



PERMANENT TECHNICAL
COMMITTEE
- HYBRID MEETING -
-
235th/236th Sessions
-
25 – 29 April 2022

PC0694Ea

Brussels, 7 March 2022.

CIRCULAR ECONOMY

(Item XII on the Agenda)

("C" item on the Agenda)

SUMMARY

Purpose of document

The 85th Session of the Policy Commission (PC), held in December 2021, highlighted the importance of the environmental aspect, the circular economy (CE) and reverse supply chains in connection with a review of the focus areas of the WCO Strategic Plan 2022-2025. Taking into account the PC's decision, the PTC is invited to exchange views and provide guidance on the opportunity to take action in a number of related areas: (i) business process mapping of waste imports to harmonize the most relevant processes in the context of CBM and Single Window implementation; (ii) the possible development of a Data Model information package and GNC Utility Blocks for data exchanges related to the waste trade; (iii) further consideration of the environmental compliance aspects of the AEO Programme as part of the SAFE review cycle; and (iv) the exploration of digital infrastructures for CE governance in the context of future updates of the Study Report on Disruptive Technologies.

Actions required of the Permanent Technical Committee:

The PTC is invited to:

- discuss and provide guidance on the opportunity to undertake further work in the field of the circular economy in order to enhance environmental regulatory compliance and supply chain visibility.

I. Background

1. During its 233rd/234th Sessions, the PTC discussed the business case for a “Study proposal on the role of Customs in fostering a Circular Economy (CE) and reverse supply chains”. The PTC welcomed the engagement of the WCO Secretariat and Members on this issue, and noted the potential for further development of the business case through the WCO Research Unit, to raise broader awareness of the potential role of Customs in supporting environmental outcomes.
2. For the purpose of contributing to the academic debate, the 16th WCO PICARD Conference that was held on 9 and 10 December 2021 hosted two sessions on the CE topic, and renowned academics and researchers introduced the latest policy trends and findings in this area.
3. While noting the discussions held at the 233rd/234th Sessions of the PTC in this regard, the 85th Session of the Policy Commission held in December 2021 highlighted the importance of the environmental aspect, the circular economy and reverse supply chains in connection with a review of the focus areas of the WCO Strategic Plan 2022-2025.

III. Trade facilitation for the CE and sustainable supply chains in the international arena

4. The activities that the WCO is undertaking or might further envisage in this field can take stock of relevant work that other international organizations are currently undertaking, some of which are reported below, for information purposes, as a non-exhaustive list of actions and programmes.
5. In the context of the **WTO discussions** on trade and the environment, on 15 December 2021, the Ministers representing 57 WTO Members published a Ministerial Statement on [Trade and Environmental Sustainability](#) during a high-level event that also served as the launchpad for the Ministerial Statements on [Plastic Pollution and Environmentally Sustainable Plastics Trade](#) and on [Fossil Fuel Subsidies](#).¹
6. The Statement on Trade and Environmental Sustainability gives special attention to the opportunities and possible approaches for promoting and facilitating trade in environmental goods, including through addressing supply chain, technical and regulatory elements, achieving a more resource-efficient CE and promoting sustainable supply chains. It also addresses the challenges and opportunities arising from the use of sustainability standards and any related measures, in particular for developing Members.
7. To achieve full implementation of this Ministerial Statement, the Trade and Environmental Sustainability Structured Discussions (TESSD) have outlined six thematic work areas for 2022. They include: (i) launching dedicated discussions on trade-related climate measures and policies; (ii) promoting and facilitating trade in environmental goods and services; (iii) achieving a more resource-

¹ https://www.wto.org/english/news_e/news21_e/ddgjp_15dec21_e.htm

efficient CE; (iv) promoting sustainable supply chains; (v) addressing the challenges and opportunities arising from the use of sustainability standards and related measures, in particular for developing members; and (vi) identifying challenges and opportunities for sustainable trade and strengthening capacity building and technical assistance (through Aid for Trade).

8. Work on **electronic approaches** to the notification and movement documents under the **Basel Convention** on Transboundary Movements of Hazardous Wastes and their Disposal has been initiated with a view to improving implementation of and compliance with Article 6 of the Basel Convention.
9. At its fourteenth meeting, the Conference of the Parties (COP) to the Basel Convention invited Parties to share their experiences in developing and implementing electronic systems for exchanging information on or controlling movements of goods and wastes. The COP also considered the needs involved in making the system as part of a more general system such as a Single Window environment so as to enhance information sharing between the environmental authorities and other regulatory agencies, including Customs.
10. The International Chamber of Commerce commissioned a study² to contribute to the debate; its report reviews the main findings of existing literature and supplements it with qualitative insights from interviews with trade policy-makers, researchers in non-government organisations, private-sector firms operating in different segments of CE value chains and international organisations focused on different aspects of the CE.
11. The World Economic Forum has addressed the topic of supply chain sustainability and **sustainability reporting**,³ highlighting that **supply chain disclosure** and transparency will become the norm of good governance⁴ and should be integrated into the company's broader strategy and enterprise risk management. They also recommended piloting the use of the WCO's AEO Programme to monitor and facilitate e-waste shipments among some participating trading partners.
12. Several efforts are also being undertaken in the context of **digital infrastructures** that can promote supply chain **traceability and visibility**, such as the programme that the United Nations Economic Commission for Europe (UNECE) is undertaking to facilitate compliance with environmental standards and enable risk-based due diligence for sustainable value chains in specific sectors,⁵ while also taking into account technology-neutral multimodal standards that can serve as a foundation for interoperability using XML, JSON API, blockchain or other forward-looking technologies.⁶
13. Recognizing the prominence of the need for innovation towards the traceability of supply chains, and for the verification and monitoring of environmental standards, the Asian Development Bank's Trade and Supply Chain Finance Program is addressing the topics **of mapping of supply chains**, as well as the

² [The Circular Economy and International Trade: Options for the World Trade Organization - ICC - International Chamber of Commerce \(iccwbo.org\)](#)

³ [Sustainability reporting: five ways companies should prepare | World Economic Forum \(weforum.org\)](#)

⁴ [How can we make supply chains stronger and more sustainable? | World Economic Forum \(weforum.org\)](#)

⁵ [Building the traceability of sustainable value chains across the two continents with support of blockchain technology | UNECE](#)

⁶ [New generation digital UN/CEFACT standards for multimodal transport will facilitate safe, secure and efficient international trade | UNECE](#)

verification and monitoring of environmental standards throughout the supply chain.⁷

14. On the data analytics front, which is particularly relevant in the light of the WCO theme for 2022: “Scaling up Customs Digital Transformation by Embracing a Data Culture and Building a Data Ecosystem”, the OECD is undertaking further work on measures relating to environmental objectives, while also taking a sectoral, supply-chain approach (metals and minerals, e-waste, plastics) and working on a database of trade restrictions on critical raw materials,⁸ including those relevant for the green transition.

IV. Status quo and possible further actions at WCO level

15. Taking into account the importance that the CE has assumed at the policy level, the WCO Research and Policy Unit is **conducting a study** on the CE and its implications for Customs administrations to be published in the first half of 2023.
16. Additionally, a **Green Customs Global Conference** will be held in June 2022, drawing together a diversity of stakeholders to share their views and present proposals for strengthening Customs’ role in creating more sustainable and greener supply chains and protecting the environment through trade, thus contributing to the following objectives:
 - Determine the scope of the environmental debate in which Customs can play a major role and understand how Customs can take further action and contribute to environmental objectives;
 - Assess stakeholder priorities and gather proposals for a forward-looking WCO agenda on protecting the environment through trade and sustainable supply chains;
 - Take into account the perspective of developing countries;
 - Identify gaps in international instruments and tools
17. The implementation of policies based on a circular economy model has potential implications for the enforcement of CE-related measures, the **Harmonized System Nomenclature, valuation practices and even possibly origin identification**.
18. In terms of valuation practices, determining the transaction value may need to take into account any impact on the invoiced value in relation to the forward costing of future end-of-life processing or credit for previously returned and reused materials. There may also be some complexities around transactions relating to third-party processing of end-of-life goods, although these are less likely to involve new issues, as they are likely to be similar to existing transactions relating to repair and refurbishment without a change of ownership. The Tariff and Trade Affairs Directorate is continuing to follow developments in this area.
19. Any impacts on origin are likely to concern the need to consider individual trade agreements in relation to the impact of circular flows on originating status, with less impact on the actual work on origin determination at the Customs level. The

⁷ [The World’s Struggling Supply Chains Need Greater Transparency to Speed Recovery \(adb.org\)](https://www.adb.org/)

⁸ <https://www.oecd.org/trade/topics/trade-in-raw-materials>

Tariff and Trade Affairs Directorate is continuing to follow developments in this area.

20. For the HS Nomenclature, however, more significant impacts could be expected in terms of Members' need to differentiate between:
 - virgin and recycled or reprocessed materials;
 - new and second-hand goods; and
 - goods based on a range of factors relevant to their ability to enter the circular economy, such as composition, embedded pollutants or adherence to various standards.
21. Recognizing that the ability to **identify environmentally desirable goods and materials** as well as trade measures pertaining to them at the border is a central aspect in facilitating their trade and ensuring environmental regulatory compliance, the WCO is continuing to work with its Members and relevant IGOs to develop proposals for specific provisions for such goods in the Harmonized System. This contributes not only to **trade facilitation and regulatory compliance** for these goods, but also to the collection of **reliable statistics to support policy development**.
22. Given this potential impact on the HS, more focused consideration will take place. As follow-on events to the Green Customs Global Conference, a series of symposia on the further development of the "**Green HS**" will take place, involving various participants, depending on the topic, from Members, international organisations, academia and the private sector, with a projected start in October 2022. One of these events will be dedicated to the potential effect of emerging policies in relation to the circular economy, reverse supply chains and sustainable supply chains on the need for identification of goods at the border through the HS.
23. The concept of CE is based on the idea that waste, once adequately treated, can become a resource again, thereby forming a loop in the production-consumption chain and contributing to the preservation of finite natural resources, thus protecting the environment. To this end, Customs play a significant role in the implementation and enforcement of waste control regulations to ensure the compliance of transboundary movements of waste. However, trade measures contributing to CE goals may encompass many types of commodities and are imposed through various instruments such as **Multilateral Environmental Agreements**, as well as other instruments that include trade bans and licensing requirements, bans on the use of certain hazardous substances implemented to avoid hazardous waste and depletion of natural resources, the use of technical standards, and labelling obligations.
24. As interest in the circular economy grows, it becomes increasingly important to ensure that Customs are adequately involved in the enforcement of trade policies designed to implement the goals of a circular economy towards circular, less wasteful systems that use resources more efficiently and sustainably. The role of Customs in the enforcement of waste and other CE-related measures needs to be explored so that Customs can take effective actions.
25. The efforts undertaken by the WCO and its partners to address environmental risks will continue to intensify, with more enforcement initiatives planned for the future, including the WCO's flagship enforcement operation (Operation **DEMETER** focusing on waste and substances controlled under the Montreal Protocol) reaching its VII edition in 2021.

26. At the Compliance and Facilitation Directorate, since 2020, the **Asia Pacific Plastic Waste (APPW) Border Management Project** is aimed at strengthening the capacity of Customs administrations to mitigate and respond appropriately to environmental threats in the Asia-Pacific region. In particular, the focus is placed on the implementation of the Basel Convention, and specifically on matters related to plastic waste and the illegal shipment thereof. One of the key deliverables of the project is presented in Doc. PC0693Ea as an update to the Coordinated Border Management (CBM) Compendium.
27. Taking into account the importance that CE has assumed at the policy level and the actions that WCO and other international organizations are already undertaking, **the PTC is invited to consider whether some of the work that is planned under PTC guidance might be prioritized with a green focus** so that it might also contribute to enhancing Customs' role in advancing CE objectives.
28. Additional actions could be incorporated to that end in the Draft PTC Work Programme 2022-2025, or the PTC could provide guidance to other working bodies (e.g. the DMPT, SAFEWG) on the prioritization of relevant work streams, such as:
 - Piloting with voluntary Members the **business process mapping** of waste imports in order to harmonize the most relevant processes in the context of CBM and Single Window implementation. This may also be useful in the future for the RKC, given that there is a potential to develop specific Customs procedures to facilitate cross-border trade in relation to the circular economy in a Special Annex to the RKC with a dedicated Chapter, should any suggestions/proposals be put forward by Members or the WCO Secretariat.
 - Developing a draft Derived Information Package in the **WCO Data Model** for the transboundary movement of waste, taking into account the decisions on electronic approaches taken under the Basel Convention.
 - Developing specific **GNC Utility Blocks** with voluntary Members for C2C data exchange related to the waste trade.
 - Further promoting the environmental compliance aspects of **AEO programmes**, taking into account Pillar 3 of the SAFE Framework of Standards on harmonization of national control measures as well as the potential alignment with the WCO's AEO Implementation and Validation Guidance.
 - Including the theme of **digital infrastructures for supply chain visibility and the CE** in the future updates of the Study Report on Disruptive Technologies.

II. The PTC is invited to:

- discuss and provide guidance on the opportunity to undertake further work in the field of the circular economy in order to enhance environmental regulatory compliance and supply chain visibility.
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