

The Future of UK-Canada Circular Economy Trade

About the project

This knowledge synthesis project investigated existing trade theory and trade agreements to inform the incorporation of circular economy principles into future trade agreements between Canada and the UK. The circular economy aims to eliminate waste. Outputs that would otherwise be treated as waste are instead restored or regenerated as part of biological or technical cycles. System-wide innovation redefines products and services while minimizing negative impacts to the environment and people. Renewable energy supports this sustainable approach to production and consumption. A new international trade agreement between Canada and the UK is an opportunity to build a stronger regime of sustainable development in both countries, mutually growing industries and employment in ways that eliminate waste and reinforce social justice. The knowledge synthesis project provided an overview of five interconnected themes related to the design and implementation of circular economy trade agreements. These themes include:

- inputs to trade agreement design such as the experience with the Canada-European Union Comprehensive Economic and Trade Agreement (CETA);
- design elements of circular economy trade agreements in respect of governance;
- design elements of circular economy trade agreements in respect of tariffs and non-tariff barriers;
- outputs of circular economy trade related to technology development and cross-border trade; and
- sustainability and prosperity.

Key findings

- Some aspects of the CETA could be a foundation for a future circular economy trade agreement, but CETA chapters do not explicitly refer to the circular economy. A future trade agreement between Canada and the UK could revise sections to include circularity.
- Circular economy trade could have spill over effects supporting new technological developments.
- Enshrining circular economy principles into trade agreements could reinforce economic commitments to internalize and reduce negative externalities that are costs borne by societies and future generations.
- The complexity of issue linkages in trade agreements would increase with circularity across industries and countries. The clarity of and the ability to enforce agreements is in tension with this complexity. The structure of the working groups and multiple stakeholders involved could facilitate or hinder increasingly complex negotiations.
- Evidence for the gains from circular economy trade could be addressed in future research. Research could first establish a baseline of gains between Canada, the UK, and other countries and then investigate how a circular economy approach could increase gains from trade.
- Further research could shed light on the optimal negotiating conditions for circular economy trade. It could also clarify which industries are most prepared to engage in circular economy trade, to increase the likelihood of implementation. ■

Policy implications

- Well-structured trade agreements can lead to reduced trade volatility, higher trade volumes,

and reduced conflict through tighter integration of economies. Circular economy trade inherently means tighter integration.

- Case research could clarify the full cost of environmental impacts and global supply chain modifications (transport, storage, logistics and facilitative technology) related to resource and waste management, including the related policies to be embedded into international trade agreements.
- Additional research prior to trade negotiations may consider which stakeholders should be involved directly versus indirectly, to ensure:
 - a thorough exploration of complex issue linkages, working group structures, scenario analyses techniques to simulate negotiation strategies leading to gains from trade and foreign direct investment across sectors;
 - which industries are more likely to demonstrate early successes in circular economy trade; and
 - what incentives and enforcement mechanisms are needed in trade agreements.
- A common understanding of circularity must be consistently communicated and applied across industries and countries.
- Negotiations should take into account a formal trade agreement and complementary non-trade treaties, as well as precedents set in recent progressive trade agreements, such as CETA. ■

FURTHER INFORMATION

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