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International Trade as key enabler for an inclusive Circular Economy transition

Interdependent nature of Circular trade and value chains around the globe is inevitable

Circular trade includes:

- The trade in circularity-enabling **goods** Eg: re-manufacturing and recycling equipment;
- **Services** E.g.: circular design skills, leasing or rental services, and repair services, relevant intellectual property rights;
- **Products** E.g.: second-hand goods, secondary raw materials, non-hazardous waste and scrap that can be recovered for use in primary production, food and biomass (regeneratively produced, diverse or upcycled etc.)

The monetary value of the circular trade flow is increasing

The value of trade in:

- second-hand goods, secondary raw materials and waste for recovery rose by more than 230 per cent (from \$94 billion to \$313 billion) between 2000 and 2019
- maintenance and repair services increased from \$74 billion to \$108 billion between 2015 and 2019

Where does Africa fit into this global value chain ?

- **Historically, the general trade flow is from Global South to North + in primary commodity exports.**
- **While many countries are diversifying their economies and investing in manufacturing sectors, there is still**
 - low value addition on raw materials,
 - high imports of finished products, technologies and services
- Further - inclined to the downstream - developing countries are often the final destination for internationally traded low-value or illegal waste. E.g., E-waste, Second-hand cars, clothes, etc.

Why is the Global North better positioned to reap the benefits of circular trade than the Global South in this scenario?

- **Lack of industrialization**, manufacturing and innovation capabilities
- Lack of **digital trade capabilities**
- Lack of **trade infrastructure**
- **Access to finance** for production and trade of circular products, goods and services
- **Technical barriers to trade** - global circular product standards, conformity assessments
- Lack of capacity to **properly manage and treat waste** generated within national territories or trans boundary
- Import of waste which brings **greater environmental risks** and social burdens inland
- More secondary raw material is traded among developed nations than with or between developing countries

Absorbing the investment gap for developing circular economy to catch up

- Financing and investing in new ideas and products under the circular economy is considered to be risky - especially by the conventional financial sector.
- Innovative circular economy approaches need to be backed up by evidence based research, feasible business models, and profit margins - in order to effectively market circular products and seek consumer buy-in and attract investments

Absorbing the investment gap for developing circular economy to catch up

How do we de-risk the transition cost?

Which stakeholders have comparative advantage or vested interests and are capable of absorbing the investment cost of building capacity, soft skills, designing, production of CE products and why?

➤ Mobilizing public investments vs private investments -

- Eg: ESG reporting; leveraging climate finance for circular economy transitions; impact investments; African Development Bank Circular Economy Facility; development partners programme; and strategic plans.

➤ Quality investments -

- Reduces pressure on the environment,
- Improves security of supply of raw materials,
- Increases competitiveness, stimulates innovation, boosts economic growth, creates jobs and general social well being.

Circular Economy Policy Prospects for enabling the transition in Africa and beyond

- **Almost all African countries have at least one CE related policy:**
 - Waste Management,
 - Extended Producers Responsibility,
 - Single Use Plastic bans,
 - Product polices,
 - Legislation involving climate change issues include tax incentives to promote renewable energy sources, carbon capture and sequestration efforts etc.
- **Emerging initiatives -**
 - Developing National Roadmaps,
 - Mainstreaming circular approaches for adaptation and mitigation solutions into Nationally determined Contribution targets,
 - Scoping potential sectors (five big bets of ACEA),
 - Revising Industrial strategies and Roadmaps to adopt a circular economy approach etc.

Modify and customize existing instruments + Develop new policy instruments

- Formulate policies which can reduce global inequalities required for fair, inclusive, evenly distributed trade profits
- Align national development plans to capture and explore circular economy opportunities
- Facilitate **mutual recognition of classifications, interoperable product standards, regulations and conformity procedures concerning circular economic activities or goods.**
 - Eg: Mainstreaming into policy instruments such as the Basel Rotterdam Stockholm Protocols, Right to repair, ISO standards, etc;
- **Qualified testing labs and accreditation services/ customs services for ‘circular’ products and ‘circular’ business models** (i.e., the enabling and smooth handling of (re)used products for resale, repair, remanufacturing and recycling; harmonized customs codes for such products).

Modify and customize existing instruments + develop new policy instruments

- Embed **circular economy into bilateral, regional and multilateral trade and economic cooperation agreements.**
 - This overcomes restrictions and enhances the scope and potential for collaboration around transboundary issues such as illegal waste, supply-chain transparency and traceability, investment or the issues pertaining to mutual recognition, technical barriers to trade, and trade facilitation;
- Embed CE into trade liberalization efforts such as the African Continental Free Trade Area (AfCTA).
- Embed CE approaches into Industrialization Policies and strategies.
 - E.g., Incentives for Eco industrial parks, Industrial Symbiosis, procurement
- Global and regional investment-related policies,
 - Enabling foreign majority ownership - such as in strategically important sectors
 - Facilitation of human mobility to enable 'green'/ 'circular' investments in the region - such as recognition of educational standards and qualifications
 - Foreign direct investment, and investment promotion agencies .



Thank You

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