ISLAMIC CIRCULAR ECONOMY IN THE DIGITAL AGE: PATHWAYS FOR SUSTAINABLE AND INCLUSIVE DEVELOPMENT

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Abstract:

The challenges of today's world are becoming increasingly evident with the rise of global issues such as climate change, resource scarcity, environmental degradation, and socio-economic disparities. This situation demonstrates that the conventional linear economic model has significant limitations in addressing current realities. Although the circular economy approach is recognised for its potential to enhance resource efficiency, it still lacks sufficient emphasis on ethics and social justice. In this context, this study seeks to address this gap by proposing a framework that integrates Islamic moral economy, circular economy principles, and elements of digital transformation. This approach aims to contribute to a more comprehensive and sustainable development model. The study employs a qualitative method based on a literature review, examining current research related to Islamic economics, Maqasid al-Shariah, circular economy practices, and digital technology. Guided by fundamental Islamic principles such as tauhid (unity), khalifah (stewardship), adl (justice), and the prohibition of israf (wastefulness), as well as the extension of the Maqasid al-Shariah framework to include environmental conservation (hifdz al-bi'ah), a theoretical framework has been developed. The findings indicate strong compatibility between Islamic ethical values and the principles of the circular economy, particularly in the areas of resource conservation, intergenerational justice, and social inclusion.

Kata Kunci Keywords : Islamic circular economy; sustainability; inclusive development; Maqasid al-Shariah; circular economy

Introduction

The global economy is facing increasingly complex and unprecedented challenges in the 21st century, including climate change, depletion of natural resources, widening inequality, and environmental degradation. In this context, the traditional linear economic model based on the practice "take–make–dispose" is increasingly being questioned, prompting a reassessment of this economic model. The model assumes that resources are unlimited and readily available, thus encouraging overexploitation, increased carbon

emissions, and the production of high and hazardous waste. This situation indicates that the issues faced are not simply technical or managerial, but are also rooted in human values and behaviour. In particular, the dominance of "consumerist thinking" driven by hedonism, materialism, and individualism has shaped unsustainable consumption patterns, with excessive emphasis on short-term profits over long-term well-being and environmental sustainability. In response to these shortcomings, the circular economic model has been introduced as a more sustainable alternative. This model emphasises the principles of slowing, closing, and narrowing the material consumption cycle through sustainable design strategies, continuous maintenance, reuse, and recycling. However, despite its potential, this model has not escaped criticism. Its often "intentionally vague" and "non-controversial" nature is seen as an attempt to avoid deeper discussions regarding the difficult trade-offs in the transition from a linear economic system.

Furthermore, the dominant narrative that emphasises the concept of "win-win" often obscures the fundamental conflict between profit maximisation and social and environmental responsibility. In some cases, this approach can lead to labour exploitation, neglect of safety standards, and imbalances in the distribution of economic benefits. This situation further contributes to the emergence of what is called the "dark side" of the circular economy, where there is untapped value, value destruction, or missed value. This phenomenon not only undermines the effectiveness of the model, but can also threaten the long-term sustainability of the circular economic system itself.

In this discussion, it is clear that the emergence of a circular economy alone is insufficient without a strong ethical and value-based foundation. While the circular approach emphasises resource efficiency and waste reduction, the absence of a moral dimension can prevent the full achievement of sustainability goals. In this context, Islamic economics offers an alternative framework that is normative, comprehensive, and value-driven. It is founded on the principles of social justice (*ʿadl*), human responsibility as *khalifah* (stewardship), balance (*mīzān*), and the prohibition of waste (*isrāf),* which are intrinsically aligned with the aspirations of sustainable development (Hasan et al., 2025).

The integration of these principles with the circular economy framework has led to the concept of an Islamic circular economy, which not only emphasises efficiency in resource management but also elevates justice in wealth distribution and moral responsibility in economic activities. More importantly, the alignment between the principles of the circular economy and the Maqasid al-Shariah – which include the preservation of religion, life, intellect, lineage, and property – provides a more holistic and resilient foundation for sustainable development. This approach not only prioritises economic efficiency but also ensures that social well-being and environmental sustainability are maintained in a balanced way (Priyatno et al., 2025). The importance of this model is increasingly evident in the global context, especially for the more than 1.8 billion Muslims and the 57 member countries of the Organisation of Islamic Cooperation, where the value of Islamic financial assets exceeded USD 3.9 trillion in 2023.

Alongside this development, digital transformation has emerged as a key catalyst accelerating the implementation and expansion of the Islamic circular economy across various sectors. Rapid advances in technologies such as financial technology (FinTech), blockchain, artificial intelligence (AI), and the Internet of Things (IoT) have opened new avenues for innovation, particularly in Islamic social finance. These technologies can

increase transparency in the halal supply chain, strengthen the operational efficiency of Islamic financial institutions, and expand financial access to previously marginalised groups. Furthermore, the use of digital technology has improved the management and distribution of instruments such as zakat and waqf, while supporting the development of more efficient, responsive, and transparent cyclical business models (Rofiq & Barnamij, 2025; Azwar, 2023). This trend is particularly evident in Southeast Asia and the Middle East and North Africa region, which have witnessed high rates of technology adoption in line with growing awareness of sustainability and social responsibility issues.

In this context, this study argues that the integration of Islamic economic principles, the circular economy framework, and digital transformation has the potential to form a new, more comprehensive development paradigm. This approach can address structural weaknesses in conventional economic models and produce a more inclusive, ethically-based, and long-term sustainable economic system. By balancing economic, social, and environmental dimensions simultaneously, this paradigm is seen as a strategic path towards more equitable and resilient global economic development in the future.

Research Method

This study employs a qualitative approach in the form of a literature review. This method was chosen as it enables researchers to examine, analyse, and synthesise in depth various scholarly sources related to the research topic. Through this approach, researchers can gain a comprehensive understanding of the latest concepts, theories, and debates, and subsequently develop a conceptual framework appropriate to the study objectives. The study is also descriptive-analytical, with findings critically analysed to construct a proposed new model or framework.

Results And Discussion

Theoretical Framework

Islamic Moral Economy

Islamic moral economics is a holistic, value-based, and revelation-centred approach to guiding how individuals think and act in economic affairs. This approach involves not only technical aspects such as resource allocation and production, but also encompasses social relations, distributive justice, and moral responsibility, all guided by the teachings of the Quran and Sunnah. In contrast to the conventional economic framework, which usually separates ethical considerations from the objectives of efficiency and profit maximisation, Islamic moral economics integrates ethical values comprehensively into every economic activity.

The foundation of this framework lies in three main principles: *tauhid, adl*, and *ihsan*. The principle of *tauhid* (divine unity) asserts that all resources and wealth ultimately belong to Allah SWT, while humans are merely trustees responsible for managing them with integrity. The principle of *adl* (justice) requires that resources be distributed equitably, without oppression or imbalance affecting any party. Meanwhile, the principle of *ihsan* (excellence) elevates the ethical dimension, encouraging individuals to go beyond basic needs and strive to contribute to the well-being of society as a whole (Priyatno et al., 2025; Noorzai, 2024; Ahmadi et al., 2024; Yusof, 2025).

Within this framework, the concept of caliphate plays a significant role as the basis for human responsibility towards resources and the environment. Humans are not seen as absolute owners, but as guardians entrusted with managing resources wisely and ethically. This perspective emphasises accountability, intergenerational justice, and the need to preserve ecological balance for the common good. In addition, the prohibition of *israf* (waste) and *tabdhir* (excessive spending) encourages more prudent consumption patterns, aligning with the basic principles of the circular economy, which emphasise resource efficiency and waste reduction (Nawi, 2025).

Furthermore, Islamic moral economics strengthens social solidarity through systematic wealth redistribution mechanisms. Instruments such as obligatory zakat, as well as voluntary contributions like sadaqah and waqf, serve as important tools in reducing inequality and eradicating poverty. This approach demonstrates that economic well-being in Islam is measured not only by growth or production, but also by social justice and balance in the distribution of wealth (Ahmadi et al., 2024).

Recent research shows that Islamic moral economics provides a strong ethical foundation to support the implementation of a circular economy more effectively. The integration of these two frameworks contributes not only to environmental preservation, but also to social justice and overall community well-being. This approach offers a more meaningful development paradigm, which goes beyond mere economic measures and takes into account values and humanity (Atif et al., 2021).

In the rapidly developing digital era, the Islamic moral economics framework is increasingly relevant. Technological innovations such as artificial intelligence, digital platforms, and technology-based financial systems need to be guided by ethical principles so that their benefits are enjoyed inclusively and equitably. Without clear value guidance, technological progress risks widening the inequality gap. Therefore, integrating technology with Islamic moral economics is seen as a strategic necessity to ensure economic development that is not only advanced, but also fair, ethical, and sustainable for all levels of society.

Maqasid al-Shariah: Objectives of Islamic Law

Maqasid al-Shariah refers to the highest objectives and wisdom underlying the entire Islamic legal system. It is not merely an abstract theoretical framework, but a comprehensive guide that helps Muslims understand how the principles of Sharia can be translated into practical and meaningful applications in contemporary life. Through the lens of Maqasid, every decision whether economic, social, or political is not viewed in isolation, but is always linked to the larger goal of achieving human well-being (*falah*) and maintaining balance (*tawazun*) in all dimensions of life.

Traditionally, classical Islamic scholars such as Al-Ghazali and Al-Shatibi identified five basic objectives (*daruriyyat*) that must be preserved: religion (*din*), life (*nafs*), mind (*aql*), lineage (*nasl*), and wealth (*mal*). These five elements form the basis for the overall balance and sustainability of human life. However, recent developments have prompted contemporary scholars to expand this framework to include environmental preservation (*hifz al-bi'ah*) as an additional objective. This addition reflects a growing awareness of

the importance of environmental sustainability in the face of an increasingly acute global ecological crisis, thus demanding a more responsive and sustainability-oriented Shariah approach (Syaichoni et al., 2025; Priyatno et al., 2025; Kurniawan & Fadlillah, 2025).

One of the main strengths of Maqasid al-Shariah is its flexible and dynamic nature. This framework is not rigid, but provides space for interpretation, allowing Islamic principles to be applied in various new contexts without compromising their core values. In the context of a circular economy and sustainable development, this approach offers a highly significant perspective. For example, the preservation of life is no longer limited to aspects of human health alone, but also includes environmental protection and biodiversity conservation as basic conditions for survival. Similarly, the preservation of property does not only refer to ownership rights, but also includes efficient and prudent resource management, avoiding waste, and ensuring intergenerational justice in the use of resources (Muhammadong, 2025; Gani et al., 2019).

Furthermore, the principle of maslahah (public interest) contained in Maqasid al-Shariah opens up broad opportunities for innovation and new solutions in addressing various current challenges. As long as an approach brings benefits to society and aligns with the objectives of Shariah, it is considered valid and appropriate to implement. This makes Maqasid not only a normative framework, but also a practical instrument that is adaptive in addressing the ever-changing realities of the world.

Recent studies have also shown significant alignment between Maqasid al-Shariah and the Sustainable Development Goals (SDGs) introduced by the United Nations. For example, the preservation of life aligns with global efforts to ensure health and well-being, access to clean water, and action on climate change. The preservation of property aligns with the agenda of inclusive economic growth and responsible consumption and production practices. At the same time, the emphasis on justice and balance in Maqasid reflects the global commitment to eradicate poverty, reduce inequality, and strengthen social justice. This alignment demonstrates that Islamic principles have great potential to be significantly integrated into the global sustainability agenda (Aziz et al., 2024).

In the context of the circular economy, the application of Maqasid al-Shariah is increasingly gaining attention among scholars as an approach that can strengthen the ethical and sustainability dimensions. The basic principles of the circular economy, such as resource efficiency, waste reduction, and natural reuse, coincide with the Maqasid objectives of preserving property and life. In addition, the closed-loop system approach supports environmental protection efforts, while more equitable access to resources helps create a more just and balanced society (Ali et al., 2021).

Finally, in the rapidly developing digital era, the integration of technologies such as fintech, blockchain, and digital platforms in Islamic finance, as well as circular economy initiatives, opens up new opportunities to increase transparency, efficiency, and inclusiveness. However, this innovation must always be guided by Maqasid values to avoid deviating towards mere profit orientation. By following this framework, technological development can ensure more equitable, inclusive, and meaningful benefits for the whole of society. Thus, Maqasid al-Shariah not only remains relevant in addressing modern challenges, but also serves as a strategic compass in shaping a

sustainable, ethical, and people-centred economic development model (Johari, 2025; Unal & Aysan, 2022).

Circular Economy Principles

The circular economy represents a systemic approach that is receiving increasing attention in contemporary economic development discourse, particularly in efforts to address global sustainability challenges. This approach is intended to deliver balanced benefits across three main dimensions: business, society, and the environment. Unlike the traditional linear economic model based on the "take–make–dispose" concept, the circular economy aims to transform production and consumption systems by decoupling economic growth from over-reliance on finite resources. In this context, the Ellen MacArthur Foundation has identified three core principles underpinning the circular economy: designing out waste and pollution, keeping products and materials in use, and regenerating natural systems. These principles are operationalised through strategies such as reduce, reuse, recycle, recover, and redesign, commonly referred to as the 5R approach. Furthermore, new business models have emerged, including product-as-a-service concepts, sharing platforms, and closed-loop supply chains, all aiming to enhance overall resource efficiency (Deutz, 2025).

Notably, the principles underlying the circular economy show significant compatibility with the values and ethics of Islamic economics. For example, the prohibition of *israf* (waste) and *tabdhir* (excessive spending) in Islam directly supports the circular economy's efforts to reduce waste and optimise resource use. Similarly, the concept of the caliphate, which emphasises human responsibility as stewards of the environment, aligns with the regenerative approach of the circular economy that prioritises long-term sustainability. Additionally, the principle of adl (justice) in Islam resonates with the circular economy's goal of ensuring more equitable access to resources and economic opportunities within society (Priyatno et al., 2025).

Recent scholarly developments have examined the intersection between these two frameworks in greater depth. Findings indicate that integrating Islamic ethical values can strengthen the implementation of the circular economy, not only from a technical perspective but also by fostering moral motivation and social legitimacy among economic actors. In this context, the combination of Maqasid al-Shariah principles with the circular economy has produced a more comprehensive framework, which addresses not only economic and environmental dimensions but also the social and spiritual aspects of sustainable development. This holistic approach is particularly relevant for Muslim-majority countries seeking a development model that is both economically sustainable and aligned with their cultural and religious values.

Moreover, the modern circular economy is further strengthened by advances in digital technology, which serve as major catalysts for realising circular principles more effectively. Technologies such as the Internet of Things (IoT) enable real-time monitoring of resource flows and energy consumption, while blockchain technology enhances transparency and traceability in supply chains. At the same time, artificial intelligence (AI) can optimise resource allocation through more accurate data analysis, and digital platforms facilitate sharing and reuse among users. This transformation not only changes the implementation of circular business models but also creates new opportunities for

Islamic financial institutions to play a more active role in supporting the transition to a circular economy through innovative and ethical financing instruments (Deutz, 2025; Azwar, 2023; Atif et al., 2021).

Overall, the circular economy is not merely a technical innovation in resource management, but a paradigm shift that requires the integration of economic efficiency, social responsibility, and environmental sustainability. When combined with the principles of Islamic economics, this approach has the potential to create a more inclusive, ethical, and sustainable development model in the long term.

Islamic Circular Economy: Principles and Foundations

Intersection of Islamic Ethics and Circular Economy

The convergence of Islamic ethical principles and the circular economy framework creates a strong and resilient foundation for sustainable development that is not only economically efficient, but also grounded in deep moral values. This convergence is not a chance coincidence, but rather reflects a significant structural alignment between Islamic teachings and the fundamental objectives of the circular economy. At a conceptual level, both frameworks share an emphasis on prudent resource management, waste reduction, intergenerational justice, and social responsibility in economic activity. However, Islamic ethics strengthens this framework by adding a transcendent dimension, where these principles are rooted in divine command and the concept of spiritual accountability. This provides a deeper and more sustained moral impetus for sustainable practices than approaches that rely solely on economic rationality or regulatory pressures (Yussuf, 2022).

Recent research has also examined this intersection more systematically, identifying various points of compatibility between the two approaches. For example, the concept of caliphate in Islam places humans as responsible trustees for the wise management of natural resources, which is directly aligned with the circular economy's emphasis on stewardship and the building of regenerative systems. The prohibition of waste and tabdhir practices is aligned with the circular economy's strategy of eliminating waste and increasing resource efficiency. At the same time, the principle of *adl* (justice) in Islam reflects the circular economy's aspiration to ensure equitable distribution of resources and the development of inclusive economic models. Furthermore, the concept of ihsan (excellence and benevolence) encourages individuals and organizations to go beyond the bare minimum, thus stimulating innovation in more creative and high-impact sustainable practices (Nawi, 2016; Muliadi et al., 2025).

In an effort to strengthen this relationship, Priyatno et al. have proposed an integrated framework that synthesizes the circular economy with Maqasid al-Shariah through the mediating role of hifz al-bi'ah (environmental conservation). The developed model shows that the integration of Islamic normative values into circular economy practices can produce a form of "just economy" that balances the anthropocentric (human-centered) and ecocentric (nature-centered) paradigms. This approach is not only able to achieve economic justice, but also ensures intergenerational equity in the use and conservation of resources. Indirectly, this framework overcomes the main weaknesses of conventional circular economics which often place limited emphasis on the economic and

environmental dimensions, without paying sufficient attention to social justice and ethical considerations.

More significantly, the integration between Islamic ethics and circular economy also offers a solution to the motivational issue in the transition towards sustainability. In many cases, the implementation of a circular economy is driven by economic incentives or the need to comply with policies and regulations. However, this approach often faces challenges in terms of long-term behavioral change. In contrast, Islamic ethics provides an intrinsic source of motivation based on faith, where efforts to preserve the environment and sustainably manage resources are seen as part of worship to Allah SWT. This perspective creates a stronger and more sustained internal drive, as each action is evaluated not only from a worldly perspective, but also in terms of an afterlife reward (Priyatno et al., 2025; Khan, 2019).

This spiritual dimension is becoming increasingly important, especially in the context of Muslim-majority countries, where religious values play a significant role in shaping consumer behavior and business practices. Therefore, the combination of Islamic ethics and the circular economy not only strengthens the theoretical foundations of sustainable development, but also increases the effectiveness of its implementation in social reality. Overall, this convergence offers a more comprehensive alternative paradigm combining economic efficiency, social justice, and moral responsibility toward truly sustainable development based on human values.

Hifdz al-Bi'ah: Environmental Protection in Islam.

Hifdz al-bi'ah (preservation of the environment) has emerged as a critical component of contemporary Maqasid al-Shariah scholarship, reflecting growing recognition of environmental challenges. While classical scholars focused on five essential objectives (religion, life, intellect, lineage, and wealth), contemporary scholars argue that environmental protection should be recognized as a sixth essential objective or as an integral component of preserving life and wealth. This expansion reflects the understanding that environmental degradation threatens all other Maqasid objectives, making ecological sustainability a prerequisite for human flourishing (Priyatno et al., 2025; Purwanto et al.,2021).

The Quranic concept of *mizan* (balance) provides theological foundation for environmental protection, emphasizing that God created the universe in perfect equilibrium and humans must maintain this balance. Verses such as "And the heaven He raised and imposed the balance, that you not transgress within the balance" (Quran 55:7-8) establish environmental equilibrium as a divine principle. The concept of fasad (corruption/destruction) is explicitly prohibited, with the Quran stating "And do not commit abuse on the earth, spreading corruption" (Quran 2:60). These principles establish environmental protection as a religious obligation, not merely an optional ethical preference(Nawi, 2016).

Priyatno et al. (2025) demonstrate that *hifdz al-bi'ah* serves as a mediating variable between circular economy practices and economic justice outcomes. Their research shows that when circular economy initiatives are grounded in Islamic environmental ethics, they achieve better outcomes in terms of both ecological sustainability and social

equity. The study found that *hifdz al-bi'ah* provides normative guidance for prioritizing circular economy strategies, ensuring that environmental protection efforts also advance social justice objectives. This mediation role is particularly important in contexts where circular economy initiatives might otherwise prioritize economic efficiency over social equity.

The practical application of *hifdz al-bi'ah* in circular economy contexts includes several key dimensions. First, it requires comprehensive environmental impact assessment of economic activities, ensuring that business models genuinely reduce environmental harm rather than merely shifting it. Second, it emphasizes precautionary principles, avoiding activities with uncertain but potentially severe environmental consequences. Third, it promotes regenerative approaches that actively restore ecosystems rather than merely minimizing damage. Fourth, it requires intergenerational equity, ensuring that current resource use does not compromise future generations' ability to meet their needs (Purwanto et al.,2021).

Prohibition of Israf and Sustainable Consumption

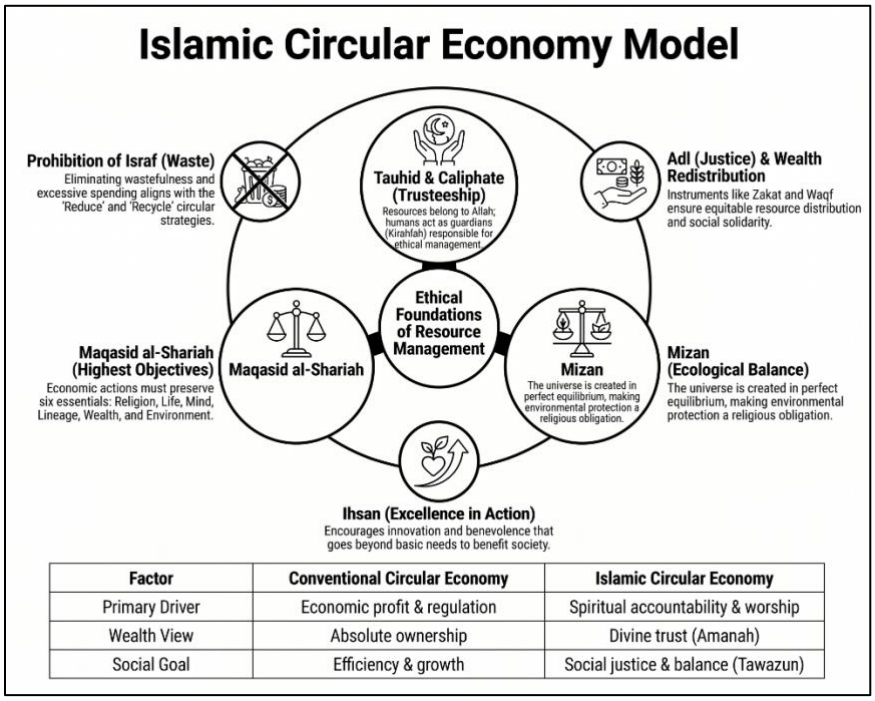
The Islamic prohibition of *israf* (wastefulness, extravagance) and *tabdhir* (excessive spending) provides powerful ethical foundations for sustainable consumption and circular economy practices. These concepts appear repeatedly in the Quran and Hadith, establishing waste prevention as a fundamental Islamic value. The Quran states, "And give the relative his right, and [also] the poor and the traveler, and do not spend wastefully. Indeed, the wasteful are brothers of the devils" (Quran 17:26-27). The Prophet Muhammad emphasized moderation in all aspects of life, stating "Eat and drink, but waste not by excess, for Allah loves not the wasters" (Quran 7:31).

The prohibition of *israf* extends beyond individual consumption to encompass production systems, business models, and economic structures. In the context of circular economy, this principle provides religious justification for eliminating waste at all stages of product lifecycles from design and production through consumption and end of life management. Islamic scholars have interpreted *israf* broadly to include not only excessive consumption but also inefficient resource use, planned obsolescence, and production of unnecessary goods. This comprehensive interpretation aligns closely with circular economy strategies of designing out waste, extending product lifespans, and optimizing resource efficiency (Yussuf, 2022).

Recent research has explored how the prohibition of *israf* can be operationalized in contemporary economic contexts. Yussuf (2022) conducted a critical assessment of circular economy concepts through the lens of Maqasid al-Shariah, demonstrating that Islamic principles provide robust ethical foundations for circular business models. The study argues that the prohibition of *israf* requires businesses to adopt circular strategies such as product longevity, repairability, remanufacturing, and recycling. It also suggests that Islamic financial institutions should prioritize financing for circular economy businesses that minimize waste and maximize resource productivity.

The application of anti-*israf* principles to digital technologies is particularly relevant in the contemporary context. While digital innovations can enhance resource efficiency and enable circular business models, they also create new forms of waste, including electronic

waste, energy consumption from data centers, and planned obsolescence in digital devices. Islamic ethics requires that digital transformation initiatives be evaluated not only for their efficiency gains but also for their overall environmental footprint. This holistic assessment ensures that digitalization genuinely advances sustainability rather than merely shifting environmental burdens (Syamlan et al.,2020).



Factor	Conventional Circular Economy	Islamic Circular Economy
Primary Driver	Economic profit & regulation	Spiritual accountability & worship
Wealth View	Absolute ownership	Divine trust (Amanah)
Social Goal	Efficiency & growth	Social justice & balance (Tawazun)

Figure 1 Islamic Circular Economy Model

Conclusion

The integration of Islamic principles, the circular economy framework, and the advancement of digital technology offers a unique development path towards achieving the Sustainable Development Goals, while respecting the cultural values and religious commitments at the heart of society. In Muslim-majority countries, which face the dual challenge of stimulating economic growth and preserving environmental sustainability, the Islamic circular economy approach emerges as an alternative that is not only ethically grounded but also practical and aligned with local cultural identity. This approach enables development to be implemented in a more contextual manner, taking into account the values, norms, and beliefs of society, thereby enhancing the effectiveness of policy implementation and social acceptance. As scholarship and practical applications in this field continue to develop, the Islamic circular economy is seen as having significant potential to contribute to the creation of a more inclusive, balanced, and sustainable development model for the 21st century.

More broadly, the convergence of faith, sustainability, and technology, as discussed in this literature, demonstrates that religious traditions should not be viewed as obstacles to progress, but as important resources that can enrich modern development approaches. In many cases, Islamic principles not only provide a strong ethical foundation but also serve as a catalyst for innovation and more sustainable behavioural change. This is because

religious values can foster intrinsic motivations that encourage individuals and institutions to act responsibly towards society and the environment.

Accordingly, as the global community seeks a path towards a more sustainable and inclusive future, the contribution of Islamic circular economy scholarship is becoming increasingly significant in enriching the global sustainability discourse. This approach demonstrates that the diversity of cultural and religious traditions is not a constraint, but rather a valuable asset in building a more comprehensive and human-centred development paradigm. By integrating ethical values, economic efficiency, and technological innovation, the Islamic circular economy has the potential to become an important reference in the effort to achieve shared prosperity globally.

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