

CIRCULAR ECONOMY – THE WAY TO SURVIVE IN A POST-PANDEMIC SITUATION

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Abstract The crisis caused by coronavirus has hit the world economy and business sector particularly hard. The recovery process after this crisis will not be easy. The circular economy has become one of the most crucial discussion topics globally. It can help countries overcome the emerging economic problem caused by the coronavirus pandemic. The circular economy is a production and consumption model which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products for as long as possible, thus extending the lifecycle of products. According to preliminary estimates, the circular economy could create 700,000 jobs in the EU by 2030 and increase GDP by billions of dollars. In order to implement the circular economy, the joint involvement of the private and public sectors is vital to achieving a positive synergistic effect. This paper discusses why the circular economy is essential because it is facing global climate change and what steps should be implemented. At the same time, it can create the opportunity for rapid economic recovery in the post-crisis period. Additionally, how can this approach contribute to economic recovery and business revival in a post-pandemic situation, and what role do political decision-makers play in implementing the circular economy.

Keywords:
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sustainable
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coronavirus



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1 Introduction

The crisis caused by coronavirus has hit the world economy and business sector particularly hard. The recovery process after this crisis will not be easy. According to preliminary estimates, the circular economy could create 700,000 jobs in the EU by 2030 and increase GDP by billions of dollars (eurocities.eu, 2020). The circular economy is an excellent way to escape the crisis caused by coronavirus. The circular economy can affect the economy in two main ways: it boosts economic growth and also creates new jobs. How this will happen is discussed below. In addition to this positive effect, it will contribute to sustainable development and help the world achieve climate-neutral business processes.

Worldwide resource extraction is set to nearly double by 2060, driven by demographic and economic progress (OECD, 2018). However, only 8.6% of our economy is circular, while over 90% of raw materials are not returned to circulation (Dhawan & Beckmann, 2018). In a crisis, when there is a way to achieve economic growth without harming the environment, which can be achieved through a circular economy, this opportunity must be used.

In order to implement a circular economy, the joint involvement of the private and public sectors is essential in achieving a positive synergistic effect. This paper discusses why the circular economy is critical and what steps have been taken to implement it. In addition, the author address the issue of how this approach can contribute to economic recovery and business revival in a post-pandemic situation, and what role political decision-makers play in implementing the circular economy.

2 What is a Circular Economy and why IT IS important

To begin, let's explain what a circular economy is and why it is such an important topic. What is being done to implement it, and how much of a priority is it for the world?

According to the European Parliament, the circular economy is a production and consumption model which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products for as long as possible, thus extending the lifecycle of products (European Parliament, 2021).

Over the past few years, the circular economy has become one of the critical issues on the table for politicians. The EU has adopted a circular economy action plan that is still actively implemented. This topic is actively discussed in the EU and throughout the world. Following the example of the European Union, it is planned that the following steps will be addressed in 2021-2022:

- Legislative proposal for substantiating green claims made by companies
- Legislative proposal empowering consumers in the green transition
- EU strategy for sustainable textiles
- A sustainable products policy initiative, including a revision of the Eco-design Directive
- Review of requirements on packaging and packaging waste in the EU
- Update of EU rules on industrial emissions

When entering the term ‘circular economy’ into Google Scholar and filtering the results in the different time ranges, the results are as follows:

Table 1: ‘Circular economy’ search results in Google Scholar

Time Range	Search results number
1991-1995	20,500
1995-2000	34,900
2001-2005	68,900
2006-2010	82,600
2011-2015	107,000
2016-2020	139,000

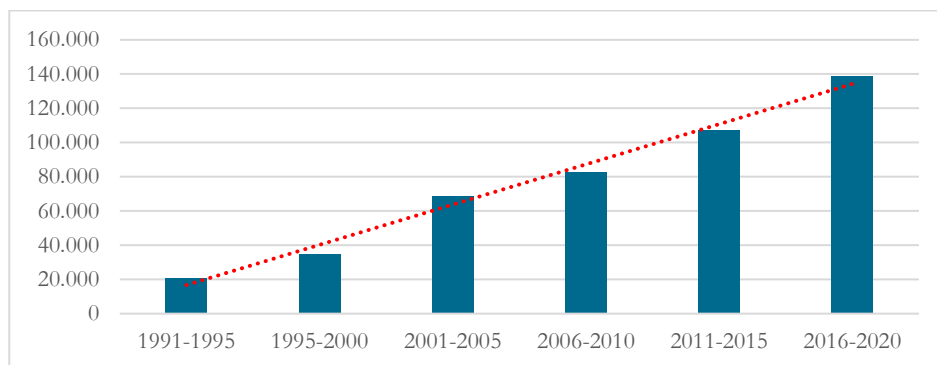


Figure 1: Graph of the search results for ‘Circular economy’ in Google Scholar

Source: own

As can be seen in Table 1 and Figure 1, the number of scientific papers published on the circular economy has been growing steadily over the last three decades, divided into 5-year periods. This fact suggests that the circular economy is becoming an increasingly popular topic.

Every detail shows that the circular economy is noteworthy and needs more research and support. In the next chapter, the author has considered how the circular economy can significantly contribute to the recovery of a pandemic-affected economy.

3 THE Circular Economy and THE post-pandemic economic recovery process

How can a circular economy improve a pandemic-weakened economy? There are two directions in play: boosting the economy and creating more and better jobs.

3.1 Boosting the economy

It is foreseen that the circular economy can produce USD 4.5 trillion of extra-economic production by 2030, concurring with research by Accenture that recognises circular business models that will assist in decoupling economic growth and the consumption of natural resources while driving greater competitiveness (Accenture, 2015). This is made possible by reducing waste, stimulating innovation and creating employment. Circular business models focused on reuse, repair, remanufacturing and sharing models offer significant innovation opportunities (McGinty, 2021).

For example, a circular economy for plastics offers considerable economic benefits. Less plastic waste in the ocean would benefit industries such as fishing and tourism, as plastic pollution currently leads to USD 13 billion in costs and financial losses per year (UNEP, 2014). Reducing the pollution and toxic emissions from the open burning of plastic waste would lower healthcare costs, while reducing fossil fuel use for plastic production would help mitigate climate change and its associated costs (McGinty, 2021).

These effects will be achieved in the long run. It is essential that public thinking becomes long-term to achieve sustainable development and the transition to a circular economy.

3.2 Creating jobs

Six million jobs can be created by transitioning towards a circular economy that includes activities such as recycling, repair, rent and remanufacture, replacing the usual linear economic model of ‘extracting, creation, using and disposing of’ (ILO, 2018).

Jobs may be lost in more linear businesses, but new jobs will be created in fields such as recycling, repair and rental services. These new jobs cannot be considered direct replacements, as they may be in different locations and require different abilities. For instance, it is necessary to consider the millions of garment labourers – mostly women – whose employment depends on the continuation of the fast fashion industry. Investing in a just transition via social dialogue, social protection and reskilling programmes is the basis (McGinty, 2021).

New jobs will be a prerequisite for economic growth. In addition, less waste of resources will lead to lower costs. By minimising costs, it is possible to increase economic well-being.

4 Political support for the transition to a circular economy

In general, policy in any field, including implementing a circular economy, involves several components in decision-making: an appropriate policy approach, adequate framework conditions, specific tools, and the design elements that make up those tools. These components must be permanent and consider the policy objectives and the environment in which the new approach is to be introduced. Each part is interconnected, therefore neglecting any of them will stop and slow down the effective implementation of the circular economy policy.

First, prior to implementing any policy, decision-makers must embrace the vision of a circular economy.

Initially, the focus should be on policy barriers and stimulus factors in the circular economy. These factors are not independent; they are closely related and often give complex, synergistic results.

Stimulating and barrier factors can be the level of business education, financial resources, physical resources, motivation, networking, etc. Customer readiness, the functioning of sustainable financial institutions, etc., are also essential.

To introduce a vision of a circular economy in politics, the private and public sectors must work together. Less bureaucratic coordination mechanisms should be established to ensure the cooperation of any legal entity or individual in the community. Several non-governmental initiative groups globally, especially in developing countries, are trying to raise public awareness. However, their scale is still small and, in fact, due to a lack of interest from the state and business sectors, none of them can coordinate. In such cases, it is probably advisable to introduce such groups to the public through state bodies and to assist in the initial coordination (del Río, Kiefer, Carrillo-Hermosilla, & Könnölä, 2021).

When developing policies at state level, it is essential to consider issues important to the circular economy. There are two fundamentally critical areas: goals and political stability.

In the case of the introduction and development of the circular economy, the role of external factors is significantly more significant. Let's consider some essential external factors:

- Regulations

Public policy, especially regulations related to the environment, is often considered the most substantial compelling factor for introducing environmental innovation in business. The same effect will be felt if the circular economy business models are to be used. The effectiveness of public policy-making is related to the problem of so-called triple externalism, which implies the difficulty of reconciling economic, social and environmental directions. Environmental policies usually accompany this difficulty, and a circular economy is no exception (del Río, P, 2004) (Rennings, 2000). There are two main types of environmental policy. The first is called the 'command

and control' method, which involves setting technological and ecological standards and creating a control mechanism. The second type is the 'market-based' method, quoting taxes, subsidies, grants or emissions. The success of regulatory policies requires a level of specific tools and an already existing framework policy framework (long-term goals and political stability).

- Users

Environmentally educated consumers have the opportunity to help introduce a circular economy model. This effect is possible by increasing consumers' demand for the product and service created in the circular economy model conditions. There is still a significant dispute over the strength of the user effect (del Río, P, 2016).

- Other stakeholders (financial institutions, insurance companies, etc.)

Financial institutions increasingly require an excellent environmental track record for the firms to whom they lend money. This encourages the uptake of environmentally friendly practices in those firms, including circular economy innovations.

When implementing a circular economy, decision-makers can use tools such as:

- Command and control mechanisms: regulations and standards
- Increasing business and consumer awareness
- Interference in trade policy with fiscal instruments (taxes, etc.)
- Ensuring coordination (networking) of any legal or physical member of the community
- Funding research in the field of circular economy
- Direct financial and technical assistance to companies
- Eliminating bureaucratic difficulties for circular businesses (del Río, Kiefer, Carrillo-Hermosilla, & Könnölä, 2021).

5 Conclusions

The circular economy has become one of the most critical discussion topics globally. It can help countries overcome the emerging economic crisis caused by the coronavirus pandemic.

To support a circular economy, decision-makers must address a variety of policy instruments and work in coordination with the rest of society to achieve synergistic and positive effects and sustainable development.

Finally, at the macro and national economy levels, it should be considered that circular eco-innovations take place in a broader institutional context, hence financing for eco-innovation development or adoption is crucial. Policymakers could definitively assure a constant and stable supply of finance for those eco-innovative activities through, e.g. soft loans. Taxation can shift economic activity away from linear and circular economy movements. Funding of large-scale RD&D programmes and public procurement at the national level also plays an essential role. Data on national economy levels for all crucial activities and sectors should be collected. The development of indicators allows the progress being made to be checked in relation to specific targets.

Overall corresponding suggestions can also be provided. First, at the level of framework conditions, aims should be connected with strategic plans and policy action, leading to a policy package that is consistent as a whole. Second, it is essential to use prices at the level of instruments to encourage circular practices, both by producers and consumers. Consistent and stable price signals can spur innovation by all stakeholders and economic agents. Third, constant monitoring and measurement of status and progress are required. Finally, adjustments should be made where necessary within a stable legal framework.

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