



**World Customs  
Organization**

## **Progress of the Study report on the transition to a circular economy and implications to Customs administrations**

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# Background of the study



- **Circular economy** is an economic model that aims to keep resources in use for as long as possible. The trend of circular economy is increasing as businesses, governments, and individuals.
- The WCO members requested the secretariat to **study the relationship between circular economy, international trade and Customs' operation.**
  - Literature reviews; evidence-based knowledge; trade analysis/data analytics
  - Interviews with Belgium Customs, private companies, industrial associations
  - Field visit to Indonesian Customs
- Research and Policy Unit is working on the report for **publication in June of this year.**
- Additionally, the Members requested the Secretariate through the Strategic Plan implementation plan to develop “**Customs Enforcement Handbook on Circular Economy**”.

# Outline of the study report



- Chapter 1: Transition to a circular economy: what Customs administrations should know?
- Chapter 2: International legal landscape and Circular Economy
- Chapter 3: Data as a first challenge for the circular economy policy-making and Customs administrations
- Chapter 4: Complexity in procedures and enforcement against waste crime as a second challenge
- Chapter 5: Case studies and solutions on the ground for Customs administration

# 1. Transition to a circular economy: what Customs administrations should know?



- A Circular Economy “*would turn goods that are at the end of their service life into resources for others, closing loops in industrial ecosystems and minimizing waste. It would change economic logic because it replaces production with sufficiency: reuse what you can, recycle what cannot be reused, repair what is broken, remanufacture what cannot be repaired.*”
- Lack of broad consensus around the concept and its ground implementation.
  - Cross-disciplinary domain → different interpretations
  - Nearly all goods concerned → effects across all the sectors of an economy
  - Current focus areas in the field of policy (3Rs/4Rs)
  - Few legal definitions of goods involved in a Circular Economy
- Links between Circular Economy policy, trade and Customs
  - Mixed evidence on the overall impact of a CE
    - Opportunity for economic growth; environment;
    - Trade implications
    - Protection of economic interests; what about potential revenue leakage?
- Selected possible implications for Customs:
  - Customs could have to cultivate a practical CE knowledge to ensure that the national implementation of CE policies aligns with the feasibility for a consistent control of external borders.
  - Due to cross-country differences in transitions between a linear economy and a circular economy, Customs may have to face more challenges in the identification of legitimate goods.

## 2. International legal landscape and CE



- **Multilateral Environmental Agreements (MEAs)** are relevant to CE.
  - Basel conventions: ban amendment in 2009, plastic waste amendment in 2021, e-waste amendment in 2022.
  - Montreal protocol: Kigali amendment in 2021
  - Others (Minamata convention, Plastic Pollution Convention, etc)
- More **Regional Trade Agreements (RTAs)** are equipped with environmental provisions.
  - Remanufacturing provisions (USMCA, CPTTP, EU-Japan, EU-Vietnam, etc)
  - Environmental goods (EU-NZ)
- **Customs administrations should be aware of these changes.**

# 3. Data as a first challenge for the circular economy policy-making and Customs administrations



- Growing needs for Circular Economy data in the field of trade
- Systematic change of data culture: collection-exchanging-sharing, Customs will be one major user.
- Some challenges to fill the data gaps:
  - Information needed?; lack of data sources; lack of data harmonization; issues of transparency and confidentiality; impacts of digital infrastructures.
- Where Customs can/need to play a role?
  - CE considerations in the HS code
  - Potentials of disruptive technologies
  - Use of data analytics for goods involved in a Circular Economy
  - Sharing data for what purpose?



## 4. Complexity in procedures and enforcement against waste crime as a second challenge



- Trade opportunities in cross border reverse supply chain (recycling, refurbishment and remanufacturing, reuse, and repair, etc.) is considered to increase in CE.
- **Procedures** related to cross border reverse supply chain
  - Basel conventions PIC procedures: definition, digitalization
  - Customs procedures for CE: HS, valuation, rules of origin, AEOs, inward/outward processing, treatment on remanufactured goods
- **Enforcement** against waste crimes
  - CE should not be an additional opportunity for waste crimes.
  - Cooperation with environmental agency
  - Regional cooperation with trading partners



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