

## ICC Working Group on Circular Economy

### Summary notes

Virtual meeting, 19 July 2023

#### Welcome and opening

Florence Binta Diao-Gueye, Lead, Trade & Customs (ICC) welcomed 40 attendees to the briefing and discussion with the co-facilitators of the WTO Trade and Environmental Sustainability Structured Discussions (TESSD), informal Circular Economy – Circularity Working Group (WG) and the coordinators from the WTO Secretariat.

The Co-Chair of the ICC WG on Circular Economy (CE), Pär Larshans, welcomed the participants and speakers and emphasised the urgent need for policymakers to recognise and act upon the increasing scientific understanding of global sustainability challenges. Comprehending and addressing these complex issues remains critical, and the private sector has a key role to play to provide insights and work together with policymakers.

Circular material flows have grown rapidly as a response to the unsustainable linear sourcing methods. The active engagement of business in policymaking is important to devise regulations that favour sourcing from circular approaches. In the long-term, it will contribute to the evolution of more resilient circular economies, revolutionising the way resources are procured. He thanked members for their active engagement and encouraged ongoing dialogue on these pressing issues.

#### WTO Secretariat and TESSD

From Geneva, we were joined by:

- Rainer Lanz, Policy Analyst, WTO Trade and Environment Division
- Ana Lizano, Counselor, Permanent Mission of Costa Rica (Costa Rica is co-facilitator of the TESSD)
- Kazunari Morii, Ph.D., Counsellor, Permanent Mission of Japan to the International Organizations in Geneva (co-facilitator of the TESSD CE WG)

Ana Lizano welcomed members and encouraged the active engagement of stakeholders in the TESSD. Kazunari Morii also welcomed members and explained that he is one of the co-facilitators of the TESSD CE WG together with Olivia Cook from the mission of Chile who excused herself from the meeting.

He explained that discussions started with the joint [Ministerial Statement](#) in November 2020 and subsequently, the working groups were formed in 2021.

For the Circular Economy – Circularity Working Group (WG), the initial discussions were more or less general on the trade-related issues of circular economy. ICC contributed to the first discussion with several companies presenting their CE initiatives, which proved very useful to WTO members.

In 2023, two WG sessions were held on 17 March and 11 May taking a sector-specific focus on batteries and renewables (solar and wind). The first plenary meeting for 2023 was held on 11 July and [discussed](#) potential outcomes for the 13<sup>th</sup> Ministerial Conference (MC13).

During the informal WG sessions, common themes started to emerge among the members, including:

1. Improvements of classification and data for secure trade are needed.

2. The role of standards and regulations, including on product design, transparency and traceability for enabling a CE.
3. The importance of trade facilitation, including for reuse, repair, and recycling of goods and materials, and a better implementation of the Basel Conventions' PIC procedures to promote the trade in circular goods and services.
4. Rationalising trade restrictions and waste management.
5. The importance of international collaboration and technical assistance to facilitate circular trade and avoid regulatory fragmentation.
6. Developing an ecosystem for circular innovation, investment and scaling economies needed for circular economy solutions to become viable.

The Secretariat has advanced on the mapping exercise that looks at trade and trade policy aspects along the lifecycle of products.

In terms of next steps ahead of MC13, the WGs will meet two more times and the plenary group one time. Discussions are ongoing on the format for the WGs. They will potentially combine sector- and issue-specific discussions.

There are many members interested in focusing on the textile sector, since it is very relevant for developing country members. Other members would prefer to continue discussions related to the renewable energy sector. There are many members who would like to focus on trade facilitation as a theme with special consideration for transparency and measures such as the digital product passport.

In terms of trade facilitation, issues that were mentioned by members include remanufacturing industries and improved customs procedures, including for the PIC procedure under the Basel Convention. In parallel to these practical discussions, the Secretariat is continuing the mapping document.

It is a member-driven document, but any inputs or suggestions from stakeholders, such as ICC, are very welcome and could serve as a good reference for members.

The floor was given to Rainer Lanz from the WTO Trade and Environment Division to brief the group on the mapping exercise (see *slides*).

### **Discussion – exchange of views**

**Q:** It is difficult to define various categories, how was the definition between the two categories “remanufactured, refurbishment” and “repair” determined? In terms of regulations, it can be a grey area for interpretation.

**A:** For clarification, one measure can be assigned to several activities in the lifecycle. In the paper, it is outlined in more detail how it was done. For repair, it was defined as fixing and maintenance of defective products so that the product can be used in its original function. For remanufacturing, it was set that parts from a discarded product are used in a new product with the same function. That is a new condition.

**Q:** It is often talked about the importance of enabling economies of scale when it comes to CE. The ICC WG has recently published a policy brief on the barriers to research and innovation. It was published on 1 June 2023 on the sidelines of the World Circular Economy Forum and the OECD and Basel Convention Secretariat participated in the roundtable discussion and confirmed that they had not considered specific challenges related to research and innovation. The ICC paper includes several practical examples from companies. So, I would propose for you to consider this specific aspect as a focus for another session since there are clear hindrances for companies that are developing circular innovations.

**Q:** Have advertising restrictions been identified and considered in the mapping exercise? There are currently many proposed restrictions on specific claims that could implicate circularity. There is no common definition of what is circular. As part of ICC's work on updating the ICC Marketing Code and Framework Guides for Environmental Marketing, it is unlikely that we will "tackle" the definition of circularity because there is no common agreement. There is the proposed EU Directive on substantiating and communicating green and sustainability claims, which will absolutely be a technical barrier to trade. It will require third party verification of claims by bodies approved by the EU. ICC weighed in in opposition on some aspects of the proposal. I wanted to raise this issue for the awareness of the group.

**A:** When it comes to defining circular economy, we decided that it is not productive to attempt a definition since each country has their own definition or conception and they have had their priorities and policies domestically. So, it was not productive for us to start a discussion from that angle. However, it has been important to discuss specific issues in more detail, e.g., on standards for durability or the definition of security. When going deeper into specific definition elements of a circular economy, there is a need to also discuss elements of a definition for CE, but for now, the discussion has not reached that level yet (and will probably not attempt to define circular economy). The group has not included the marketing dimension as of yet but will consider it for the mapping exercise.

**Q:** Has Brazil been considered in the mapping exercise? What is understood by "measures"? Are they related to policy or circular economy principles?

**A:** With measures, it is meant measures that are notified to the WTO by its members, e.g., subsidies under the Agreement on Subsidies and Countervailing Measures. We look through the different notifications of subsidies and identified which of these measures relate to CE. Similarly, a good number of measures are notifications by members under the Technical Barriers to Trade Agreement, e.g., technical regulations or conformity assessment procedures that may have an impact on trade and that relate to CE. All this information is actually contained in the WTO Environmental Database. We extracted the information from the existing database of notifications without members having to submit something specifically for the mapping exercise.

**Q:** The mapping document is already open for comments from stakeholders, what is the timeline?

**A:** The aim is to have the document ready by MC13, so we would appreciate any comments by September. Of course, there will still be possibilities to comment and contribute thereafter as well. Inputs from stakeholders and especially from the ICC WG are really appreciated because you deal with the actual issues on a day-by-day basis. CE is very different from traditional trade issues, that are usually focused on tariff reductions or non-tariff measures (NTM). To some extent, it is a NTM, but trade officers are still in the process of learning about it. Specific practical examples from your members have been very helpful to understand the dynamics.

**Q:** Do you already know the focus of the next discussions?

**A:** For the next discussions, we have considered trade facilitation with regards to e-waste, but also the challenges developing countries have with the import of second-hand electronics. It was inquired if there are ICC members with experience (yes). There is a strong scepticism among developing country members that CE will end up meaning more waste dumping, e.g., with countries exporting less durable second-hand products to the developing markets.

However, there is also a lot of potential for developing countries, for example, properly exporting potential waste from developing countries to appropriate recycling facilities. Looking at positive examples for circular economy from the developing country perspective could be useful.

**Q:** In Mexico, there were a lot of issues with waste dumping; for many years, it was the backyard of the US and other countries to dump their waste in. A way to regulate the products that are imported and exported is by not considering them as waste, but more as a byproduct. With that change in definition, there are already a lot of regulations in place that change the way the product is being used, imported, and exported without being considered waste.

It has helped advancing circular economy while protecting against waste dumping.

**Q:** When it comes to CE, it sounds like what the WTO really needs is a better understanding of what exactly can be done when it comes to CE to make a real difference. And what we see now is that a lot of countries are making up their own regulations and each and every regulation will become a trade barrier. So, that is why, it is critical to highlight the trade barriers that emerge when different countries are setting up their own legislation. It is a great idea for the ICC WG to comment on the mapping exercise, to colour it with concrete examples. We would really like to contribute to the WTO discussions and to MC13 ahead of time and provide concrete examples from the trade.

Gratitude was expressed for the productive exchanges that took place during the meeting and positive anticipation about continuing/enhancing this collaborative effort.