

Chapter 15

International Trade in the Realm of the Circular Economy

Isha Jaswal

Delhi Metropolitan Education, Guru Gobind Singh Indraprastha University, India

ABSTRACT

A circular economy advocates the use of resources for the longest time possible and to further regenerate materials when such resources are at the end of their service life. The movement towards a circular economy brings structural changes in an economy, and this, in turn, can potentially impact the international trade regime. Consequently, the aim should be to achieve material circularity among various countries of the world. While transiting towards a circular economy, nations introduce superfluous trade restrictions and at times enter into trade disputes with trade partners. It is imperative that circular economy policies and trade policies are reciprocally supportive. International cooperation on circular economy value chains should thus be explored for coordination of quality standards of materials, promoting demand for second-hand goods and secondary raw materials, removing unnecessary regulatory barriers, and to avoid environmentally harmful activities.

‘Waste can become a valuable resource.’ This is the driving force behind the concept of circular economy. Waste is rather the result of how the natural resources have been put to use during the life-cycle of the product. With prudent policy initiatives, this waste can become important means of furthering the production at low cost and yet enhancing the growth rate of the economy.

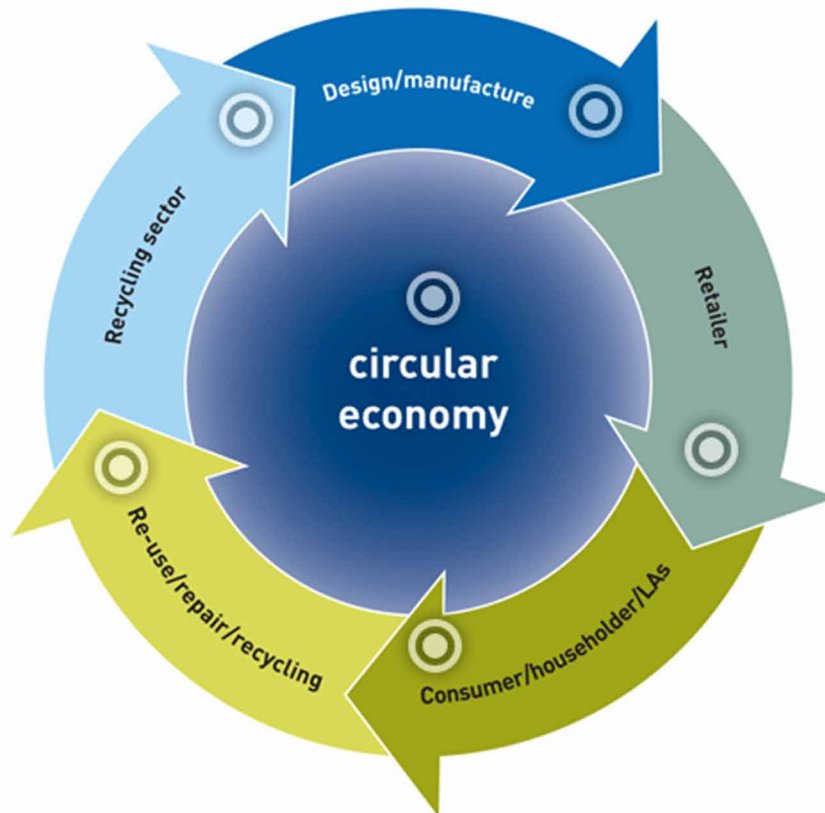
It is thus important to device policies for development of materials, designing of products and industrial processing which are conducive for smooth transition towards circular economy. This entails that the resources are put to use for as long as possible, thus reaping the maximum value from them during their usage life term and thereafter recovering and regenerating products and materials at the end of each service life (figure 1).

This means that circular economy not only demands lesser use of natural resources to ascertain their supply longevity, but also highly efficient manufacture and use of materials throughout their life cycle. Nevertheless, world economies are not self-sufficient since raw materials, semi-finished and second hand goods and other are traded amongst countries within a product’s entire value chain.

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Figure 1.

Source: Waste and Resources Action Programme (WRAP). Available at: <https://www.wrap.org.uk/about-us/about/wrap-and-circular-economy>



Consequently, the material circularity within the boundaries of domestic economy intersects with global trade at various junctures of the product value chain (figure 2). For instance, trade in goods for restoration and remanufacturing, trade in materials and waste for recycling and energy recovery, trade in secondary raw materials and trade in second-hand goods.

However, trade barriers impede the process and can pose hurdles in shifting towards a global world of circular economy. For example, remanufactured products undergo cross border issues while shipping across different domestic boundaries on account of varying standards and regulatory requirements.

Plastic waste is one such commodity which is traded because the exporting nations do not have adequate capacity to recycle or reprocess it. Usually developing economies are observed to import waste materials on account of economic value attached to it. Also, plastic waste is exported to less developed economies, where lack of standardized mechanisms result in mismanagement of this waste.

Importantly, production of plastic in itself depend upon fossil fuels. Thus, the entire value chain from production of plastic to disposition of its waste in open landfills and water bodies has caused threatening challenges to the natural environment round the world. In fact, since 1950 more than 60 percent of global plastic production had ended up in landfills, oceans or in natural surroundings.

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