

TOWARDS THE AIM OF THE EU CIRCULAR ECONOMY IN A MULTI-STAKEHOLDER PROCESS

From Policy to Industry and Back

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ABSTRACT

This paper explores the negotiations and actions among various actors, or stakeholders, in formulating the aim of the EU circular economy. Taking the perspective of a member state and its industries, it focuses on how stakeholders—EU bodies, industry associations, companies, and the state—communicate and collaborate while having divergent interests. The research approach combines perspectives from business studies and international political economy to explore stakeholder engagement and bargaining in formulating circular economy aims in a multi-stakeholder network. In doing so, the study investigates the stakeholders' communication network as an interaction between the policy and industry levels that cooperate to advance sustainable business. Triangulating from multiple source materials, the paper presents a narrative of international negotiations on sustainable development, EU policy development on the circular economy, and member state policy and industry actions, as well as a case on textiles and clothing in a member state, Finland. Business student views represent young consumers as stakeholders. The study contributes to research on the circular economy in two ways: 1) by mapping the bargaining relations and lines of communication in a multi-stakeholder network formulating a joint EU aim and 2) by addressing stakeholder engagement in an EU-led policymaking process in multi-scalar negotiations. The findings add to our understanding of multi-stakeholder interactions and how stakeholders engaged in the circular economy negotiate their aims and interests in sustainability transitions.

KEYWORDS

circular economy; stakeholders; bargaining; sustainable development; policy; industry

INTRODUCTION

Global concerns about climate change and biodiversity loss have led the international community to take action on regulating economies toward sustainability. The European Union (EU) has been one of the proponents of sustainable development in its internal and external policies (e.g., Silander, 2022) which are part of the objective of sustainable industry and the circular economy (EC, 2019, 2020a). Sustainable development has been on the agenda of international conventions and negotiations since the 1990s (IISD, 1996: 8; Sachs, 2015: 4), and the EU has presented itself as an ethical power and a norm promoter for sustainable development in the United Nations (UN), General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO), and bilateral trade negotiations (Cuyvers, 2014; Poletti & Sicurelli, 2018; Sicurelli, 2020). What started in the 1960s in Western countries as a civil society movement on environmental awareness has led, in 2016, to the 17 Sustainable Development Goals (SDGs) of the UN's Agenda 2030 and evolved further into an all-embracing need to respond to climate change in the 2020s.

The circular economy is an idea and an ideal that supports sustainable development (e.g., Gregson et al., 2015). It is also a business model based on reducing, reusing, recycling, and recovering materials in production and consumption instead of the "end-of-life" concept, resulting in a circle of material use (Kirchherr et al., 2017; Rovanto & Bask, 2021). While the definition of the circular economy is still being contested, the concept is wide and denotes a restorative or regenerative system (Ellen MacArthur Foundation, 2013). The aim is to attain long-term economic, environmental, and social sustainability through a transition toward the circular economy (Domenech & Bahn-Walkowiak, 2019; Hartley et al., 2020; Kirchherr et al., 2018).

There is abundant prior literature regarding policies supporting a circular economy, along with critical notes (see, e.g., Domenech & Bahn-Walkowiak, 2019; Gregson et al., 2015; Hartley et al., 2020). Similarly, there is a wealth of research on firms engaged in the circular economy and their business models and innovations, as discussed, for example, by Cainelli, D'Amato, and Mazzanti (2020) and Rovanto and Bask (2021). Recent studies have also explored the engagement of firms and other stakeholders in the circular economy (Kujala et al., 2023) and the different types of stakeholder relationships therein (Blomberg et al., 2023). However, there

are only a few studies on how the interests of different actors or stakeholders are communicated in a *multi-scalar* process. The interaction among governments, companies, industry associations, non-governmental organizations (NGOs), and civil society takes place across scales—from local/regional to national, from national to the EU, and from the EU to national, as exemplified by company-government relations (Müllner & Puck, 2018; Wagner, 2013). There is a need to understand the variety of multi-stakeholder interests and how the policies and practices at different scales interact with one another.

This study, therefore, focuses on the interaction of different stakeholders communicating the aim of the circular economy in the context of an EU member state. The paper adopts a multidisciplinary approach to study *how the stakeholders engaged in the circular economy participate in the negotiation toward formulating a common aim*. Taking Finland as an example, this paper examines multi-scalar interactions in circular economy policymaking processes in the case of textiles and clothing, a key industry responsible for large contributions to global carbon emissions.

This question is explored by triangulating from various sources: news archives, documents, reports, interviews, and lecture diaries concerning the circular economy. Therefore, instead of analyzing only the companies' business models or the EU's political processes in the transition to a circular economy, this paper develops an approach to studying multi-scalar and multi-stakeholder communication on circular economy aims. This is done by combining perspectives from business studies on stakeholder engagement (Blomberg et al., 2023; Kujala et al., 2023) and firm-state bargaining (Eden et al., 2005; Wagner, 2013) and international political economy studies on state-market governance (Abbott & Snidal, 2021; Elko-McKibben, 2015; Hirst et al., 2009). The research approach is expected to provide a new understanding of how different stakeholders in a circular economy negotiate their aims for sustainable industry. The study thereby aims to contribute to research on multi-stakeholder negotiations on sustainability transitions.

The paper begins with a literature review on sustainable development negotiations and the circular economy and a description of the research approach. The literature review is followed by a brief timeline of EU policy initiatives on the circular economy, member state policy, and actions taken in industry and business organizations. This includes a mapping of the stakeholders and their interactions

in formulating the aim for a circular economy. A case study on the communication network in the textile and clothing industries is then presented, along with business student views representing young consumers. The paper finishes with a discussion of the main findings and conclusions of the study.

LITERATURE REVIEW

The Context: Negotiations on Sustainable Development and the EU Circular Economy

The EU and its predecessors are often regarded as promoters of sustainable development in international negotiations (e.g., Zurek, 2020) that have a long history and have taken place across multiple scales. The question of sustainability has its origins in the 1960s and the early debate on environmental protection held initially among researchers and civil society. The Club of Rome report *Limits to Growth* and the World Conservation Union's *World Conservation Strategy* introduced the terms "sustainable" and "sustainable development" for the first time in 1972 and 1980, respectively (Reid, 1995: xiii; Sachs, 2015: 4). Since then, the strategy has evolved into the jointly defined 17 SDGs of the 2030 Agenda for Sustainable Development agreed upon in the United Nations and which has been in force since 2016. The aim is to achieve economic and social development as well as environmental protection in a balanced manner (UN, n.d.)—in other words, to attain socially inclusive and environmentally sustainable economic growth (e.g., Sachs, 2015: 3).

The SDGs can be regarded as a global countermovement to the neoliberalist "globalization project" that had previously dominated the debate regarding the ideal path to development (McMichael, 2012). The contemporary global geopolitical situation is similarly characterized by rising skepticism toward globalization (Cuervo-Cazurra et al., 2020; Kobrin, 2017; Milanović, 2016). More recently, the questions of sustainable industry and the circular economy have become even more acute due to the currently escalating climate crisis.

Within the EU, policy formulation on the circular economy is an ongoing and incomplete process driven by environmental concerns and resource insecurity (Gregson et al., 2015). The EU policies on material efficiency, i.e., the policy framework for minimizing material resource exploitation, have been underutilized,

waste-centric, and lack consumption-related policies (Milios, 2018). There are big differences among the EU member states both in national policy frameworks and in material consumption levels that affect the actions toward a circular economy (Domenech & Bahn-Walkowiak, 2019). Therefore, the performance of the EU countries varies as to their transition degree toward the circular economy as measured by the reduction, reuse, and recycling of materials (Marino & Pariso, 2020).

Several significant barriers to the implementation of a circular economy in the EU, such as a hesitant company culture and a lack of consumer interest and awareness, have been identified based on a survey of and interviews with business and policy-maker respondents (Kirchherr et al., 2018). Yet there are expectations for continuous EU policy reforms that can accelerate the transition toward a circular economy (Hartley et al., 2020). Environmental policies and “green demand” are significant drivers for eco-innovations in a circular economy transition in the EU (Cainelli et al., 2020). Institutional incentives toward the circular economy have advanced the creation of new organizational forms in inter-firm collaborations, such as in the Dutch textile industry, for example (Fischer & Pascucci, 2017).

Textiles and clothing are major sources of waste in Europe (EU-27 and Switzerland) where up to 7.5 million tons of gross textile waste are generated annually (Hedrich et al., 2022). In per capita terms, this translates into over 15kg of textile waste generated per person every year. As much as 85% of the waste comes directly from consumers, i.e., households that discard clothing and home textiles (Hedrich et al., 2022). However, Hedrich et al. (2022) estimates that up to 25% of the textile waste from EU households could be recyclable by 2030.

In Finland, the total amount of textile waste is only a fraction of that of large EU countries such as Germany and France. Yet Finland has performed badly when it comes to their collection rate of used textiles for recycling, being only at 15%, the same level as many East European countries (Hedrich et al., 2022: 70). This is significantly lower than in Germany (64%), the Netherlands, Belgium, and Denmark (45%), or France (40%) (Hedrich et al., 2022). There is an urgent need, not only in Finland but also across Europe, to increase recycling in textiles and clothing production and consumption and search for different means of reducing and reusing materials in the industry.

Conceptual Approach: Multi-stakeholder Bargaining

The process toward agreement on the EU circular economy consists of communicating, negotiating, and publishing the interests of different stakeholders. Stakeholder theory identifies both the internal stakeholders (i.e., owners, customers, employees, suppliers) as well as external stakeholders (i.e., governments, competitors, consumer advocates, etc.) of an organization (Freeman, 1984/2010). The research approach on stakeholder engagement emphasizes the interconnected relationships between the stakeholders. Stakeholder engagement in a circular economy is a continuous process instead of a one-time endeavor (Heikkinen et al., 2023: 5). In multi-stakeholder networks, there are different kinds of relationships among stakeholders who share an interest in promoting a circular economy; the relationships may be either directive, mediative, collaborative, or competitive (Blomberg et al., 2023). One type of directive relationship is the steering relationship which is typical in policy and strategy formulation. Steering relationships are comprised of negotiations and the consolidation of diverse interests. In policy formulation, authorities may call for stakeholder participation through hearings or by inviting them to comment on proposals (Blomberg et al., 2023: 145). The networks are made up of stakeholders that may represent a locality, business, industry, state, NGO, or EU body—all denoting different territorial scales and scopes.

This kind of communication involves bargaining. In policymaking, bargaining refers to a decision-making process where stakeholders have both conflicting and common interests and negotiate toward a joint understanding or potentially making an agreement (cf. Elko-McKibben, 2015; Hirst et al., 2009). Bargaining takes place in a dynamic multi-party setting (Nebus & Rufin, 2010; Müllner & Puck, 2018) involving recurrent negotiations over a wide range of policies (Eden et al., 2005; Wagner, 2013). The interests involved are the goals or policy objectives of the central stakeholders in the bargaining (Oatley, 2018). The firm-state relation is considered cooperative, not confrontational, because of the perceived interdependence between firms and states under globalization (Luo, 2001; Ramamurti, 2001; Wagner, 2013). NGOs or expert organizations are often central to governance over specific issues (e.g., Abbott & Snidal, 2021).

From the perspective of companies, the EU bodies are the main decision-makers in the EU strategy for a circular economy. The companies taking part in respective policy development are also typically involved in circular economy business. Two

types of companies are engaged in the circular economy—the so-called natives and adopters (Frishammar & Parida, 2019; Rovanto & Bask, 2021). Native companies are those that were founded on the principles of the circular economy while adopters are transitioning from the linear economy to a circular one (Rovanto & Bask, 2021).

In sum, this study sees the formulation for the European aim of a circular economy as a multi-scalar and multi-faceted bargaining process between EU bodies, a member state, and industry. The policies and practices at different scales interact with each other and different interests are communicated between the stakeholders in the network.

DATA AND METHOD OF THE STUDY

This qualitative case study follows the idea of data triangulation (Patton, 2002: 247), drawing on multiple source materials from online sources, including news archives, documents, and reports from the different EU bodies and other participating organizations. The publicly available materials are complemented with three expert interviews and the opinions of business students gleaned from lecture diaries.

The online research materials include official documents, decisions, reports, and press releases from EU bodies, the Finnish state, and Finnish industry associations and companies as well as online news archives reporting on these. The main sources include the European Commission, European Parliament, Finnish Government (Valtioneuvosto), Finnish Ministry of the Environment (n.d.), Finnish Textile and Fashion (STJM), and online news outlets (Forbes, FSCA, and MK). In addition, background information was gained from documents published by the Parliament of Finland, the Confederation of Finnish Industries, Business Finland, the Finnish Plastics Industries Federation, the Confederation of Finnish Construction Industries, and Technology Finland as part of the exploration in mapping the context of the study and main stakeholders involved.

The materials concern the timeframe of 2019–2022, i.e., from the launch of the European Green Deal onwards. After a mapping of the stakeholders based on online sources, further data was collected from 2021–2022 through three semi-structured thematic interviews with representatives of companies and an industry association in the Finnish textiles and clothing industry. Snowball sampling was used in selecting

the interviewees (Yin, 2015: 95) who were chosen based on their expertise on the researched topic. The interviews lasted approximately one hour each and were recorded and saved as audio files. Notes were also carefully written down during the interviews. The positions of the interviewees are as follows:

- Interviewee #1 is the founder of a clothing company that is a forerunner in the designing of clothes and accessories from leftover materials.
- Interviewee #2 is the communications director of a technology innovator R&D company that develops textile fiber from waste textiles.
- Interviewee #3 is a leading specialist of the industry association Finnish Textile & Fashion.

Business students' views on the circular economy were extracted from lecture diaries discussing their reflections on the EU circular economy and actions needed in the textiles and clothing industry. The lecture was part of a course on responsible business held in 2022 at the business school of one of the biggest universities in Finland. Altogether, 159 students submitted a learning diary for this lecture. Out of 20 diaries that were randomly picked, 15 discussed textiles and clothing and were included in this study.

A qualitative content analysis of the materials was carried out by coding the data according to keywords and arranging the chunks of phrases into themes that arose from the data. Findings from interviews and student opinions are reported anonymously to secure the confidentiality of the data. The reporting includes a narrative based on process tracing (Collier, 2011) and a mapping of the relevant stakeholder networks. Interviews are referred to by identifiers (Interviewee #1, Interviewee #2, and Interviewee #3). Student views, which represent young consumers, are presented in general terms only to protect their privacy.

THE MULTI-SCALAR NETWORK AND STAKEHOLDER ACTIONS

The EU Level

As part of the European Green Deal in 2019, a new industrial policy was prepared to achieve the EU's climate and environmental goals. The *sustainable industry* policy area was based on the circular economy and focused initially on four resource-intensive sectors: textiles, construction, electronics, and plastics (EC, 2019). It was followed in March 2020 by the European Commission's proposal on the new Circular Economy Action Plan (CEAP) which focused on sustainable resource use in seven designated industries based on their environmental impact and potential for circularity (EC, 2020a). These industries are 1) electronics, information, and communication technology (ICT), 2) batteries and vehicles, 3) packaging, 4) plastics, 5) textiles, 6) construction and buildings, and 7) food. The aim was to achieve the EU's climate and environmental goals by reducing and reusing materials and preventing the use of environmentally harmful products (EC, 2019). The CEAP was also complemented by the adoption of the European Industrial Strategy and a proposal for a European climate law that would ensure a climate-neutral EU by 2050.

The European Parliament (2023) advocated for the Green Deal as key to climate neutrality and as being at the core of the EU's Covid-19 recovery package. The low-carbon economy by 2050 roadmap aims to reduce greenhouse gas emissions by 80–95% from 1990 levels by 2050, improve energy security, and promote sustainable growth and employment (Domenech & Bahn-Walkowiak, 2019).

Attaining the SDGs and fighting global warming is a motivator for EU actions toward a circular economy. The main targets for EU actions are companies and consumers. According to van Tulder and van Zanten (2018), European companies have engaged with more SDG targets compared to companies from other parts of the world, although the move from "avoiding harm" to "doing good" is still ongoing. One trend has been the rapid growth of the global market in second-hand and vintage clothing and accessories. Spurred by increased media attention and consumer awareness, it is expected to grow to more than triple its size in ten years and exceed the size of the fast fashion market, thereby providing an option with climate-positive impact (Khusainova, 2021).

The National Level

Finland's starting point in attaining the circular economy is controversial. The country ranks high on the global sustainability index, being the 9th among more than 200 nations in 2023 (Earth.org, n.d.). However, the material consumption per capita¹ in Finland is very high, being the highest among the EU member states due to its significant extraction industries (Domenech & Bahn-Walkowiak, 2019). The European Commission (EC, 2020b: 56) states that while Finland strives to move toward a more circular economy, the challenge is huge due to their highly resource-intensive economy. Their materials and energy consumption intensities in particular are significantly higher than the EU average. Some concrete actions and initiatives have been taken, such as a digital marketplace where producers and suppliers can announce waste, side streams, and services in recycling and waste management. The country is also active in promoting the circular economy in international settings (EC, 2020b: 56).

In 2021 and in line with CEAP, the Finnish government announced Finland's Circular Economy Programme which has two main commitments: to reduce the consumption of unrenovable natural resources and to restrict the use of renewable natural resources (Valtioneuvosto, 2021). The aim is to limit the total consumption of domestic primary raw materials by 2035 to a level not exceeding that of 2015. The resolution is based on a vision stating that the Finnish economy will be based on a carbon-neutral society by 2035. The vision entails a digital circular economy and the use of digitalization in helping trace material flows, resource-efficient production, and data-based decision-making. It also requires solutions to be created for the public sector in construction, mobility, energy, and infrastructure projects.

Finland's circular economy programme was preceded by developments in the Finnish industry association that represents textiles, the initial EU target for sustainable industry and the circular economy. In 2020, Finnish Textile & Fashion was very active in communicating policy and business news on the circular economy in the textiles and clothing industry. It organized circular economy forums 3–4 times a year to share news updates with the industry and the wider public. Furthermore, it

¹ Domestic Material Consumption is the annual quantity of raw materials extracted from the domestic territory plus material imports minus exports. It includes the four main categories of fossil energy materials or carriers, non-metallic minerals, metal ores, and biomass (Domenech & Bahn-Walkowiak, 2019: 9).

provided statements on EU proposals, such as the public hearings on the European Commission's textile strategy and the Commission's proposal to advance sustainable product policy in 2021 (STJM, 2021a, 2021b).

The Company Level

The interview results of this study suggest that the native companies of the circular economy (cf. Frishammar & Parida, 2019; Rovanto & Bask, 2021) in the Finnish textiles and clothing sector specialize in at least three types of business models:

- producing clothing and accessories from leftover materials,
- producing new fibers from discarded textiles, and
- selling second-hand and/or high-quality vintage clothes.

The motivation of these entrepreneurs is in reducing the amount of waste generated and keeping existing textile materials in circulation. This is illustrated by quotes from the interviews and excerpts from news reports on various companies. Some examples are as follows:

Our starting point is to influence the society to save bigger masses of textiles from being burnt. (Interviewee #1)

It is great that we can save these valuables. (Goodwill, 2022)

Vintage feels good mentally, I can be proud of it. (Valtonen et al., 2021)

Our aim is high: to keep discarded textile as textile, to become a synonym for high quality new textile fiber from recycled material. (Interviewee #3)

The main aim is to increase the rate of recycling and to create a cost-effective model to attain this. (Interviewee #2)

This has been attained to some extent: for example, the second-hand market grew by 17% whereas the sales of new clothing grew by only 5% in Finland in 2022. (FSCA, 2023)

All interviewees expressed very positive opinions on the European Green Deal and the circular economy action plan. The Green Deal was regarded as a possibility for tackling problematic issues in a sector specific manner (Interviewee #2) and

as leveling the field for a green economy (Interviewee #1) where the aims are in line with those of the organization (Interviewee #3). The CEAP was considered to be “just what we had waited for” (Interviewee #2), taking place “at last, as I have talked about this for 15 years” (Interviewee #1). The actions for promoting a circular economy include “everything that we do” (Interviewee #1), keeping up the need for support and incentives for small and medium-sized companies in the transition (Interviewee #2) and having an impact via EU bodies and international collaborators (Interviewee #3).

Multi-stakeholder Bargaining Network

The firms’ interests in the formulation of the EU aim for a circular economy are negotiated within a multi-stakeholder network (Figure 1). According to the interviews, the main stakeholders are the European Commission, European Parliament, Finnish Ministry of Environment, the national industry association Finnish Textile and Fashion, European industry association EURATEX, the companies engaged in the circular economy, and European NGOs. All have different interests that are communicated, negotiated, and bargained upon in the network.

The multi-scalar and multi-stakeholder bargaining process takes different forms. From the perspective of a company, there are two routes for communicating their interests to EU decision-making bodies (Figure 1). First, the company may contact the national industry association Finnish Textile and Fashion (Interviewee #1, Interviewee #3) which communicates the message to EURATEX; the latter then brings the agenda to the European Commission (Interviewee #1). Second, the company may talk directly to Finnish members of European Parliament (MEPs) who are active in the policymaking in this field (Interviewee #1, Interviewee #3). Names of active Finnish MEPs interested in the textiles issue were spontaneously mentioned by Interviewee #1 and Interviewee #2.

From the perspective of the national industry association Finnish Textile and Fashion, two options are used for making an impact on the policymaking of the EU (Interviewee #2) (Figure 1). First, by operating from inside as part of the European-level EURATEX, the association can communicate the interests of Finnish industry to the European Commission. The second channel is through responding to European Commission public hearings and proposals, thereby bringing national industry interests to the EU level.

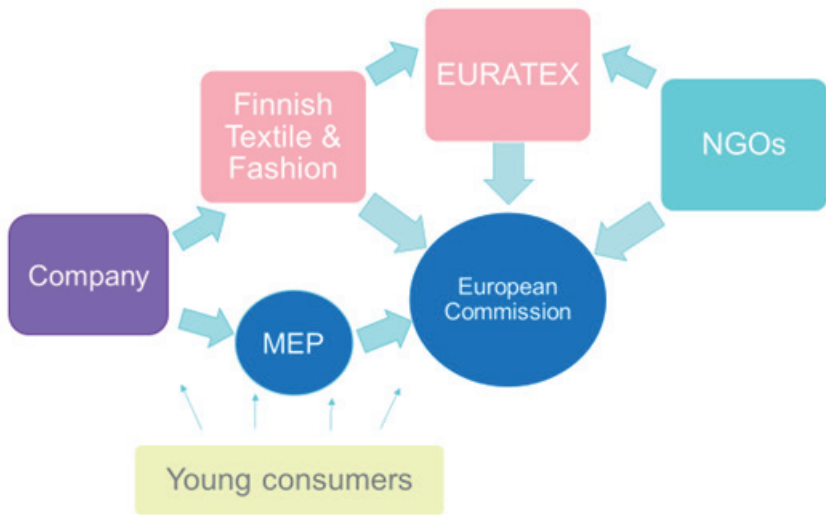


Figure 1: The Communication and Bargaining Network in Textiles and Clothing (source: author's elaboration)

Legend:

Round shape - Governmental bodies; square - other stakeholders

Thick arrows - direction of communication; thin arrows - perceived stakeholders having impact

Blue - European Union bodies; pink - industry associations; purple - private companies;

green - NGOs; yellow - consumers

In contrast, other channels such as the state ministries or NGOs are not mentioned as having a role in the bargaining process. However, the Ministry of the Environment is considered to be an important source of funding (Interviewee #3). NGOs have a small role, and neither Finnish nor global NGOs are regarded as central in communicating the interests of the interviewed organizations toward the EU. Some global NGOs, however, are considered important for networking and spreading the message of sustainable industry in general—examples are the global network and innovation platforms Global Fashion Agenda and Fashion for Good (Interviewee #2, Interviewee #3). Some Finnish NGOs, such as Telaketju, a regionally initiated collaborative research and development project on the circular economy in textiles and clothing, are mentioned as meaningful cooperation networks (Interviewee #3). The most highly regarded stakeholder overall is the industry association Finnish Textile and Fashion, whose work is considered to be very professional. This is based on their understanding of the industry's characteristics and ability to communicate the needs of the industry to policy level bodies (Interviewee #1, Interviewee #3).

Young Consumers' Opinions

Business students' views on the circular economy suggest that they are concerned about the current state of textiles and the clothing industry. Their learning diaries are based on a lecture that discussed the EU circular economy strategy, multi-stakeholder collaboration, and findings from Finland, including some presented in this paper. In these learning diaries, the students were asked to reflect on the actions needed in their chosen industry; reflections on textiles and clothing are summarized here. Their thoughts represent the opinions of the younger generation who are, at the same time, also young consumers. As such, their views can be regarded as bearing business and policy implications for contemporary decision-making (Figure 1).

Findings indicate that many students were surprised—and some also distressed—by the amount of textile waste generated and its low rate of collection in Finland. They urged the need to find solutions in this industry that is one of the most polluting of all. The practices of the textiles and clothing industry need to be changed, and this is done most efficiently by legislation and regulation especially at the EU level (Figure 1). The EU was also considered to be an important financier of innovation, R&D, science, and start-ups for advancing the circular economy. Strong incentives were perceived to be important for companies to operate responsibly. Clothing retailers should take used clothes more frequently for resale and repair, the reachability of textile collection points must be improved, and higher tariffs on imports of fast fashion and unsustainably produced clothes should be enacted. Future leaders should be provided with responsibility education. Students gave mixed views on the relative importance of different stakeholders (the EU, individual states, companies, and consumers), although while each of these received mention as the most important, the EU was emphasized most often.

Students' descriptions of their personal habits as consumers ranged from business-as-usual to supporting companies that operate sustainably; some go further by buying only used clothes from flea and second-hand markets. Some mentioned that they increasingly avoid fast fashion and needless consumption, and consider borrowing, renting, fixing, and repairing clothes. As citizens, they would spread information on social media where responsible business solutions can be visible quickly and inspire others. After finishing their studies, they can make an impact through work, such as research on or innovations in sustainability. Some suggest that every citizen can influence the situation by voting in elections and supporting

a political party that emphasizes environmental values since the parties' agendas are important drivers in societal development.

DISCUSSION AND CONCLUSIONS

This paper explored policy formulation, multi-stakeholder communication networks, and industry actions through the lens of an EU member state and one of its industries targeted by the EU circular economy plan. The study builds on extant research that discusses the circular economy from the perspective of EU policies (e.g., Domenech & Bahn-Walkowiak, 2019; Gregson et al., 2015; Hartley et al., 2020; Milios, 2018) and as a business model (Kirchherr et al., 2017; Rovanto & Bask, 2021) and focuses on different aspects of stakeholder engagement (Blomberg et al., 2023; Heikkinen et al., 2023; Kujala et al., 2023).

A research gap was identified with regard to multi-stakeholder bargaining in a *multi-scalar* process that takes place across scales: from local/regional to national, from national to the EU, and from the EU to national. Combining theoretical approaches from business studies, international political economics, and economic geography (Eden et al., 2005; Lekan et al., 2021; Müllner & Puck, 2018; Nebus & Rufin, 2010; Oatley, 2018; Wagner, 2013), this paper builds a framework for exploring the multi-scalar and multi-stakeholder bargaining process of communicating different interests for an EU-level aim for a circular economy. A case on the textiles and clothing industry was presented to illustrate the multi-stakeholder bargaining on the EU circular economy aims.

The study contributes to research on stakeholder engagement in the circular economy in two ways: 1) by mapping the bargaining relations and lines of communication in a multi-stakeholder network in formulating the aim of the EU circular economy, and 2) by addressing stakeholder engagement in an EU-led policymaking process in multi-scalar negotiations. It does this by narrating the movement from international debate on sustainable development to initiatives for the circular economy in the EU, a member state, private companies, and, going further, the views of the current student generation as young consumers.

First, the findings indicate that the stakeholders have different channels in the network for communicating their interests. The communication routes take

various forms, such as company-to-industry association, or company-to-MEP, or industry association-to-European Commission, where Finnish Textile and Fashion is very active. The study suggests that in the network of the Finnish textile and clothing industries, the line of communication is either via EURATEX or directly to the EU bodies that make proposals (European Commission) or decide upon policies (European Parliament). At the level of Finland, the industry association is highly regarded by companies when it comes to understanding the nature of the industry. This is lacking in other ministries, although the Ministry of the Environment is a funding source for developing innovations. Second, the findings indicate the multi-scalar nature of the bargaining process where the EU bodies have the final say but are subject to lobbying by various stakeholders.

The firms interviewed for the study are those that have been involved in the circular economy from their beginnings, the so-called native companies (Frishammar & Parida, 2019; Rovanto & Bask, 2021) that have been driven by “green demand” (Cainelli et al., 2020) and also by the entrepreneurs’ professional ethos (cf. Bowman, 2000). These companies base their guiding principle on their specific value-based justifications of “doing good” which may be typical for their business lines. This is exemplified by their efforts to save textiles from being burnt or discarded as waste. To do this, the companies develop innovative solutions such as producing new fibers from discarded textiles, designing clothes and accessories from leftover materials, or selling high quality vintage clothes.

This study is limited to exploring the multi-stakeholder network and lines of communication in the process of defining an EU aim for the circular economy. Given the multi-scalar effort among the core stakeholders, future research could address the stakeholder relationships even further and explore, for example, the power relations between the main EU bodies (European Commission, European Parliament), member states, industry associations, companies, NGOs, and civil society involved in the negotiation. Further studies could also investigate the territorial aspects related to the power resources of the different stakeholders to gain more insight into the territorial dimensions of circular economy transitions.

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