# CHAPTER 1

## Policy Pathways towards Circular Fashion: Lessons from Global Policy Frameworks Relevant to Emerging Economies

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**ABSTRACT**

The fashion/textile industry is responsible for the depletion of numerous global resources due to the currently prevailing linear economic model of production. Garments are produced, consumed, and thrown away. Such a production model has resulted in waste generation on an unprecedented level and is becoming harder to justify. Circular Economy (CE), on the other hand, represents a fundamentally different approach to the matter as it attempts to prolong the life of the garment by repairing, reselling, recycling, and leasing. There is still inequality when it comes to the development of policy approaches, and many challenges emerge in emerging economies where the framework required for circularity is still poorly developed. To identify which policy instruments have been applied around the world to foster the transition to a circular approach in fashion and whether they are applicable to less affluent nations, the current paper utilizes scientific studies, international policy documents, and reports by various organizations from the fashion industry. Overall, it may be said that even though some policy instruments, such as EPR, take-backs, economic incentive measures, and traceability, may lead to tangible transformations, their success depends entirely on the institutional framework they rely upon.

**Keywords:** Circular Economy (CE), Fashion policies, Extended producer responsibility (EPR), Sustainability, Emerging economies, Sustainable fashion.

### 1.0 Introduction

No industry is using natural resources more intensively than fashion and textile manufacturing, as well as the environmental consequences of this. Within such a linear approach, fashion has led to the excessive use of raw materials, release of greenhouse gases into the atmosphere, pollution of water bodies, and creation of enormous volumes of waste (Ellen MacArthur Foundation, 2017; Niinimäki *et al.*, 2020; UNEP, 2023). And even more so, today's accelerated production rate exacerbates the situation, putting excessive strain on waste management infrastructure which has not been planned for managing garments on such scale and speed.

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The concept of CE through increased lifecycle of products has been able to attract considerable traction towards decoupling the economy from resource consumption (Geissdoerfer *et al.*, 2017; Kirchherr *et al.*, 2017). Yet the proof of the matter shows that the efforts by firms and voluntarism will be unable to keep up with the change without external prodding due to the disbursement of fashion supply chain networks and economic logic behind circularity being too weak (Bocken *et al.*, 2016; Ghisellini *et al.*, 2016; OECD, 2022). Here, the role of policy enters the equation. Policies have the potential to change incentives, make sure that producers are held accountable, and channel funds towards the development of infrastructure required for circularity. There have been previous studies that have examined CE practices within the fashion industry from an organizational and behavioral perspective, such as socio-psychological aspects of theory of planned behavior (Singh & Kumar, 2025). Such studies are important; however, they create a vacuum that this paper intends to fill.

Although there is a plethora of literature on circular fashion, policy interventions have been patchy, especially within emerging markets where regulation, coordination mechanisms, and market infrastructure are less developed than elsewhere (de Aguiar Hugo *et al.*, 2021; Velis, 2017). This paper discusses the main policy tools utilized by various governments to encourage a more circular approach to fashion and textiles, paying specific attention to the potential applicability in less affluent nations.

## 2.0 CE and the Fashion Industry: A Policy Lens

In the last decade, CE has shifted from being an obscure concept to a true policy agenda mainly due to limitations associated with linear production cycles. Instead of optimizing marginal efficiency gains, circular economy approaches seek to achieve much deeper results, ensuring the reuse of materials, minimization of extraction, and retention of value throughout the entire production cycle (Geissdoerfer *et al.*, 2017; Lieder & Rashid, 2016). In the apparel industry, such measures include repairs, sales, rentals, and recycling, all of which demand new considerations in terms of materials and business organization (Bocken *et al.*, 2016; Persson, 2023).

Businesses and individuals are relevant, but there is agreement on the necessity of policies for the industry to be transformed on a scale and at a pace that is required (de Aguiar Hugo *et al.*, 2021; OECD, 2022). Policies do something that voluntary measures cannot achieve. The former ensures that the cost to the environment is factored into the price tag of products, reduces the business risks associated with sustainable development, and provides the context for an effective recycling system (Schulte, 2013; UNEP, 2021).

There have been ample studies that have highlighted the barriers in adopting CE within the fashion industry. Gaps in technology, cost of compliance, fragmented value

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chain, and weak institutions are some of the barriers that have been discussed in detail, particularly in developing countries (Singh & Kumar, 2025; Wilson *et al.*, 2015). While most research papers talk about barriers, few research papers focus on the potential of governance and policies in addressing these barriers.

This is the gap this paper aims to address. Policy tools used in the fashion sector are commonly targeted at three stages within the production process, starting from pre-production to post-production. During the first stage, design policies influence the products that are manufactured. The second stage is where transparency plays an important role in influencing the flow of products through the supply chain. During the third stage, policy tools such as extended producer responsibility, product take-back policies, and traceability policies impact products that are disposed of by consumers (European Commission, 2022; OECD, 2022; World Economic Forum, 2023). These actions contribute to a greater purpose for climate change and sustainable development goals outside of the fashion sector (IPCC, 2022; United Nations, 2023).

## 3.0 Research Methodology

A narrative and integrative policy review is used in this study. This decision reflects the nature of the question: quantitative aggregation alone cannot provide an answer to the question of how regulatory tools influence CE results in fashion. To reach findings that are helpful for governance, several forms of evidence conceptual, empirical, and derived from policy practice must be read collectively (Snyder, 2019).

### 3.1 Data sources and selection criteria

Sources for the review include three types. First, peer-reviewed journal articles published between 2015 and 2025. Second, official policy documents generated by bodies like the European Commission, OECD, UNEP, and the World Economic Forum. Lastly, reports from industries and institutions, which may provide information about how policies can be implemented practically. Sources were found through keyword searches across different platforms including CE, fashion, textiles, policy, regulation, producer responsibility, traceability, and sustainability. Selection of papers focused on materials that directly align with the regulatory and policy mechanisms shaping circular outcomes in fashion, rather than CE adoption more broadly.

### 3.2 Analytical framework

This paper uses thematic analysis approach: The policy instruments can be categorized into five themes based on the analysis approach, namely the producer responsibility approach, economic and fiscal approaches, regulatory approaches, digital

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tracing technology, and the national or sectoral textiles approach. The issue of capacity building and enforcement becomes a priority focus as it is where developing nations experience the most limitations (OECD, 2022; UNEP, 2023).

### 3.3 Scope and limitations

It must be clear at the outset that this review does not seek to present an exhaustive account of all the circular policies that have been used within fashion practices. Rather, the objective is to distill what can be learned from regulatory strategies that might be applied in other nations. Inevitably, some interpretation will need to be done in research of this sort; this approach attempts to minimize this by utilizing multiple sources.

**Table 1: Policy Instruments Supporting CE in the Fashion and Textile Sector**

| Policy instrument | Policy objective | Key features | Relevance for emerging economies |
|---|---|---|---|
| Extended Producer Responsibility | Improve producer accountability for post consumer waste | Obligates producers to finance or manage collection, recycling, and disposal of textiles | Encourages shared responsibility but requires institutional capacity and enforcement mechanisms |
| Mandatory take back schemes | Increase textile collection and recycling rates | Legal obligation for brands or retailers to collect used garments | Effective where informal waste systems can be integrated |
| Eco-modulated fees and fiscal incentives | Promote eco design and sustainable materials | Differential fees based on recyclability, durability, or environmental impact | Can incentivise innovation if supported by transparent criteria |
| Product traceability and labelling standards | Enhancing transparency across the value chain | Digital product passports, material disclosure, and labelling requirements | Supports enforcement and consumer awareness with digital infrastructure |
| National textile and circular economy strategies | Aligning industry action with sustainability goals | Integrated policy roadmaps covering production, consumption, and waste | Enables long term planning and coordination across stakeholders |

## 4.0 Key Policy Instruments Supporting CE in the Fashion and Textile Sector

The primary difference between policy instruments and voluntary pledges is that the former are obligatory. Businesses can choose not to participate in commitments. They are unable to choose not to follow the law. Changes in production methods, market structures, and the handling of discarded goods are necessary to move the fashion industry toward circularity, but there is little indication that industry will implement these changes on a large scale unless mandated by regulations (OECD, 2022).

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**Figure 1: Policy-enabled Circular Fashion Framework**


### 4.1 Extended producer responsibility

EPR is probably the most used regulatory tool for addressing textile waste. Under an EPR scheme, the companies that make and sell garments become legally responsible for what happens to those products once consumers are done with them, covering collection, recycling, and disposal (European Commission, 2022). It is clear that these policies may lead to an increase in the rate of collecting and attract private capital to recycling initiatives. However, their success depends entirely upon the strict implementation of these policies and coordination among these institutions (OECD, 2022; UNEP, 2023).

### 4.2 Mandatory take back and recycling schemes

Make take-back programs successful through the physical collection of used products from the consumer level since it is at this stage that garments are usually lost from the value chain. When such programs are associated with specific reuse and recycling goals, they will help create opportunities for repairs, resale, or reuse of the garments in other ways (Persson, 2023; Lee, 2025). For countries in the developing world such as India, the effectiveness of such schemes will largely depend on how effective they are in integrating themselves into the informal textile recycling industries (Wilson *et al.*, 2015).

### 4.3 Economic instruments and eco modulated fees

Financial instruments provide an alternative means for government intervention to influence the behavior of producers without strictly mandating outcomes. Besides offering

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incentives through subsidies or tax relief measures, differential rates dependent on the longevity or recyclability of products could encourage companies to adopt better quality material or designs (OECD, 2022). Such pricing policies generally operate effectively in developing countries under conditions where the basis of the scheme is clear, transparent, and integrated into industrial policy (IEA, 2022).

### 4.4 Product traceability and information standards

In addition to improving supply chain legibility through digital product passports (DPPs) and labels, this solution may contribute to better enforcement and consumer decisions, as well as the more efficient sorting of products at the end of their lives (Araujo Galvão *et al.*, 2022; UNEP, 2023). Indeed, the scope of this solution is promising, yet there are obstacles as well. In many emerging economies, for instance, such as India, there is a lack of appropriate digital infrastructure, while small companies will feel the burden of compliance costs the most.

### 4.5 Integrated national textile strategies

Some nations have created a broad strategy for their country, which integrates the objectives of CE into their textile and apparel policies, beyond just individual tools. Such an approach to planning within the industry makes coordination easier among businesses, governments, and others on a much broader timeline compared to relying on separate tools (European Commission, 2022; World Economic Forum, 2020).

## 5.0 Implementation of Gaps and Policy Challenges

The increase in the number of circular fashion policies among different countries is not translating into any circularity. This is mainly because of the lack of infrastructure for sorting, collection, and recycling of textiles, which is especially true for poor countries (OECD, 2022). In addition, even if policies exist on paper, their actual impact can be insignificant due to poor implementation mechanisms, governance issues within agencies and ministries involved, and informal activities taking place at various stages of manufacturing processes as well as waste management procedures (UNEPR, 2023; Velis, 2017). Market-related challenges exist too. If there are few financial benefits to be gained and little consumer interest in purchasing circular products, most manufacturers, particularly small businesses, would naturally opt not to incur the initial costs of adopting a circular approach (Niinimäki *et al.*, 2020). The difficulty in solving such issues comes from the fact that trade, industry, and environmental policies tend to contradict each other. Unless these inconsistencies are sorted out, manufacturers will continue to receive conflicting signals (European Commission, 2022).

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## 6.0 Policy Implications for Emerging Economies

A wholesome adoption of regulatory regimes from developed nations would likely be ineffective in developing nations. This is because some factors necessary for the successful implementation of such frameworks may not necessarily exist in all places (OECD, 2022). An approach where producer responsibility regulations are adopted in phases and then allow for time for both manufacturers and regulators to build capacity to enforce the same is more effective. Since these actors currently perform a large portion of the actual work and can help increase efficiency while producing more fair results, it is also worthwhile to formally integrate cooperatives and informal waste workers into collection and sorting systems (Wilson *et al.*, 2015; UNEP, 2023).

Smaller businesses need targeted support if they are to participate in circular transitions at all. Subsidised financing, grants, and hands on innovation assistance can make the difference between a company that experiments with circular practices and one that cannot afford to (European Commission, 2022). On the technology side, traceability tools need to be designed with scalability in mind from the start, and they work far better when paired with training and institutional support rather than dropped into settings that are not yet ready for them.

## 7.0 Conclusion and Policy Recommendations

This paper reviewed the policy instruments that have been used to drive CE in sustainable fashion, with a particular focus on what works, and what does not, in emerging economy contexts. The overall picture is that tools like EPR, takeback programs, financial incentives, and traceability systems can produce real results. But they are not self-executing. Without the institutional capacity to enforce them and the physical infrastructure to process the materials they are meant to redirect; even well-designed policies tend to underdeliver.

The future is probably going to be gradual rather than broad for developing nations like India. Governments and businesses may learn and adapt to implement policies gradually. Instead of avoiding informal waste players, governance that publicly acknowledge them will be more efficient and actionable. Furthermore, without consistent public investment and involvement and a sincere attempt to unify the currently highly dispersed policy signals across trade, industry, and environmental regulation, development will come to a standstill.

This research has attempted to address a new question: what types of policies can enable the adoption of the CE in fashion possible? This contrasts with most of the existing material, which focuses on what prevents it from happening. The results provide useful points of reference for industry players and policymakers operating in various economic

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environments. There is still work to be done. Future research that examines the efficacy of tools in specific national contexts or tracks the reactions of producers and other stakeholders to the implementation of new regulations would significantly advance our current understanding.

**Table 2: Phased Policy Roadmap**

| Phase | Policy focus | Key actions | Expected outcomes |
|---|---|---|---|
| Phase 1: Foundation building | Institutional capacity and data | Establish textile waste data systems, reporting requirements, pilot take back initiatives | Improved data availability and policy readiness |
| Phase 2: Market activation | Incentives and voluntary compliance | Introduce fiscal incentives, eco design guidelines, voluntary producer responsibility schemes | Increased industry participation and innovation |
| Phase 3: Regulatory consolidation | Mandatory policy instruments | Implement extended producer responsibility, recycling targets, compliance mechanisms | Enhanced producer accountability and waste reduction |
| Phase 4: System integration | Infrastructure and coordination | Invest in recycling infrastructure, integrate informal sector actors, strengthen inter agency coordination | Efficient circular value chains |
| Phase 5: Digital and long term governance | Traceability and enforcement | Deploy digital product traceability systems, continuous monitoring and evaluation | Transparent, scalable, and resilient circular fashion system |

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