies can be sought. Entry points to integrate circular economy considerations into trade include the following:

- **From trade in primary materials to trade in secondary materials.** Trade in second-hand goods could increase, and it is likely that refurbished products could be supplied significantly faster than products extracted from virgin materials.
- **From global trade to more regional and local trade.** Restrictions on trade in waste and hazardous materials could make circular economy trade a more local or regional matter, with regional recycling and reprocessing hubs that cater to regional markets.[8] Resource scarcity, volatility of supply chains, and environmental considerations could also contribute to repatriation or regionalization of production.
- **From dependence to more resilience.** Reuse of materials could help make supply chains more resilient. Supply chains need to be agile to absorb shocks better and, among others, will therefore need to feature more, and smaller, local partners (including micro, small and medium-sized enterprises (MSMEs)). This could help alleviate supply chain delays and preserve resources.[9]
- **From trade in goods to trade in services.** Services are central to circular economy business models. Repair, remanufacturing, recovery, recycling, refurbishing, after-sale service, product-as-service solutions, and sharing and trade in these services will increase. This trade could cover services such as water and waste treatment, as well as design, IT, environmental consulting and engineering, research and development, and the like.
- **From analogue to digital.** Digital solutions and players in the Fourth Industrial Revolutions have already made their way into the supply chains of the linear economy. They could also become the operating system of circular supply chains in the future. Digital tools could be driving the production, logistics, distribution and traceability of goods and underpin all key decision processes within the chain.

When designing and implementing circular economy-related trade policy instruments, specific attention should be given to ensuring that they do not result in potential barriers to trade.

7 A good comparison between a linear and a circular model can be found in an International Institute for Sustainable Development publication: Tamminen, S., and others, *Trading Services for a Circular Economy* (International Institute for Sustainable Development and Ministry for Foreign Affairs of Finland, 2020). Available at https://www.iisd.org/publications/trading-services-circular-economy.

8 Kettunen, M., Gionfra, S., and Monteville, M., *EU Circular Economy andTtrade: Improving Policy Coherence for Sustainable Development* (IEEP Brussels/London, 2019). Available at https://ieep.eu/uploads/articles/attachments/f560794d-c411-4895-8ae9-910c65548f33/EU%20trade,%20CE%20and%20sustainable%20development%20(IEEP%202019)%20FINAL.pdf?v=63741577228.

9 Miller, P., "Could supply chain challenges fuel the circular economy?", *Digit News*, 29 December 2021, https://www.digit.fyi/could-supply-chain-challenges-fuel-the-circular-economy.

Scaling up the circular economy: policy interactions and specific sectors

International trade interacts with numerous policy areas, including investment, innovation, digitalization and procurement. These interactions offer the potential to create synergies along the supply chain, including with respect to the transition to a more circular economy. There are also sector-specific peculiarities of international trade, which are critical to consider while transitioning to the circular economy.

1. Policy interactions

To facilitate progress towards the circular economy, especially in the transition economies, it is important to target policy solutions. There are also important linkages between the circular economy and the following policy areas, so a coherent approach is needed.

- **Investment and financing.** Transitioning to the circular economy is not possible without massive investments along the supply chain: in new business models (e.g. in new circular economy industries, supply chain redesign, green design, or bioengineering), procedures, technologies and innovation, and workforce education. Investment is also needed in harnessing new forms of blended innovative financing, such as green bonds, and targeting public-private partnerships (PPPs) to address these objectives.
- **Innovation.** To reshape consumption and production practices, circular economy business models and supply chains need innovative practices, new technologies and new services. These changes could be achieved by promoting investment in research and development, technology parks or production clusters where entrepreneurs, scientists or consumers could generate ideas through interaction, cooperation and sharing. To build up the necessary pool of skills and to help respond to transition challenges, this should also include upskilling of workers who stand to lose their linear economy jobs to cater to the needs of the circular economy.[10]
- **Digitalization.** The global economy and international trade are powered and transformed by digital technologies. Digitalization is bringing about a radical change in production processes and consumer behaviour and is among the main drivers of innovation, productivity and competitiveness.[11] Digitalization can help foster circularity through various solutions, e.g. the platform economy, digitalization of supply chains and traceability.[12]
- **Procurement.** Given the considerable share of public procurement in countries' GDP, it can be a powerful tool to shape more sustainable consumption patterns. Setting the demand for sustainable and circular goods and services, public procurement policies could foster investments in greener technologies and practices.

10 To contribute to this objective, UNECE has recently launched an extrabudgetary project on "Reinforcing the Innovation Ecosystem in the UNECE region to promote innovation and digital technologies for sustainable development and for the circular economy transition". Available at https://unece.org/sites/default/files/2021-12/Item%2013_ECE_EX_2021_40_XB_13%20Innovation%20and%20digital%20technologies%20for%20sust%20development.pdf.

11 Digitalization and data processing are also behind the upsurge of services trade in recent times. New services, such as streaming or cloud computing, are emerging and will likely be the dominant trade in the circular economy. Artificial intelligence is embedded in many technologies that are already used in circular business models.

12 Relatedly, "Digital and green transformations for sustainable development in the UNECE region" has been identified by UNECE Member States as the cross-cutting priority topic for the forthcoming seventieth Commission session. See https://unece.org/sites/default/files/2021-12/Item%207%20ECE_EX_2021_32__Commission%20session%20update%20on%20preparations.pdf.

2. Specific sectors

For international trade to develop its full potential to scale up circularity, action is required in different sectors of the economy. The sectors here, which do not represent an exhaustive list, are in many instances critical for the circular economy transition in the UNECE region.

- **Trade in services.** Services will play a key role for the circular economy transition. Services sectors such as water and waste treatment will be essential to the scaling up of circularity. In addition, services such as design, IT, environmental consulting and engineering, research and development, and digital services are relevant as they are intrinsically related to innovation, digitalization and manufacturing. Services are central to all current circular economy business models: repair, remanufacturing, recovery, recycling and sharing.

- **Trade in agricultural products.** Agricultural production and distribution are considered among the main contributors to climate change, biodiversity loss and land degradation. Thus, it is critical to secure sufficient food supply for a larger world population while ensuring that food production does not create further environmental pressures. Applying circular economy principles and promoting regenerative agriculture could help address these challenges. This means reducing the use of inputs, closing nutrient loops, minimizing food loss and decreasing negative environmental discharge from production. Transparency across the supply chain becomes essential in that context.

- **Trade in textiles.** The textile industry has one of the highest environmental impacts and risks for human health and society in its production process. In fast fashion, roughly 87 per cent of textiles are discarded or burned each year, at a cost of $-100 billion.[13] The circular economy can help to mitigate sustainability risks through (1) reducing the environmental footprint of products and production processes throughout the entire value chain, including aspects such as use, reuse and recycling; and (2) shifting consumers' behaviours towards more intelligent and ethical consumption. Ensuring that end consumers receive accurate and relevant information about the social, environmental and health risks of their purchase is important, underscoring the need for transparency and traceability in[14]

- **Trade in critical minerals.** Due to their unique capabilities, rare earth minerals are essential for future high-tech and low-carbon products (e.g., electric vehicles, fibre-optic cables, personal computers). These materials are in critically short supply, and the demand for them is expected to soon dramatically outgrow the supply. In this regard, circularity, the secondary use of such critical minerals, can offer important entry points for solutions. At the same time, with today's technological solutions, rare earth minerals are still difficult to recycle: the process is energy-intensive, produces harmful emission and entails additional downstream separation processes.

13 Beall, A., "Why clothes are so hard to recycle", BBC Future, 12 July 2020, https://www.bbc.com/future/article/20200710-why-clothes-are-so-hard-to-recycle.

14 See UNECE, "Briefing note on sustainable textile value chains in the garment and footwear domain for SDG12", ECE/TRADE/C/CEFACT/2019/26. Available at https://unece.org/DAM/cefact/cf_plenary/2019_plenary/ECE_TRACE_C_CEFACT_2019_026E.pdf.

Regulatory framework for trade and the circular economy

Efforts to harness the power of trade for the circular transition need to be taken at all levels of trade governance: multilateral, regional and national. The circular economy is a cross-cutting model comprising closely intertwined environmental, economic and social dimensions. It requires an urgent, coordinated and strategic approach that should benefit from universal political backing. It also requires attention to ensuring that efforts to foster circular trade do not result in barriers to trade for countries whose exports sectors have not yet fully embraced circularity.

The regulatory framework for international trade covers three levels of governance:

- **Multilateral.** The World Trade Organization (WTO) has a binding system of international rules governing international trade. Focused discussions on the circular economy and trade are happening within the recently launched WTO Trade and Environmental Sustainability Structured Discuss[15]. In addition, multilateral conventions and rules affect international trade (e.g. the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, the Convention on International Trade in Endangered Species). International trade rules were designed with a linear model in mind, yet circular economy-related topics are increasingly present in international trade debates on such issues such as trade and environmental measures, plastics pollution, and environmental goods and services.

- **Regional.** Compared with multilateral rulemaking, the regional level could potentially offer a quicker and more pragmatic path towards circularity. Regional trade agreements address trade-related issues and increasingly look at sustainability and circular economy matters. Related regional initiatives include the United Nations Special Programme for the Economies of Central Asia, which established the [16]

- **National.** Each country is establishing its rules in line with its national objectives and its international commitments. Both developed and transition economies worldwide have started introducing circular economy policies. According to the Chatham House circular economy[17] policy database, 39 countries have a national circular economy policy or strategy.

In addition, standards can play a key role in efforts to harness the power of trade for the circular economy transition. In prescribing product characteristics, design production and disposal procedures, standards can promote circular trends down the supply chain (e.g. quality standards for secondary raw material, refurbished or remanufactured goods) and up the supply chain (e.g. eco-design, sustainable production, recyclability, or reparability). Furthermore, Voluntary Sustainability Standards and private standards (such as those of the Global Partnership for Good Agricultural Practices) can help.[18]

15 See https://www.wto.org/english/news_e/news21_e/envir_15dec21_e.htm. For related initiatives, see also box 1.

16 See https://unece.org/fileadmin/DAM/SPECA/documents/gc/session14/Principles_of_Sustainable_Trade___Trade___English.pdf.

17 See https://circulareconomy.earth/?policy=cep.

18 For additional information see, for example, the work of the United Nations Forum on Sustainability Standards, available at https://unfss.org.

Box 1

Trade and the circular economy: concrete proposals for the multilateral way forward

Awareness is growing among some stakeholders that trade could be used as a powerful lever to advance the circular economy transition. Recent research by international stakeholders, including the International Chamber of Commerce, the International Institute for Sustainable Development and the Quaker United Nations Office,[19] identifies the following concrete entry points:

- Reviewing current Harmonized System principles and classifications to ensure that the circular transition is not constrained by the current classification of goods. This would also require securing the support of the World Customs Organization's members to revise the current principles.
- Liberalizing trade in environmental goods and services and exercising caution with further liberalization of goods and services that undermine environmental objectives and the circular transition.
- Removing barriers to trade in waste, scrap, second-hand goods, secondary raw materials and remanufactured goods, while avoiding situations in which liberalization is a cover for imports of low-quality, hazardous or illegal products with adverse environmental and health consequences.
- Recalibrating incentives and disincentives, e.g. eliminating environmentally harmful subsidies and consumption of virgin natural resources.
- Temporarily exempting a commonly agreed list of circularity-promoting goods from subsidies rules at the WTO, with a view to stimulating circular practices and production.
- Revising the WTO Trade Facilitation Agreement to support trade facilitation in reverse supply chains, including fast-streaming products under verified environmental standards.

To progress on these efforts, it is critical to expand technical assistance to transition economies, with specific assistance on switching to circularity.

Source: UNECE, "Accelerating the circular economy transition in the UNECE region: Policy options for harnessing the power of trade and economic cooperation", forthcoming

Circular economy: challenges and opportunities for transition economies

In pursuing sustainable development, countries with economies in transition face many challenges: structural challenges involving low productivity, an ageing population, outward migration, challenging business environments, a depleted industrial base, and reliance on exports of primary commodities or low added value goods, among others. The COVID-19 pandemic has exacerbated these difficulties and added new challenges, including insecurity, loss of employment, increased risks and fiscal deficits. Transitioning to a circular economy could be one potential avenue towards a resilient, sustainable and inclusive post-pandemic recovery. Some options for opening this transition include:

- **Combining labour-intensive and innovative activities.** Repair, remanufacturing and recycling are labour-intensive, promising employment for the workforce in transition economies. At the same time, focusing only on these industries could undermine their creative potential in building new higher value-added sectors and ensuring economic growth.
- **Supporting MSMEs.** MSMEs are both vulnerable and vital parts of transition economies, and the transition costs for them need to be taken into account. MSMEs might need additional support and investment in skills for the circular economy.
- **Looking at both production and consumption.** Embedding circular consumer practices could help meet the needs of transition economy populations and facilitate further shifts in production practices.[20]
- **Broader integration into global and regional value chains.** There is considerable potential to increase global and regional trade in circular economy products and services, including among countries with economies in transition. Acceding to the WTO and exploring regional cooperation could facilitate this process.

19 Bellmann, C., *The Circular Economy and International Trade: Options for the World Trade Organization (WTO)*, (funded by the by the International Chamber of Commerce Research Foundation, 2021), available at https://icc.se/wp-content/uploads/2021/12/20211214_Circular-Economy.pdf; Monkelbaan, C., *The Circular Economy and Trade: Some Questions and Possible Ways Forward*, (supported by the Quaker United Nations Office and the Friedrich-Ebert-Stiftung, 2021), available at https://quno.org/sites/default/files/resources/The%20Circular%20Economy%20and%20Trade_paper_A4_24_09.pdf; Tamminen, M., and others, *Trading Services for a Circular Economy*, see footnote 6.

20 Preston F., Lehne,, J., and Wellesley L. *An Inclusive Circular Economy: Priorities for Developing Countries* (Chatham House, 2019). Available at https://www.chathamhouse.org/2019/05/inclusive-circular-economy.

Chapter 3
RECOMMENDATIONS

Trade can play a key role in accelerating the circular economy transition. The following recommendations are entry points that can help facilitate this process:

- **Raising awareness.** Awareness raising is needed for both circularity as such and for the interface between trade and circular economy. This could involve bringing the circlar economy to the attention of the trade community and, vice versa, bringing trade to the attention of the circular economy community. It could involve both the public and private sectors.[21] Activities could build on existing awareness-raising and advocacy campaigns run by key circularity players, such as the Ellen MacArthur Foundation or the Finnish Innovation Fund (SITRA). On the trade side, the recently established Working Group on Circular Economy, part of the WTO TESSD, might be of relevance and useful for informing transition economies about ongoing discussions. The UNECE circular economy network "Circular STEP", including officially nominated circular economy focal points in countries with economies in transition, can play a key contributing role.[22]

- **Sharing of experiences.** Sharing experiences in how to harness opportunities and address challenges at the interface between trade and the circular economy could help facilitate the transition. The UNECE regional and national policy dialogues can provide a starting point for such informal exchanges of experiences and best practices. Ultimately, effective sharing of experiences could benefit from a more structured approach.

- **Improving the evidence base.** Availability of and access to trade-related data, providing the basis for informed and fact-based policy choices, are crucial for ensuring the success of the circular transition. Though selected measures of circularity are available for some countries, data on the trade-related aspects of circularity and data for countries with economies in transition are almost non-existent. Hence, measuring and monitoring circularity and its trade-related dimension for countries with economies in transition should be a priority action. Joint efforts are needed, involving a wide range of different actors, e.g. UNECE (through its work on statistics), think tanks (e.g. Chatham House) and international organizations (e.g. the Organisation for Economic Co-operation and Development (OECD), the WTO).

- **Integrating trade-related elements into countries' circular economy roadmaps and strategies.** Circular economy roadmaps or strategies and subsequent implementing tools (e.g. laws, regulations) are central tools for shaping the circular transition through policymaking at the national level. As an increasing number of countries are developing circular economy roadmaps, attention could be given to including a trade-related dimension in these overarching policy documents and processes. This means a broader approach, including to trade-related topics, such as aspects of investment or financing, innovation and digitalization, as well as a sectoral approach (e.g. based on circularity hotspot sectors, such as textiles, agri-food, services).

- **Turning supply chains into a driver of circularity.** Supply chains have been greasing the global economy; however, this contribution has traditionally been based on a linear economic model. Redesigned supply chains can help drive circularity. Innovation, which supports a fundamental rethink of economic and business strategies, is central in this regard. Transparency and traceability are also essential, as they enable consumers (both private and corporate) to make informed purchasing choices. The UNECE toolkit for transparency and traceability in the garments and footwear sector[23] and the recently established Team of Specialists on Environmental, Social and Governance Traceability of Sustainable Value Chains in

21 Raising awareness should also involve academia, which brings technical expertise and another perspective to conversations on circularity and its interfaces with trade.

22 See https://unece.org/circular-economy/press/unece-launches-platform-policy-dialogue-circular-economy.

23 See https://unece.org/trade/traceability-sustainable-garment-and-footwear.

the Circular Economy (ToS-TSVCCE)[24] provide United Nations-supported tools and forums for taking this further.

- **Envisaging circular economy-enhancing trade policy options at different levels of governance.** Effectively integrating circularity into trade policy could require action at different levels of policymaking – multilateral, regional and national. In addition to integrating the circular economy into countries' trade promotion, value chain and broader economic development strategies, this action could also include integrating circular economy-related provisions into regional trade agreements and adding a circular economy dimension to the multilateral trade policy process. The recently formed Working Group on Circular Economy in the WTO TESSD process could offer a starting point. Particular attention needs to be given to ensuring that circular economy-enhancing trade policy options do not result in potential barriers to trade.

- **Making the transition inclusive.** Not all actors are equally well placed to benefit from the circular transition. MSMEs, including women-owned ones, and businesses in countries with economies in transition will need assistance to respond to challenges and to harness opportunities. International organizations, including financial institutions and the international donor community, need to create an enabling environment for the transition that includes a safety net for those who may need it. Concrete support measures include transferring technologies, know-how and machinery; bridging the digital divide and facilitating access to global digital platforms; and more broadly, providing education, technical assistance, and capacity-building. Tailoring Aid for Trade technical assistance for use in the switch to circularity could provide a powerful boost for transition economies.

24 See https://unece.org/trade/uncefact/ToSTraceability.

Chapter 4
A WAY FORWARD

The current linear economic structure is causing negative environmental, social, and health-related externalities. It is driving and driven by an insatiable demand to consume new products. 85 per cent of plastic packaging value is wasted every year, costing up to $120 billion and polluting our rivers and oceans.[25] These are only two examples of inefficiencies.

There is a need to ensure that our way of living, consuming, and producing is as efficient and least polluting and as possible. Future economic growth needs to be detached from the use of primary materials. The circular economy is designed to do that. It mandates the reusing, repairing, remanufacturing, recycling, sharing, and renting of goods, thereby extending their use, and reducing the need for primary materials. Furthermore, it reduces waste and creates a second life for products and new value from reusing goods and materials. Among other benefits, by making supply chains more transparent, the circular economy can generate a more efficient way of producing goods and services, raising productivity and competitiveness while helping decarbonize the planet.

To achieve SDG targets while simultaneously pursuing economic growth, it is essential to place the circular economy at the heart of our economic philosophy and action. Today, it exists at the fringes, as a supplement to the existing model, and it is considered by many as a "policy option" along with other approaches. In the future, there is the possibility that the disruptive force of the new circular economic model will profoundly change the existing configuration of supply chains, redistribute welfare, and create a new economic reality.

UNECE, through its three core functions – development of norms, standards, and legal instruments; hosting of a convening platform; and technical cooperation across a number of relevant sectors – supports countries in their efforts to achieve a sustainable, inclusive, and resilient post-pandemic recovery[26] and transition to a circular economy.[27]

For the challenges summarized in this paper, the tools developed under the UNECE Economic Cooperation and Trade Division are particularly relevant. They include standards and best-practice recommendations for trade facilitation and electronic businesses (by the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT)), regulatory cooperation, agricultural quality standards, public procurement criteria, public-private partnerships (PPPs) and innovation policies (table 1).

As Governments continue their efforts to "build back better", they have at their disposal a wide range of normative tools and technical cooperation-related support activities of UNECE. This includes the UNDA project "Accelerating the transition towards a circular economy in the UNECE region". Under the framework of this project, the UNECE plans to produce policy papers looking at the following areas: improving traceability of products along international value chains for the circular economy and sustainable use of natural resources; innovation-enhancing procurement for circular economy and sustainable use of natural resources; institutional arrangements for the transition to circular economy and sustainable use of natural resources; financing for circular economy and sustainable use of natural resources; waste management for circular economy and sustainable use of natural resources; digital solutions for circular economy and sustainable use of natural resources.

25 See https://www.visualcapitalist.com/the-circular-economy-redesigning-our-planets-future.

26 UNECE, "Responding to the socio-economic impacts of the COVID-19 pandemic in the UNECE region". Available at https://unece.org/DAM/UNECE_COVID_Brochure_EN.pdf.

27 UNECE, "Circular economy and the sustainable use of natural resources: Toolbox of instruments of the Economic Commission for Europe" E/ECE/1496. Available at https://unece.org/sites/default/files/2021-03/E_ECE_1496-2101396E.pdf.

Table 1 UNECE Economic Cooperation and Trade Division selected tools

Circular economy entry point	*Tool*
Transparency and traceability of supply chains to transform sectors that are particularly resource-intensive	Through its "Sustainability Pledge" (comprising a UN/CEFACT Policy Recommendation, information exchange standard and implementation guidelines),[28] UNECE is improving transparency and traceability throughout the garment and footwear supply chains. Through its newly established ToS-TSVCCE,29 ECE supports efforts to promote transformative change across key industries for the transition to a circular economy.
Integrating circularity principles into public procurement criteria	Through its Team of Specialists on Innovation and Competitiveness Policies, UNECE supports and will continue to support countries on how to best use public procurement, including innovation-enhancing procurement for the circular transition. To this is added policy guidance on innovation for circular economy.
Fostering reduction and reuse of waste	Hazardous waste: The UN/CEFACT standard for the transboundary movement of waste allows tracking hazardous waste across borders in accordance with the Basel Convention. The UNECE Code of Good Practice for Food Loss and Waste Prevention and a methodology for food loss and waste measuring are adding advice on policies to adopt to understand how to measure the loss of food.
Harnessing the powers of standards and regulatory cooperation	UNECE has developed a Portal on Standards for the SDGs.[30] This instrument helps detect standards that can help advance work on achieving the SDGs.
Using new technologies to make trade and logistics chains more efficient	UNECE recommendations on electronic data exchanges covering the entirety of the supply chain can make trade procedures more efficient and reduce waste.[31]

Source: UNECE

28 https://form.jotform.com/211244876449059.

29 https://unece.org/media/news/362439.

30 See https://standards4sdgs.unece.org/.

31 See UNECE, "Briefing Note on the United Nations Economic Commission for Europe – United Nations Centre for Trade Facilitation and Electronic Business Contribution to Advance Circular Economy Actions", ECE/TRADE/C/CEFACT/2020/24, available at https://unece.org/fileadmin/DAM/cefact/cf_plenary/2020_Plenary/ECE_TRADE_C_CEFACT_2020_24E-UNCEFACTdeliverablesCE.pdf.

UNECE Circular Economy Series

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For further information, please contact:
Ms. Elisabeth Türk
Director
Economic Cooperation and Trade Division
UNECE
ece-trade4circularity@un.org

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