



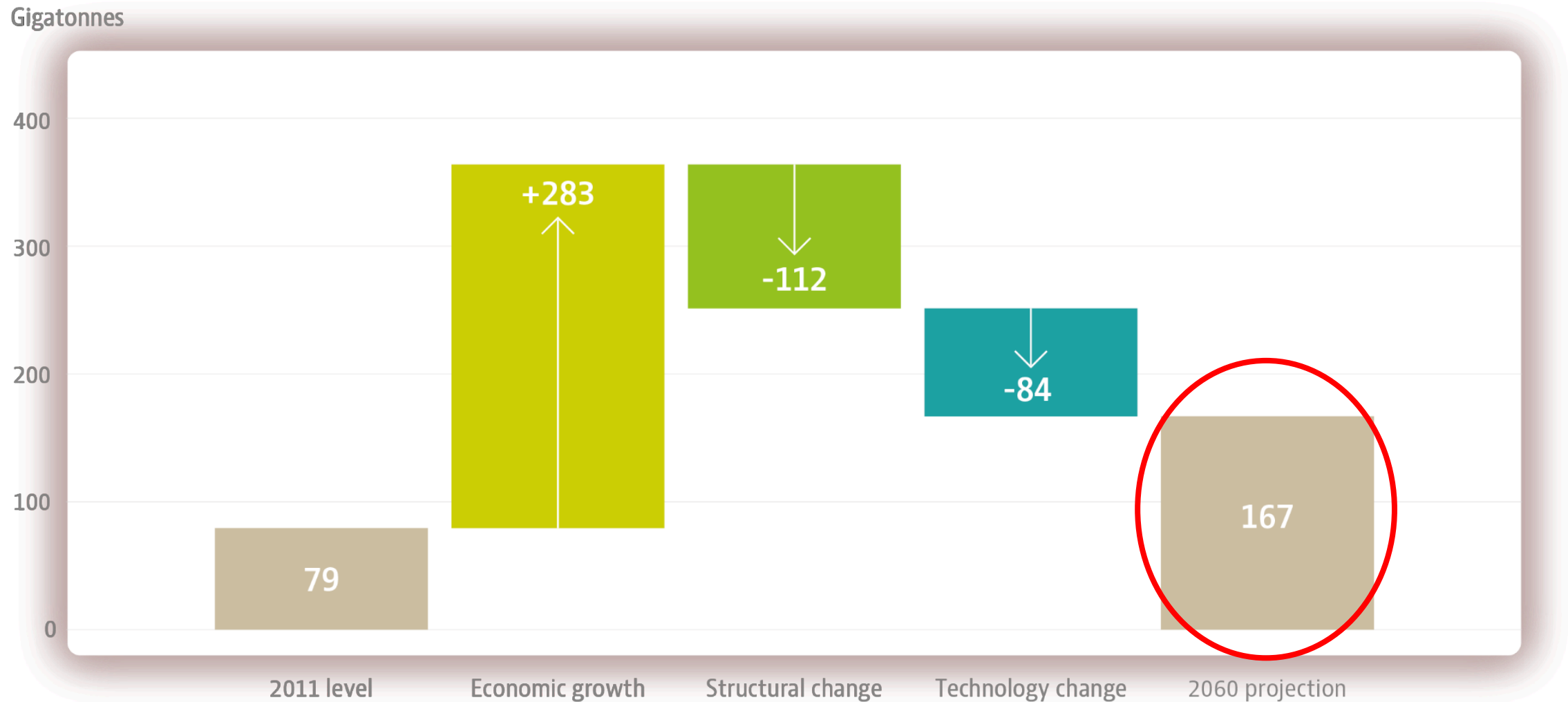
SECURING REVERSE SUPPLY CHAINS FOR A CIRCULAR ECONOMY

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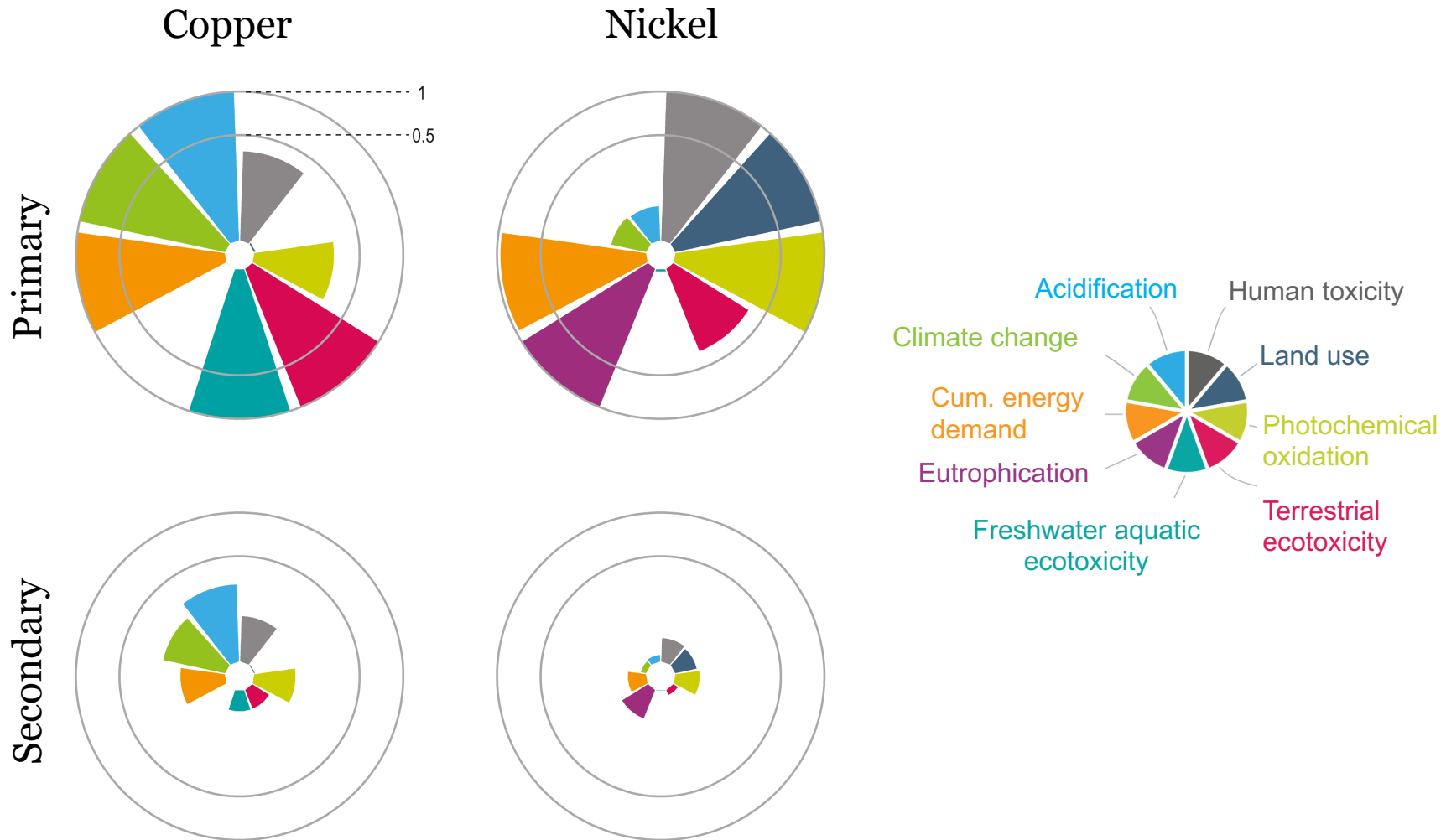


Global materials use will more than double by 2060





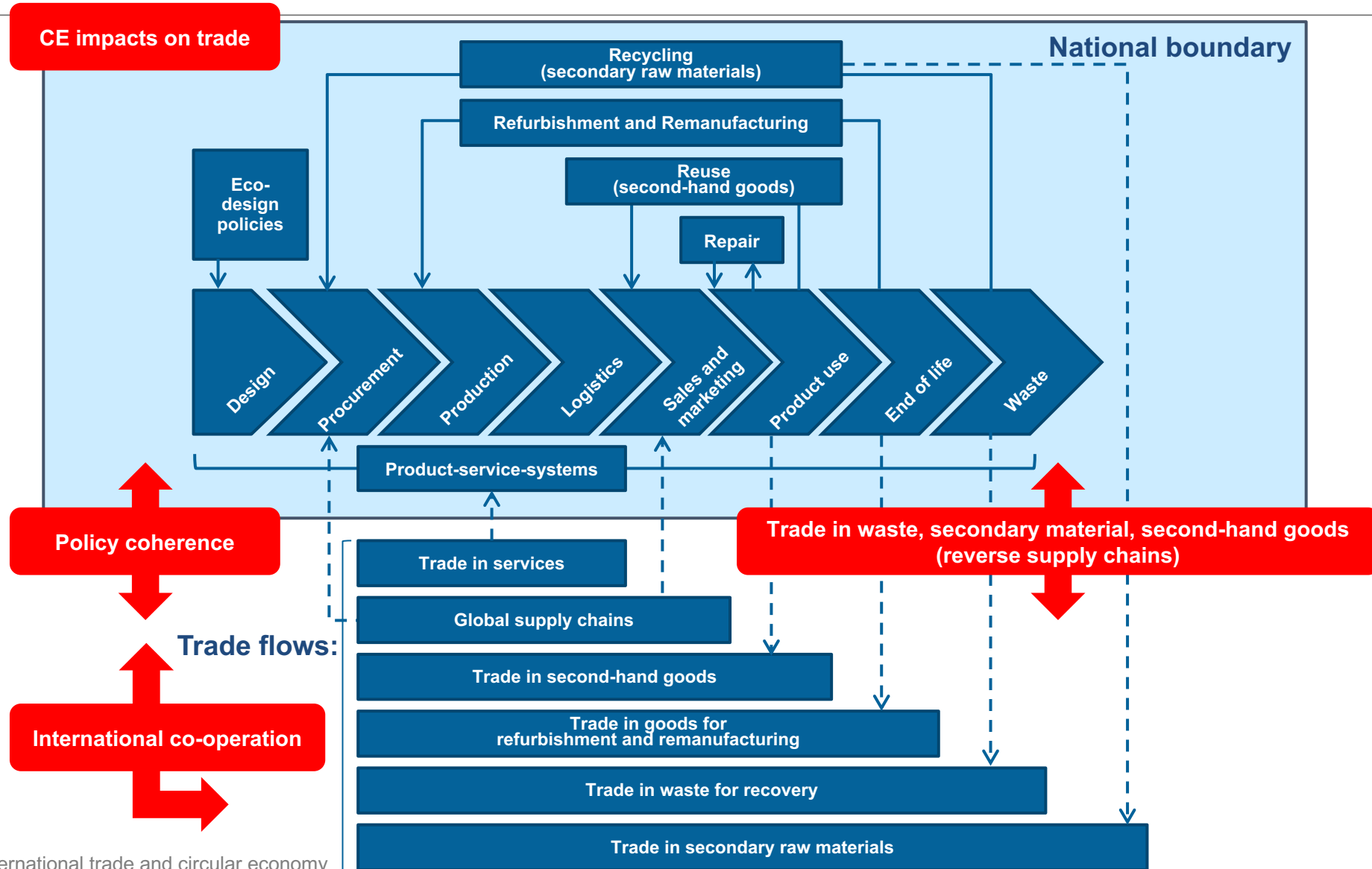
Environmental impacts will more than double primary much more polluting than secondary



Per kg environmental impacts (highest impact normalised to 1) for 2015



Broad interlinkages between trade and circular economy





Setting up reverse supply chains



Scaling up circular business models often rely on reverse supply chains across borders

- Manufacturers set up reverse logistics to collect end-of-life products and reinject reusable components back into production process (e.g. heavy industry, electronics, medical devices).
- Reverse supply chains can make the economy more circular by closing material loops for recycling, reuse, repair, and remanufacturing.
- Such activities often extend beyond borders and require the transboundary movement of end-of-life products to enable economies of scale.



Recent developments mainly focusing on increasing transboundary controls

- Chinese import bans for certain categories of waste and scrap (since 2018)
- Plastic waste amendments to the Basel Convention (since 2021)
- E-waste amendments to the Basel Convention (expected from 2025)





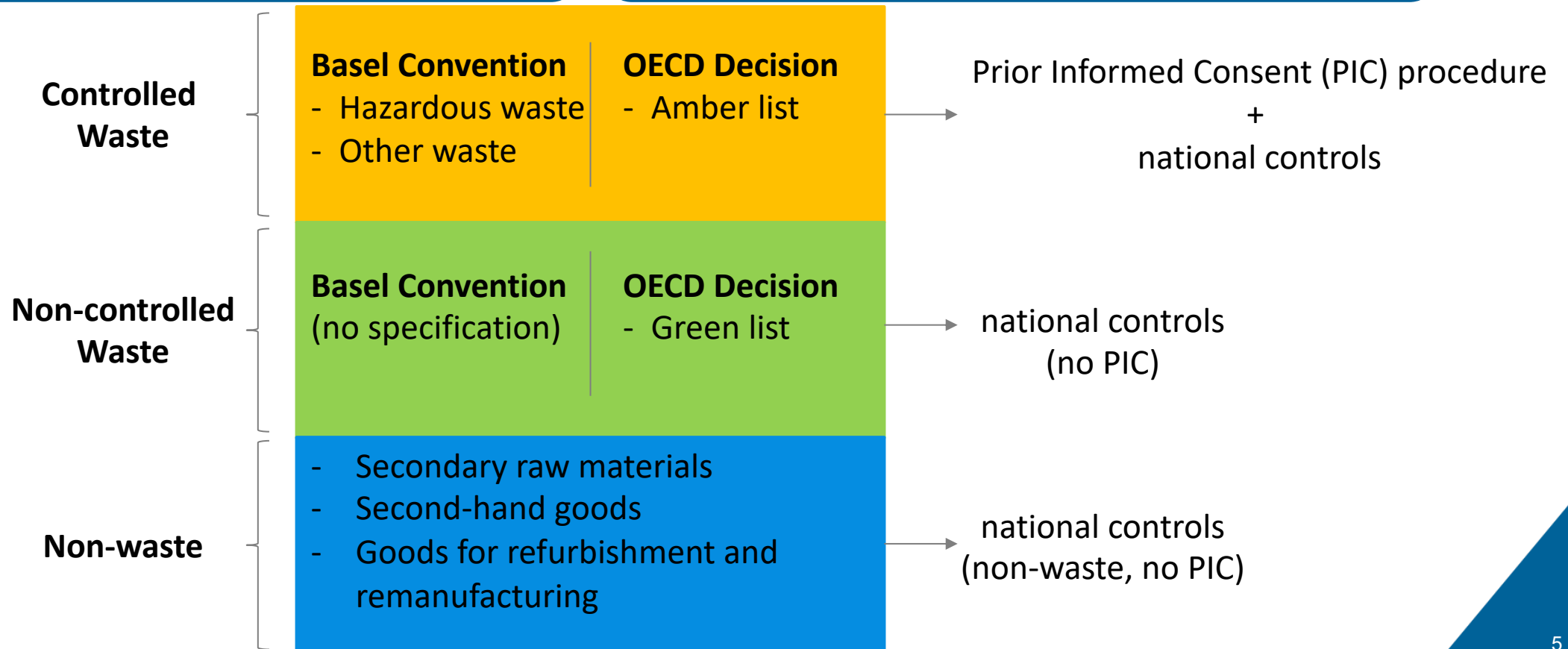
Rules for trade in waste and end-of-life products under international legal frameworks

Basel Convention

aims to restrict the transboundary movements
of hazardous wastes with respect to its parties

OECD Decision

aims at facilitating trade of recyclables in
an environmentally sound and economically efficient
manner within OECD member countries

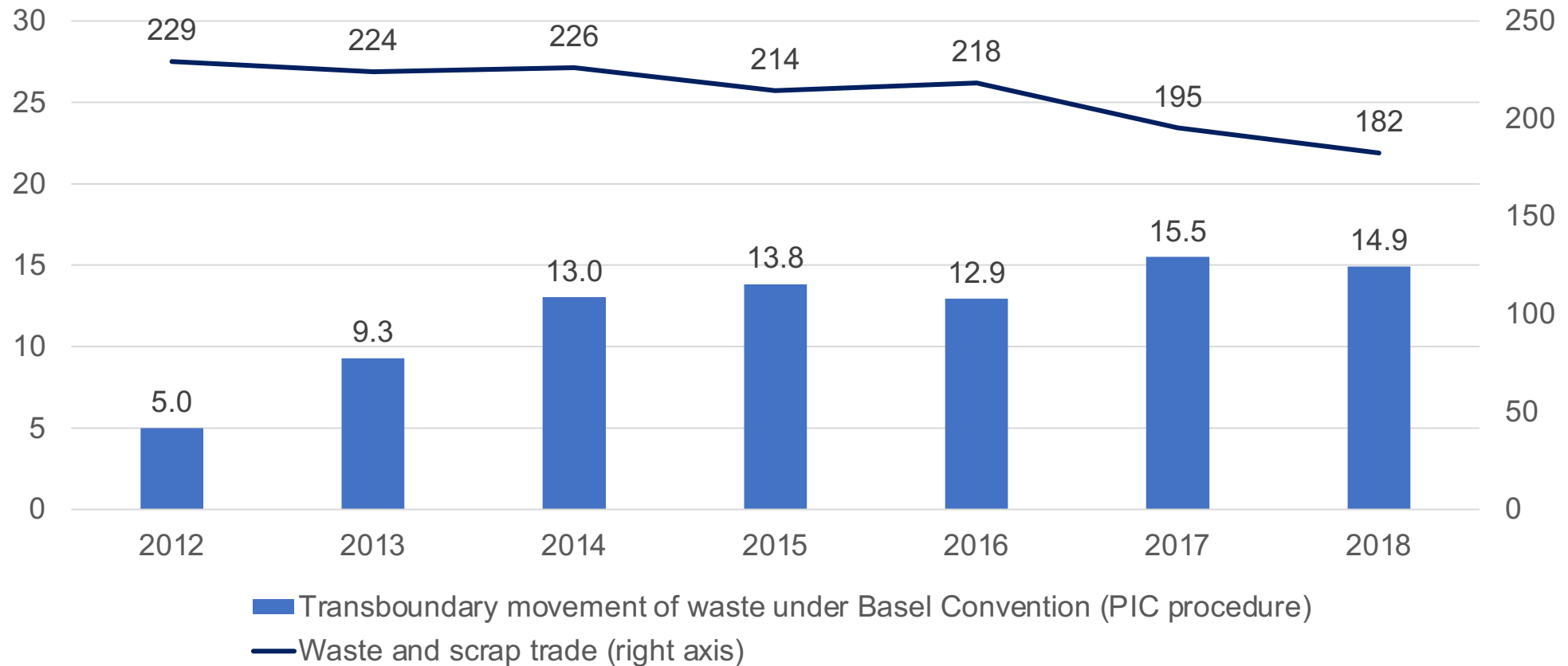




Trends of trade in waste and scrap

In 2018, around 8% of global waste and scrap trade by weight was subject to PIC procedures under the Basel Convention

million metric tonnes





Potential issues and trade barriers

Procedural burden & delays

- Procedural burden, delays in cross-border shipment of end-of-life products
- In some cases, 14 to over 42 months to obtain consent under PIC procedure
- Shipments can be more costly compared to conventional logistics

Definitions and classification

- Patchwork of diverging definitions and classifications of end-of-life products between countries and with trade codes (HS codes).

Nature of custom controls

- Supplementing border controls by customs beyond physical characteristics
- (e.g. treatment method at destination, circular use).

Trade restrictions

- Import and export restrictions on end-of-life products.
- e.g. 40% of copper in globally traded waste and scrap face export restrictions

Illegal waste trade

- Illegal waste trade undermining legitimate trade & competition for recyclers.

Upstream issues

- eco-design - securing recyclability and reparability, phasing out hazardous substances.



Trade facilitation mechanisms

Authorized economic operators (AEOs)

- AEOs demonstrate established levels of security management / legal compliance and receive preferential treatment (e.g. expedited custom procedures).
- Similarities between AEOs and pre-consented facilities under OECD Decision.
- Reflecting environmental criteria in obtaining AEO status is still at nascent stage.
- AEOs can complement existing trade controls.

Single window mechanisms and electronic systems

- Linking these two mechanisms could make border procedures easier and transparent, and streamline regulatory controls for trade.
- Electronic data interchange is a key factor, international initiatives available so far:
 - Waste shipment notifications, e.g. USA-CAN-MEX, AUS-CHE.
 - Other environmental frameworks, e.g. CITES, ePhyto (IPPC).
 - Reference tools, e.g. UN/CEFACT standards, WCO Customs Data Model.



Standards

Standards on recovery facilities

- Can help demonstrate sufficient capacity, environmentally sound management.
- Currently available standards are either country or region-specific, no internationally agreed standards on recovery facilities to date.
- Setting forth clear and harmonised standards for recovery facilities could provide further opportunities to establish reverse supply chains.

Standards on end-of-life products

- Can help establish reverse supply chains, by creating common understanding of environmental requirements between traders and regulators.
- Majority of standards have been recently issued, updated, or currently under development, reflecting the growing interest for a circular economy.
- However, very few standards are recognised and used internationally (or used in regulation) to date, remains an area for possible future development.



Policy responses considering trade facilitation mechanisms and standards

Controlled waste under international legal frameworks

Secure swift implementation of PIC procedures:

- Establish better understanding on actual implementation, clarify and align used criteria.
- Adherents to OECD Decision could exploit potential of pre-consented facilities (ref. AEO).
- Consider linking single window and electronic systems to facilitate PIC procedures.
- Consider fulfilling additional gaps – e.g. financial guarantees, differences in administrative costs, fragmentation of waste classification system between countries and HS codes.
- Draw on regulatory co-operation initiatives (e.g. North-Sea Resources Roundabout).

Non-controlled waste and non-waste products

Clarify status of non-controlled waste and non-waste products:

- Consider AEO with possible environmental criteria, for increased regulatory confidence.
- Consider electronic systems for consignments accompanied by supplementary documentation to clarify status (e.g. used goods).
- Consider using standards or develop international standards on end-of-life products to secure confidence in status (in reference to WTO-TBT Principles).
- Draw on existing examples to clarify the status of remanufactured goods (e.g. EU-Japan EPA)



Policy responses beyond trade facilitation mechanisms and standards

Trade restrictions

- Reconsider & avoid the use of trade restrictions on end-of-life products to extent possible.
- Limit use of import restrictions for remanufactured goods (e.g. CP-TPP, USMCA)
- Consider alternative measures, such as those encouraging traders to assume some responsibility for the circular use of traded goods (e.g. setting warranty periods, Extended Producer Responsibility schemes).

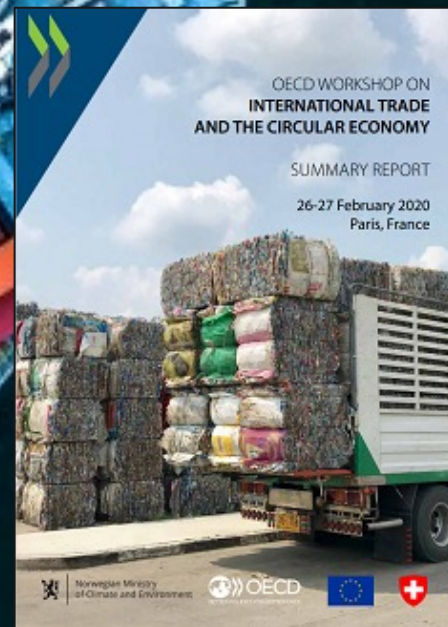
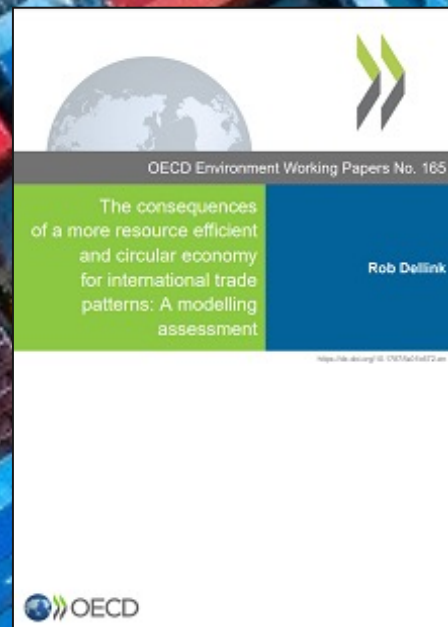
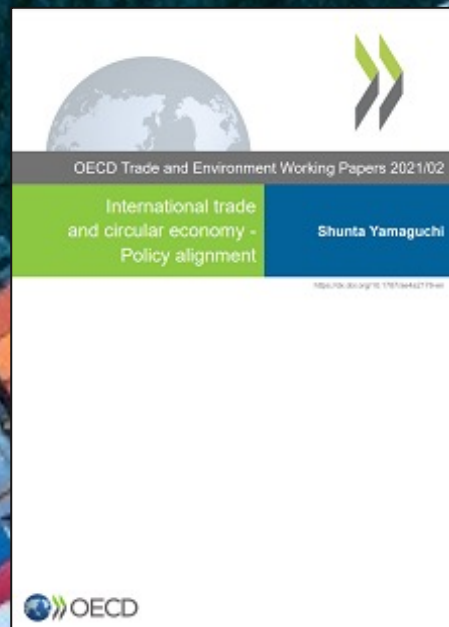
Illegal waste trade

- Improve law enforcement, intelligence sharing, and cross-border co-operation to better identify and tackle illegal waste trade.

Eco-design

- Place efforts in upstream value chain via eco-design policies to:
 - incentivise recycled content
 - avoid hazardous content
 - encourage product recyclability, reparability and durability
- Consider alignment of eco-design standards across countries to make products designed for the environment enter into various markets and benefit from economies of scale.

Thank you for joining the discussion!



Access reports: <http://oe.cd/trade-ce>

For more information, contact:
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