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**Report from the Economic Commission for Europe 27 June side event on circular economy****Accelerating the Circular Economy Transition: Policy Options for Harnessing the Power of Trade and Economic Cooperation – Executive Summary\*****Note by the secretariat***Summary*

Following decisions at the sixty-ninth session of the Economic Commission for Europe (ECE) in April 2021 regarding the circular economy and the sustainable use of natural resources, the ECE secretariat has been integrating a circular economy approach in its relevant activity streams, including in relation to trade.

This document provides a summary of the ECE policy paper “Accelerating the Circular Economy Transition in the ECE Region: Policy Options for Harnessing the Power of Trade and Economic Cooperation” that is part of the paper series within the 13th tranche of the United Nations Development Account (UNDA) project, “Accelerating the transition towards a circular economy in the ECE region.”

This policy paper provides an overview of the state of play on transitioning to the circular economy and analyses the role of international trade as an accelerator of this process. Specifically, the paper elaborates on the interface between trade and the circular economy; policy interactions and specific sectors to scale up 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 policy paper presents entry points for the type and nature of assistance that ECE could provide to its member States in support of this transition.

This document summarizes the main findings emerging from the policy paper, with a view to informing delegations of the seventh session of the Steering Committee on Trade Capacity and Standards (SCTCS).

The document is presented to SCTCS for information.

\* This document has not been formally edited by ECE.



## I. Introduction

1. The global economy relies extensively on the extraction and use of raw materials. Materials are transformed through production processes, used/or consumed, and finally discarded into the environment. This linear economic model generates around 50 per cent of all greenhouse gas (GHG) emissions,<sup>1</sup> 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 continued increase in the consumption patterns, the GHG emissions are expected to grow by 80 per cent.<sup>2</sup>
2. The circular economy (CE) 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 CE, 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.<sup>3</sup>
3. An increased implementation of circular economy business models can bring multiple economic, social and environmental benefits. While not explicitly mentioned, principles of CE 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.
4. 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 the dependence on certain critical materials while alleviating problems related to their price volatility. This is particularly relevant to transition economies in the ECE region. By fostering re-cover/re-use of critical minerals, the CE transition can help address potential supply challenges in sectors that are essential for the green energy transition.<sup>4</sup> Therefore, the circular economy could support current pandemic recovery strategies, and, if scaled up can serve as a global resilient growth strategy.
5. Despite these potential benefits, today, the global economy's circularity level 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.<sup>5</sup>
6. In a global interconnected economy, international trade and economic cooperation can be enablers of the CE 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.

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<sup>1</sup> United Nations Environment Programme (2019). *Global Resources Outlook 2019: Natural Resources for the Future We Want*. A Report of the International Resource Panel. Nairobi, Kenya. Available at: <https://www.resourcepanel.org/global-resources-outlook-2019>.

<sup>2</sup> OECD (2018). *Global Material Resources Outlook to 2060: Economic Drivers and Environmental Consequences*. OECD Publishing, Paris. Available at: <https://doi.org/10.1787/9789264307452-en>.

<sup>3</sup> Ellen MacArthur Foundation, available at: <https://archive.ellenmacarthurfoundation.org/explore/the-circular-economy-in-detail>.

<sup>4</sup> As we all became aware in recent times, recurring supply shocks associated with critical materials can cause disruptions to global production chains of technically advanced products such as tablets or electric vehicles (EV). For further information, please see the results of the ECE 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>.

<sup>5</sup> Circle Economy (2022). *The Circularity Gap Report 2022* (pp. 1–64, Rep.). Amsterdam: Circle Economy. Available at: <https://www.circularity-gap.world/2022#Download-the-report>.

## II. Key findings

### A. The nexus between trade and circular economy

7. 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.

8. 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.<sup>6</sup> CE-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. CE initiatives should also address the consumption, and post-consumption phase (waste), where further efficiencies can be sought. The following have been identified as entry points to integrate CE considerations into trade:

- **From trade in primary to trade in secondary materials.** Trade in primary materials could decrease and be replaced by more trade in secondary material. 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 to more regional and local trade.** Restrictions on trade in waste and hazardous materials could make CE trade a more local or regional matter, with regional recycling and reprocessing hubs that cater to regional markets.<sup>7</sup> 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.<sup>8</sup>
- **From trade in goods to trade in services.** Services are central to CE business models. Repair, remanufacturing, recovery, recycling, refurbishing, after-sale service, product as service solutions, and sharing and trade in these services will increase. This could cover services such as water and waste treatment, as well as design, IT services, environmental consulting engineering, research and development etc.
- **From analog to digital.** Digital solutions and the Fourth Industrial Revolution industries have already made their way into the linear supply chains. 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.

9. At the same time, when designing and implementing CE-related trade policy instruments specific attention should be given to ensure that they do not result in potential barriers to trade.

<sup>6</sup> A good comparison between a linear and a circular model can be found in the International Institute for Sustainable Development publication: Tamminen, S., Sell, M., Forslund, T., Tipping, A., Soprana, M., Bellmann, C. (2020). *Trading Services for a Circular Economy*. International Institute for Sustainable Development and Ministry for Foreign Affairs of Finland. Available at: <https://www.iisd.org/publications/trading-services-circular-economy>.

<sup>7</sup> Kettunen, M., Gionfra, S. and Monteville, M. (2019). *EU circular economy and trade: Improving policy coherence for sustainable development*. IEEP Brussels / London. 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](https://ieep.eu/uploads/articles/attachments/f560794d-c411-4895-8ae9-910c65548f33/EU%20trade,%20CE%20and%20sustainable%20development%20(IEEP%202019)%20FINAL.pdf?v=63741577228).

<sup>8</sup> <https://www.digit.fyi/could-supply-chain-challenges-fuel-the-circular-economy/>.

## B. Scaling up the circular economy: policy interactions and specific sectors

10. 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 CE.

### 1. Policy interactions

11. To progress towards CE, especially for transition economies, it is important to target policy solutions to facilitate this process. There are also important linkages between the CE and the following policy areas, thus a coherent approach is needed.

- **Investment/financing.** Transitioning to CE could not be possible without massive investments along the supply chain. This includes investment in new business models (e.g. in new CE industries, supply chain redesign, green design, or bioengineering), procedures, technologies/innovation, and workforce education. This also includes 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, CE business models and supply chains need innovative practices, new technologies, and new services. This 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 the workforce that stand to lose their linear economy jobs to cater to the needs of the CE.<sup>9</sup>
- **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.<sup>10</sup> Digitalization can help foster circularity through various solutions, e.g. platform economy, digitalization of supply chains and traceability.<sup>11</sup>
- **Procurement.** Given its contribution to considerable share in countries' GDP, public procurement can be a powerful tool to shape more sustainable consumption patterns. Setting the demand for sustainable and CE goods and services, public procurement policies could foster investments in greener technologies and practices.

### 2. Specific sectors

12. For international trade to develop its full potential to scale up circularity, there is a need for action along different sectors of the economy. The below sectors, while not

<sup>9</sup> To contribute to this objective, ECE 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](https://unece.org/sites/default/files/2021-12/Item%2013_ECE_EX_2021_40_XB_13%20Innovation%20and%20digital%20technologies%20for%20sust%20development.pdf).

<sup>10</sup> 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 (AI) is embedded in many existing technologies already used in circular business models.

<sup>11</sup> Relatedly, the topic of “Digital and green transformations for sustainable development in the ECE region” has been identified by ECE member States as the cross-cutting priority topic for the forthcoming seventieth Commission session. Available at: [https://unece.org/sites/default/files/2021-12/Item%207%20ECE\\_EX\\_2021\\_32\\_\\_Commission%20session%20update%20on%20preparations.pdf](https://unece.org/sites/default/files/2021-12/Item%207%20ECE_EX_2021_32__Commission%20session%20update%20on%20preparations.pdf).

representing an exhaustive list, are in many instances critical for the CE transition in the ECE region.

- **Trade in services.** Services will play a key role for the CE transition. Services sectors such as water and waste treatment will be essential to the scaling up of circularity. Additionally, services such as design, IT services, environmental consulting 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 business models of CE: 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 an increased world population while ensuring that food production does not create further environmental pressures. Applying the CE 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 the negative environmental discharge from the 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 the society in the production process. In fast fashion, roughly 87 per cent of textiles are discarded or burned each year, costing US\$ 100 billion.<sup>12</sup> CE 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) moving consumers' attitudes towards more intelligent and ethical consumption. Ensuring that final consumers receive accurate and relevant information about the social, environmental and health risks of their purchase is important and reiterates the need for transparency and traceability of textile value chains.<sup>13</sup>
- **Trade in critical minerals.** Due to their unique capabilities, rare earth minerals are essential for future high tech and low carbon products (electric vehicles, fibre optic cables, personal computers, etc.). 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 emissions, and entails additional downstream separation processes.

### C. Regulatory framework for trade and the circular economy

13. 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. CE is a cross-cutting area comprised of closely intertwined environmental, economic and social dimensions. Therefore, it requires an urgent, coordinated, and strategic approach that should benefit from universal political backing. This also requires giving attention to ensuring that efforts to foster circular trade do not result in barriers to trade for countries whose exports sector has not yet fully embraced circularity.

14. 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 CE and trade are happening within the recently launched WTO Trade and Environmental

<sup>12</sup> <https://www.bbc.com/future/article/20200710-why-clothes-are-so-hard-to-recycle>.

<sup>13</sup> ECE/TRADE/C/CEFACT/2019/26. Available at:

[https://unece.org/DAM/cefact/cf\\_plenary/2019\\_plenary/ECE\\_TRACE\\_C\\_CEFACT\\_2019\\_026E.pdf](https://unece.org/DAM/cefact/cf_plenary/2019_plenary/ECE_TRACE_C_CEFACT_2019_026E.pdf).

Sustainability Structured Discussion (TESSD).<sup>14</sup> In addition, there are multilateral conventions and rules that affect international trade (e.g. Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal; Convention on International Trade in Endangered Species (CITES)). While international trade rules were designed with a linear model in mind, CE-related topics are increasingly present in international trade debates. This includes issues such as trade and environmental measures, plastics pollution, and environmental goods and services.

- **Regional.** Compared to 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 CE matters. Related regional initiatives also include the United Nations Special Programme for the Economies of Central Asia (SPECAs), which established Principles of Sustainable Trade in 2019.<sup>15</sup>
- **National.** Each country is establishing its rules in line with its national objectives and following its international commitments. Both developed and transition economies worldwide have started introducing circular economy policies. According to the Chatham House CE policy database,<sup>16</sup> there are currently 39 countries around the world with a national CE policy or strategy.

15. Additionally, standards can play a key role in efforts to harness the power of trade for the CE transition. In prescribing product characteristics, design production and disposal procedures, standards can promote circular trends down (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 (VSS) and private standards (such as Global Partnership for Good Agricultural Practices (GLOBALG.A.P)) can help support a quick transition to a circular, more sustainable future.<sup>17</sup>

Box 1

#### Trade and the CE: concrete proposals for the multilateral way forward

There is a growing awareness among some stakeholders that trade could be used as a powerful lever to advance the CE transition. Recent research by international stakeholders, including ICC, IISD, QUNO etc.<sup>18</sup> include the following concrete entry points:

- Reviewing current Harmonized System (HS) principles/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 current HS principles.

<sup>14</sup> [https://www.wto.org/english/news\\_e/news21\\_e/envir\\_15dec21\\_e.htm](https://www.wto.org/english/news_e/news21_e/envir_15dec21_e.htm). For related initiatives, see also Box 1.

<sup>15</sup> [https://unece.org/fileadmin/DAM/SPECA/documents/gc/session14/Principles\\_of\\_Sustainable\\_Trade\\_\\_Trade\\_\\_English.pdf](https://unece.org/fileadmin/DAM/SPECA/documents/gc/session14/Principles_of_Sustainable_Trade__Trade__English.pdf).

<sup>16</sup> <https://circulareconomy.earth/?policy=cep>.

<sup>17</sup> For additional information see, for example, the work of the United Nations Forum on Sustainability Standards, available at: <https://unfss.org>.

<sup>18</sup> Bellmann, C. (2021). *The Circular Economy and International Trade: Options for the World Trade Organization (WTO)*. Funded by the by the International Chamber of Commerce Research Foundation, available at [https://icc.se/wp-content/uploads/2021/12/20211214\\_Circular-Economy.pdf](https://icc.se/wp-content/uploads/2021/12/20211214_Circular-Economy.pdf). Monkelbaan, C. (2021). *The Circular Economy and Trade: Some Questions and Possible Ways Forward*. Supported by Quaker United Nations Office and the Friedrich-Ebert-Stiftung, available at [https://quno.org/sites/default/files/resources/The%20Circular%20Economy%20and%20Trade\\_paper\\_A4\\_24\\_09.pdf](https://quno.org/sites/default/files/resources/The%20Circular%20Economy%20and%20Trade_paper_A4_24_09.pdf). Tamminen and others, *Trading Services for a Circular Economy*, see footnote 6.

- Liberalizing trade in environmental goods and services and exercising caution with further liberalization of goods and services undermining 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 CE-promoting goods from subsidies rules at 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 to switch to circularity.

*Source:* ECE policy paper “Accelerating the Circular Economy Transition in the ECE Region: Policy Options for Harnessing the Power of Trade and Economic Cooperation”, forthcoming 2022.

#### D. Circular economy: challenges and opportunities for transition economies

16. 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, reliance on exports of primary commodities or low added-value goods, among others. COVID-19 has exacerbated these difficulties and added new challenges, including insecurity, loss of employment, increased risks, and fiscal deficits. Transitioning to a CE could be one of potential avenues towards a resilient, sustainable and inclusive post-COVID recovery. Some options for 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 vulnerable and vital parts of transition economies. The transition costs for MSMEs need to be taken into account. MSMEs might need additional support and investment in skills for CE.
- **Looking at both production, and consumption.** Embedding circular consumer practices could help meet the populations’ needs and facilitate further shifts in production practices.<sup>19</sup>
- **Broader integration into the global and regional value chains.** There is a considerable potential to increase global and regional trade in CE products and services, also among countries with economies in transition. Accession to WTO and exploring regional cooperation could facilitate this process.

<sup>19</sup> Preston F., Lehne J., and Wellesley L. (2019). *An Inclusive Circular Economy: Priorities for Developing Countries*. Chatham House. Available at: <https://www.chathamhouse.org/2019/05/inclusive-circular-economy>.

### III. Recommendations

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

- **Raising awareness.** Raising awareness is needed for both circularity as such and for the interface between trade and CE. This could involve bringing CE to the attention of the trade community and, vice versa, bringing trade to the attention of the CE community. Awareness-raising could involve both the public and private sectors.<sup>20</sup> 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 CE, part of WTO TESSD, might be of relevance and useful for transition economies to be informed about ongoing discussions. The ECE CE Network “Circular STEP”, including officially nominated CE focal points in countries with economies in transition, can play a key contributing role.<sup>21</sup>
- **Sharing of experiences.** Sharing experiences on how to harness opportunities and address challenges at the interface between trade and the circular economy could help facilitate CE transition. The ECE regional and national policy dialogues can provide a starting point for such informal exchanges of experiences and best practices. Ultimately, an 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. While 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 is 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. ECE (through its work on statistics), think tanks (e.g. Chatham House) and international organizations (e.g. Organisation for Economic Co-operation and Development (OECD), WTO etc.).
- **Integrating trade-related elements into countries’ CE roadmaps and strategies.** CE roadmaps or strategies and subsequent implementing tools (e.g. laws, regulations etc.) are central tools for shaping the circular transition through policymaking at the national level. As an increasing number of countries are developing CE roadmaps, attention could be given to including a trade-related dimension into these overarching policy documents and processes. This means a broader approach, including to trade-related topics, such as aspects of investment/financing, innovation and digitalization, as well as a sectoral approach (e.g. based on circularity hotspot sectors, such as textiles, agri-food, services etc.).
- **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. ECE toolkit for transparency and traceability in garment and footwear sector<sup>22</sup> and the recently established Team of Specialists on Environmental, Social and Governance Traceability of Sustainable Value Chains in the Circular Economy (ToS-

<sup>20</sup> Raising awareness should also involve academia, which brings technical expertise and another perspective to conversations around circularity and its interfaces with trade.

<sup>21</sup> <https://unece.org/circular-economy/press/unece-launches-platform-policy-dialogue-circular-economy>.

<sup>22</sup> <https://unece.org/trade/traceability-sustainable-garment-and-footwear>.



T SVCCE),<sup>23</sup> provide United Nations-supported tools and forums for taking this further.

- **Envisaging CE-enhancing trade policy options at the different levels of governance.** An effective integration of circularity into trade policy could require action at different levels of policymaking, the multilateral, regional and national levels. In addition to integrating CE into countries' trade promotion, value chain, and broader economic development strategies, this could also include integrating CE-related provisions into regional trade agreements and adding a CE-dimension to the multilateral trade policy process. The recently formed Working Group on CE in the WTO TESSD process could offer a starting point. Particular attention needs to be given to ensuring that CE-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 a transition that includes a safety net for those who 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, education, technical assistance and capacity-building. Tailoring Aid for Trade technical assistance to be used for the switch to circularity could provide a powerful boost for transition economies.

#### IV. Concluding remarks

18. The current linear economic structure is causing negative environmental, social, and health-related externalities. It is driving, and it is driven by, an insatiable demand to consume new products. In fast fashion, roughly 87 per cent of textiles are discarded or burned each year, costing US\$ 100 billion. At the same time, over 85 per cent of plastic packaging value is wasted every year, costing up to US\$ 120 billion and polluting our rivers and oceans.<sup>24</sup> These are only some examples of inefficiencies.

19. 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 CE is designed to do that. It mandates the reusing, repairing, remanufacturing, recycling, sharing, and renting, thereby extending the use of goods 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, CE can generate a more efficient way of producing goods and services, raise productivity and competitiveness while helping decarbonize the planet.

20. To achieve SDG targets while simultaneously pursuing economic growth, it is essential to place CE at the heart of our economic philosophy and action. Today, CE exists at the fringes, it is used 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 existing configuration of the supply chains, redistribute welfare and create a new economic reality.

21. ECE, through its three core functions – development of norms, standards and legal instruments; hosting of a convening platform; and technical cooperation across a number of

<sup>23</sup> <https://unece.org/trade/uncefact/ToSTraceability>.

<sup>24</sup> <https://www.visualcapitalist.com/the-circular-economy-redesigning-our-planets-future/>.

relevant sectors – supports countries in their efforts to achieve a sustainable, inclusive and resilient post-pandemic recovery<sup>25</sup> and transition to a CE.<sup>26</sup>

22. For the challenges summarized in this paper, the tools developed under the ECE 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).

23. As Governments continue their efforts to “build back better”, wide range of normative tools and technical cooperation-related support activities of ECE are at their disposal. This includes the UNDA project “Accelerating the transition towards a circular economy in the ECE region”. In the framework of this project the ECE plans to produce policy papers looking at the following areas: improving traceability of products along international value chains for 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.

Table 1  
**ECE Economic Cooperation and Trade Division (ECTD) work on circular economy**

<i>CE Entry Point</i>	<i>ECE ECTD Tool</i>
Transparency and traceability of supply chains to transform sectors that are particularly resource-intensive	Through “Sustainability Pledge” (comprising a UN/CEFACT Policy Recommendation, information exchange standard, and implementation guidelines) <sup>27</sup> ECE is improving transparency and traceability throughout the garment and footwear supply chains.  Through its newly established ToS-TSVCCE, <sup>28</sup> 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 (ToS ICP) ECE 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.  Food loss and waste: FeedUP@UN helps address food loss throughout the supply chain and redistribute food that would in other circumstances be lost. ECE Code of Good Practice for Food Loss and Waste Prevention and a Methodology for Food Loss and Waste Measuring are

<sup>25</sup> ECE “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](https://unece.org/DAM/UNECE_COVID_Brochure_EN.pdf).

<sup>26</sup> E/ECE/1496 (“Circular economy and the sustainable use of natural resources: Toolbox of instruments of the Economic Commission for Europe”). Available at: [https://unece.org/sites/default/files/2021-03/E\\_ECE\\_1496-2101396E.pdf](https://unece.org/sites/default/files/2021-03/E_ECE_1496-2101396E.pdf).

<sup>27</sup> <https://form.jotform.com/211244876449059>.

<sup>28</sup> <https://unece.org/media/news/362439>.

<i>CE Entry Point</i>	<i>ECE ECTD Tool</i>
	adding advice on policies to adopt to understand how to measure the loss of food.
Harnessing the powers of standards and regulatory cooperation	ECE has developed a Portal on Standards for the SDGs. <sup>29</sup> 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	ECE recommendations on electronic data exchanges covering the entirety of the supply chain can make trade procedures more efficient and reduce waste. <sup>30</sup>

*Source:* ECE.

<sup>29</sup> <https://standards4sdgs.unece.org/>.

<sup>30</sup> 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](https://unece.org/fileadmin/DAM/cefact/cf_plenary/2020_Plenary/ECE_TRADE_C_CEFACT_2020_24E-UNCEFACTdeliverablesCE.pdf)).