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CIRCULAR ECONOMY AS AN ECONOMIC MODEL: OPPORTUNITIES AND CHALLENGES

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The growing urgency for environmental protection, resource scarcity, and climate change have intensified the global search for sustainable economic models. Among these, the circular economy stands out as a transformative approach that seeks to separate economic growth from resource consumption. Unlike the traditional linear model, the circular economy emphasizes resource reuse, waste reduction, and system-wide efficiency. By rethinking production and consumption processes, the circular economy model not only addresses pressing environmental concerns but also opens up opportunities for cost savings, innovation, competitive advantage, and job creation. This model offers significant opportunities, such as fostering sustainable supply chains and creating new business models, but also faces challenges like high implementation costs and market demand issues.

Scholars all over the world increasingly address the circular economy as a pivotal economic paradigm that promotes sustainability. For instance, Cong Zhang in his paper emphasizes the importance of transitioning from traditional economic models to circular ones to address resource limitations and environmental issues [1]. Through case studies, he explores practical experiences in design and implementation, ultimately identifying challenges such as scalability and stakeholder engagement, while offering perspectives for future advancements in circular economy practices. Some scientists discuss the circular economy as a vital economic model that emphasizes resource retention and waste reduction [2]. They identify opportunities such as enhanced resource efficiency and innovation in sustainable supply chains. In addition, K. Whalen identifies enabling factors for adopting circular business models, such as policy interventions and game-based learning tools, while highlighting challenges like market demand and high costs [3]. The research emphasizes that while such models can contribute to sustainability, they do not inherently guarantee reduced resource consumption or primary production, indicating the need for broader solutions beyond firm-level interventions to achieve environmental goals.

We see such opportunities in the circular economy:

1. Sustainable supply chains. The circular economy promotes the design of sustainable supply chains by keeping resources in use for as long as possible, thus reducing waste and environmental impact. This requires innovation across the product lifecycle, from design to recycling infrastructure, and involves collaboration among governments, businesses, and citizens.

2. Economic growth and job creation. In regions with resource constraints, a circular economy can drive economic growth by creating new jobs and services, even under diverse limitations. This is particularly relevant in contexts like Ukraine, where economic recovery, resource efficiency, and the need for resilient, locally-driven development strategies make the circular economy a promising pathway for fostering innovation, employment, and sustainable industrial growth.

3. Business model innovation. Companies can adopt circular business models that extend product and resource value, such as prolonging product life and reducing obsolescence. This can make businesses more competitive and cost-effective, especially with supportive policy interventions and educational tools.

While the circular economy offers a promising path towards sustainable development, it is not without its challenges. The transition requires significant investment, innovation, and collaboration across various sectors and stakeholders. Moreover, the effectiveness of a circular economy in reducing resource consumption and achieving environmental goals depends on comprehensive strategies that extend beyond individual firm-level interventions.

The challenges could be grouped into such categories:

1. Implementation costs and market demand. High costs and lack of market demand are significant barriers to adopting circular business models. Businesses need to refine their offerings to make these models more appealing and economically viable.

2. Complexity in transition. Transitioning to a circular economy requires systemic changes across industries and supply chains, which can be complex and resource-intensive. This includes redesigning products and processes to align with circular principles.

3. Sector-specific constraints. Different sectors face unique challenges in adopting circular economy practices, influenced by factors such as firm type, customer base, and geographic scope. These contextual differences necessitate tailored strategies for effective implementation.

The circular economy serves as an economic model that emphasizes waste reduction and resource reuse, presenting opportunities such as cost savings, improved public relations, competitive advantage, and job creation. However, challenges include organizational culture, lack of information, financial constraints, inadequate legislation, low awareness, and limited customer interest. To sum up, successful implementation requires businesses to innovate their models and address internal barriers, contributing to a sustainable future while navigating the complexities of transitioning from a linear to a circular economy. Ultimately, embracing circular principles can lead to more resilient economies and a more sustainable future, but success will depend on overcoming structural barriers and fostering long-term commitment at all levels of society.

References

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