



Business at OECD (BIAC) Key Messages on

TRADE AND CIRCULAR ECONOMY

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According to the *OECD Global Materials Outlook*¹, the global gross domestic product (GDP) will quadruple by 2060, and global materials use is projected to double up to 167 Gt by 2060. In order to meet our societies' growing demand for resources, achieve important environmental policy goals including climate change and ambitions under the Paris Agreement, lessen our economies' exposure to supply risks, and foster new business opportunities, we call on OECD and governments to support our businesses in their efforts to achieve higher resource efficiency and gear their operations towards a more circular economy.

To foster and diffuse sustainable innovation, technologies and solutions, incentivize investments, enable scalability, and spur competition and green growth in this regard, OECD and governments should consider how to further enable the circular economy through global trade – including for second-hand goods, goods for repair, refurbishment and remanufacturing, waste and scrap, and secondary materials, as well trade in related services – while safeguarding the achievement of important environmental, health and safety goals through effective policies. Additionally, national resource efficiency and circular economy initiatives should not create unnecessary barriers to a circular economy and global trade.

Business at OECD members suggest that the following aspects should be considered and addressed to strengthen trade, resource efficiency and a more circular economy:

- **Removing barriers to trade in goods for direct reuse**
Goods for direct reuse are not normally classified as waste. Nevertheless, national laws are in place in many countries prohibiting imports of used products for direct reuse. Furthermore a number of countries have national laws restricting the sale of second-hand goods (e.g. clothes, footwear, and others). OECD and member countries may wish to record the countries and the goods affected by such laws and their effects on circular economy and waste prevention policies.
- **Enabling trade in goods for repair, refurbishment, and remanufacturing**
Selected major industries report obstacles to recovering products across borders for repair, refurbishment, remanufacturing, as products may fall under a classification which can in certain cases result in burdensome procedures that impede foreseeable shipment procedures and thus prevent scalable circular economy activities (e.g. Classification as waste although products for repair, refurbishment and remanufacturing may be destined differently and thus have a different risk profile). There is a need to make a clear legal definition and distinction between goods destined for repair, refurbishment or remanufacturing and waste, notably as regards to hazardous waste. As companies need to be able to build efficient supply chains at these stages of the product lifecycle, regulatory policies that facilitate trusted cross-border movement of products and

¹ OECD (2019), *Global Material Resources Outlook to 2060: Economic Drivers and Environmental Consequences*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264307452-en>.

materials at these stages of the product lifecycle should be considered. Further, obstacles may occur when exporting repaired, refurbished or remanufactured goods, since many countries treat those goods as “used” and prohibit their importation. To enable trade in those goods, they should receive the same treatment as new like products.

- **Facilitating transboundary movements of wastes destined for recovery operations**

As the *OECD Decision on the Control of Transboundary Movements of Wastes Destined for Recovery Operations* (Decision C(2001)107/FINAL) may facilitate transboundary movements of recoverable wastes between OECD member countries, the OECD and governments should ensure that the Decision delivers against its objectives, is implemented and can be used by the private sector to its full potential.

- **Better defining secondary raw materials**

For business, it is important to incorporate clear definitions and distinctions of secondary raw materials versus waste. Secondary raw materials are material fractions from discarded end-of-life products that have been sorted and processed into a specification-grade commodity (industry specifications or quality standards) for which a market exists. Secondary raw materials should not be subject to waste controls for their transboundary movement as those inappropriate waste controls hinder the markets and frustrate achieving a circular economy. In this context, it is necessary to ensure that adequate treatment capacity exists for residues arising from separation/processing of recyclable material.

- **Addressing illegal shipments of waste**

Business at OECD supports governments’ efforts to eliminate illegal trash dumping. The illegal shipment of waste intentionally misclassified in order to circumvent national and international rules on cross-border waste trade should be effectively addressed, including through better enforcement activities.

- **Simplifying EPR schemes**

In many OECD countries, new regulation is appearing in the field of waste prevention and management. One of the mechanisms is extended producer responsibility (EPR), through which fees are applied to various products in order to finance their end of life. Further to the *OECD Extended Producer Responsibility 2016 Updated Guidance for Efficient Waste Management*, a number of member countries will set minimum requirements for extended producer responsibility schemes, amongst which *Business at OECD* emphasizes the need for good governance, transparency, and for collective schemes modulation taking into account durability, reparability, re-usability and recyclability of goods and the presence of hazardous substances in goods. As the role of online marketplaces in the collection of these fees is being debated, it is important to recognize that there may be a great lack of awareness and adaptation of and to online sellers - many of them being SMEs or even micro-companies - on the subject. Essential measures of simplification, harmonization such as one-stop shops or *de minimis* are therefore crucial to implement in the EPR context, as well as strong education campaigns which could be jointly led between authorities and marketplaces. This would both improve the understanding of the legislation and avoid creating new barriers to trade for small businesses. The OECD should encourage countries to exercise greater transparency and industry consultation on developing/simplifying EPR schemes, based on current OECD Guidelines namely: 1) Clearly defined objectives and desired results; 2) consistency and coherence with related policies, especially for waste management and product policies; 3) Clearly defined scope,

targeting products with the potential for the highest environmental impact; 4) Clear definition of the term ‘producer’ as this is typically the value chain actor with the greatest influence on product design and materials.

- **Addressing overcapacities in certain industries**

In some industries, such as steel and aluminum, trade measures and market distorting government support for certain activities along the value chain lead to overcapacities and artificially low prices which may hamper innovation and a shift towards a more circular economy. Where support measures are in principle permissible under multilateral rules but heavily distort international trade – such as those contributing to overcapacities plaguing several sectors – OECD and governments should help to expand rule-making to cover the most harmful types of interventions.

- **Enhancing demand for recycled materials**

Incentives should be considered to encourage greater demand for recycled materials to be incorporated into manufacturing – and that includes spurring public demand for goods that incorporate materials with low-carbon footprint and that are recyclable without decreasing product quality. In this context, green public procurement should be considered as an important instrument for governments to strengthen resource efficiency and the move towards a more circular economy. As public procurement represents about 13% of government spending in OECD countries on average, the non-discrimination of foreign participants should be safeguarded as local players may often be favored in these business opportunities. In addition, governments should incentivize demand by streamlining regulatory approval and standard setting to cover new innovative materials made using recycled materials (such as recycled plastic road asphalt) to encourage greater investment and use. However, we caution that mandatory recycled content requirements can have negative consequences, complicating supply chains, and may not always be feasible since specific material characteristics and quality requirements need to be respected. In addition to enhancing demand for recycled materials, *Business at OECD* members highlight the importance of the reliable supply of recycled materials in the right quality and quantity.

- **Integrating trade, circular economy and climate change**

More than half of all greenhouse gas (GHG) emissions are related to materials management activities according to the OECD *Global Materials Outlook*. For business, the traceability of materials and goods and their climate history (emissions record) is important to evaluate them fairly, however this should not result in burdensome requirements for business which may particularly negatively affect not only large companies but particularly also SMEs. Hence market mechanisms such as disclosure of carbon content should be given consideration. It should also be considered how transport emissions could be included in any assessment, taking into account complex supply chains and bearing in mind that international transport emissions are often beyond the control of the manufacturer.



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