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ROLE OF TRADE IN TRANSITION TO GLOBAL CIRCULAR ECONOMY

Summary. *The research is focused on the influence of standards and regulations on the relations between circular economy and trade. The attention is paid on regional and international frameworks, such as EU’s Circular Economy Action Plan, as one of the important steps toward resource-efficient future.*

Key words: *circular economy, international trade, sustainable development, Circular Economy Action Plan.*

The circular economy is a system, aimed at reusing products, rather than extracting new resources and dumping them after. In such an economy, all forms of waste are reused, recycled, repaired or remanufactured. The concept itself can have huge benefits in many different spheres if it is properly implemented. Circular models can help countries develop and thrive with the resources they already have.

Recent researches show that moving in the direction of a circular model could lead to significant economic benefits for specific industries. In particular, the circular economy approach can relieve some of the pressure on resource extraction, product prices, and mobility while at the same time restore natural capital for the provision of food, feed, and textile [1, p.11010].

What is the problem with contemporary linear economy? A linear economy is a business model that focuses on the take-make-dispose approach. Currently,

resource extraction from the earth is 1.7 times higher than its actual capacity [2]. After products are manufactured for consumption, whatever is left later piles up in a landfill or is incinerated. In contrast, the circular economy includes low-carbon, energy-, and resource-efficiency and goes to the core of how we produce and consume. Many countries have adopted national circular economy framework and implementation plans.

However, the circular economy neither starts nor ends at national borders. This is where trade comes into play. A state may have national circular economy strategies, but they exist in the context of a global economy and international value chains, as well as within our earth with its limited resources and planetary boundaries [3].

Trade will be a powerful tool for encouraging involvement in regional and global circular chains. However, the circular economy can only be reached through international coordination and regulation.

International trade is recognized as the "engine for development and sustained economic growth" at the Rio +20 conference [4, p. 53]. Trade at regional and international level will be an important factor in building up domestic circular activities and industries, both in developing and developed countries [5, p. 69]. Unification of global trade rules for secondary materials and circular services will be crucial to overcome existing barriers.

A good example of regional cooperation is the European Union, where the circular economy and its impact has gained attention in the last few years.

On 11th March 2020, the European Commission adopted a new Circular Economy Action Plan – one of the main blocks of the European Green Deal, Europe's new agenda for sustainable growth.

The European Commission has adopted circularity as the new economic goal for Europe, starting with its first EU Circular Economy Action Plan in 2015. In March 2019, the Commission declared that it had delivered the 54 actions in the 2015 Action Plan, for instance, a revised Union waste legislative framework,

an Ecodesign Working Plan and Europe-wide strategy on plastics [6]. Several member States have introduced National Circular Economy Action Plans or Roadmaps. Examples of policies include national legislation addressing single-use plastics (e.g. Italy banning nonbiodegradable cotton swabs and buds) or extended producer responsibility schemes based on ecomodulation of fees (e.g. in France), among other [7, p. 19].

The EU actions taken so far have focused on supply-side measures, so the emphasis was made on what is produced and how it’s produced. However, there is a need to address not only what we consume, but also the way we consume and why. Commission President, Ursula von der Leyen, highlighted in her Agenda for Europe after taking office that “We need to change the way we produce, consume and trade” [8, p. 7].

The Circular Economy Action Plan presents a list of measures towards circularity. The Commission focused on eco-design to insure durability, reparability and recyclability, which will prolong the life of a product and minimize the need of buying a new one. The EU is also planning to take action on sectors that use the most resources, such as electronics, packaging, plastics, textiles and food. It was recognized that sector-specific initiatives have their influence in transition toward a more circular economy. Furthermore, it is crucial to get the economics right. If primary raw materials are cheaper than reused goods or secondary raw materials, then the policy changes will have little impact [9, p. 6]. That is why encouraging reduced taxation on repair activities and second-hand goods is so important. In addition, the Commission will take action to ensure that the EU does not export its waste to third countries. It will also aim at restricting exports of waste that have harmful environmental and health impacts in third countries or can be treated domestically within the EU.

However, Europe has acknowledged that it will not achieve transformative change by acting alone. The EU going to continue to promote circular economy at the global level and use its influence, expertise and financial resources to

implement the 2030 Sustainable Development Goals. It will also ensure that Free Trade Agreements reflect the enhanced objectives of the circular economy.

International trade will inevitably contribute to the transition to a more resource-efficient economy in the EU and the world as a whole, because it is one of the most effective ways to influence international relations. The main challenge is to coordinate circular economy policies and trade policies in order to separate resource consumption from economic growth, at the same time without creating unnecessary barriers to international trade as well as undesirable environmental consequences [10, p. 18].

In conclusion, the main goal has to be a promotion of the circular economy not only in a specific country but also through international governmental cooperation to create circularity and eventually economic growth at the global level. Joint efforts should be taken to harmonize the standards and regulations, remove unnecessary barriers and avoid environmentally harmful activities. These concepts could be encouraged through multilateral frameworks and international trade negotiations.

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