

“The EU Circular Economy Action Plan stresses the need for international collaboration, pointing to the integration of circular and sustainable standards in trade agreements, and the necessity for political cooperation. However, it is not clear how the trade-offs from circular measures will be mitigated and what the global magnitude of these effects would be.”

-Fabian APONTE, Moana SIMAS, Kirsten WIEBE

Image Source: Virginijus Sinkevičius, E.U Commissioner for Environment (middle), Thierry Breton, E.U Commissioner for Internal Market (right) and Frans Timmermans, Executive Vice President of the E.U. Commission (left), at a joint press conference on the E.U Green deal and the implementation of the EU Circular Economy Action Plan (CEAP, 2020) regarding sustainable products and consumers protection. E.U. Commission, Brussels. March 30, 2022. Photo Credit: <https://twitter.com/ThierryBreton/status/1509140023295320071>



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has become increasingly globalized. Our societies are linked through mobility of production inputs, such as capital, labor, and technologies, and through supply chains with multiple production stages distributed across the globe (i.e. global value chains). Therefore, local and regional strategies that affect production, distribution, and use of products (such as CE policies) have impacts in different parts of the world through the changes they create in global value chains.

Circular economy measures should be seen as part of a just transition: the transition to a more sustainable development, in which three main pillars, economic, social, and environmental, should be equally safeguarded.² Thus, to understand the implications of circular economy measures, analyzing the effects of policies and strategies should not be limited to local and national levels, but also consider cross-country spillovers that occur through global value chains on the social, economic, and environmental dimensions. Much focus has been given to, for example, consumption-based carbon emissions from imported products, but CE strategies affect jobs, livelihoods, material demand, and many other dimensions as well.³ Those impacts are not always well understood or considered in CE policies.

As part of the European Green Deal, the EU Circular Economy Action Plan (CEAP)⁴ seeks to promote circular economy processes in the European industry, incentivize responsible consumption, and extend the use of materials and resources in the economy. The CEAP focuses on six

Making circular economy work in a globalized world

Circular economy (CE) strategies have gained momentum in the policy making agenda in recent years to reach the Sustainable Development Goals (SDG) and to fight climate change.¹ Throughout the last decades, the world economy

value chains with great potential for circularity: electronics and ICT; batteries and vehicles; packaging; plastics; textiles; construction and buildings. Strategies in the CEAP include the need to extend the useful life of products, better recycling processes, minimization of waste residuals, reduction of greenhouse emissions, and reduction in the demand of virgin materials. These strategies can bring positive effects at the EU level, such as increasing resilience of material supply for strategic industries. Additionally, the increase in labor-intensive activities such as recycling and research and development, which are directly addressed in the plan, result in higher GDP and job creation.

The priority industries in the CEAP are embedded in global supply chains so actions taken to transform them will inevitably have consequences in other parts of the world. For instance, in the textiles sector, 60% of textile value consumed in the EU is produced elsewhere.⁵ Circular economy measures, such as extending lifetime of textiles and/or increasing reuse, will create trade-offs in global value chains. While this transformation is necessary due to the high and increasing volume of resources and waste associated with fast fashion, reducing the demand for textiles will ultimately affect workers, often vulnerable, from low-income countries. Globally, it is estimated that the textile industry employs 300 million people, most of them women.⁶ Thus, while CE strategies may create positive impacts such as the reduction of emissions and waste from textiles, negative effects may occur along the value chain. Lower

economic activity in production countries (e.g. Bangladesh and Viet Nam) may be accompanied by higher unemployment in women which, in turn, widens the poverty and gender gaps in the developing world.

The CEAP stresses the need for international collaboration, pointing to the integration of circular and sustainable standards in trade agreements, and the necessity for political cooperation. However, it is not clear how the trade-offs from circular measures will be mitigated and what the global magnitude of these effects would be. Measuring the effects of CE strategies in global value chains is essential to guarantee that positive environmental outcomes in the Western developed countries contribute to a just transition in developing countries, and not be built on increased inequalities and lower standards for low-income countries. In Norway, the national plan for a green circular economy⁷ closely follows the same guidelines as the CEAP, although there is an increased focus on reducing waste from consumer goods and extending the lifetime of products. The Norwegian economy is unique as most of their manufactured consumer goods are imported. In addition, due to high income and cultural preferences of Norwegian households, consumption of products in Norway is 25% higher than the European average,⁸ providing big opportunities for the country to adopt CE measures focused on consumers.

It has been estimated that circular economy measures in some of the priority industries can bring positive effects in

employment and value-added creation in Norway.⁹ This potential comes from a more intense and longer use of goods, which increases the need for more workers for the maintenance, repair, and recycling of consumer goods such as electronics and textiles. Also, there could be significant reductions in greenhouse gases emissions because of circular practices in the buildings and construction sector. The study also found that circular economy measures significantly decrease the imports of manufactured goods, basic metals, and raw materials as those imports can be replaced by recovered secondary materials as well as sharing and repairing of consumer goods. Consequently, the reduction in imports can bring negative socio-economic consequences in the industries and countries along the global value chains. While a reduction in environmental pressures is generally positive, it is important to identify in which countries potential job losses may occur, so that policies can be put in place to minimize negative socioeconomic impacts in affected countries.

To reach an inclusive and just transition, circular economy strategies need to be contextualized in the global market. Quantitative assessments of the effects of circular economy policies along value chains are central to guarantee that the route towards improvement of environment-related SDGs in some countries do not lead to the deterioration of socioeconomic-related SDGs in other countries. Potential benefits and trade-offs should be identified to provide input for new policies and international collaboration so as to

mitigate the risks and better distribute the gains from sustainable processes worldwide.

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