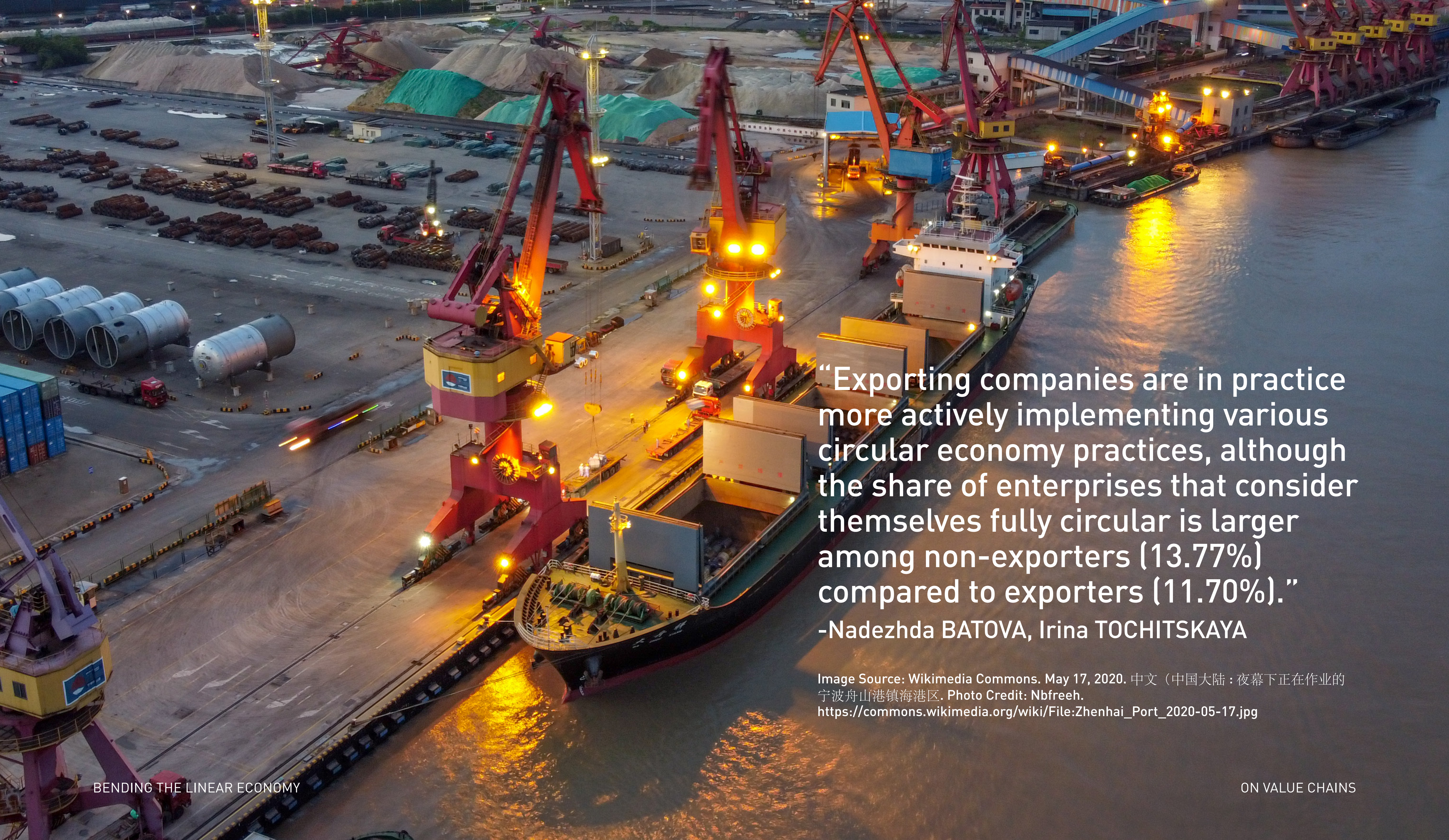

"Exporting companies are in practice more actively implementing various circular economy practices, although the share of enterprises that consider themselves fully circular is larger among non-exporters (13.77%) compared to exporters (11.70%)."

-Nadezhda BATOVA, Irina TOCHITSKAYA

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Let's become circular: Exporters vs. non-exporters in Belarus

The transition towards the circular economy (CE) has been gaining momentum recently as a response to environmental challenges for which traditional solutions do not work anymore. Despite the circular economy making headway in the policy agenda of many countries, there is still a long way to go for its practical implementation in different businesses.

International trade, which is increasingly dominated by the fragmentation of production activities among networks that spread across different countries, may play an important role in accelerating the transition towards a circular economy. On the one hand, synergistically working in the same direction through the Global Value Chains (GVC) allow for a diffusion of circular economy practices throughout different production processes. On the other hand, a growing number of governments are introducing circular economy-related policy measures, such as regulations related to, among others, reuse and repair of products, recycling, setting standards for biodegradable packaging.., These affect production processes and product design. As a result, this may (positively) disrupt the operations of companies that are engaged in international trade and participate in GVCs by pushing them to adopt a circular economy model.

But how do the exporting companies and their domestic counterparts perform in relation to the implementation of various elements of the circular economy in their business practices? Data from a survey on the transition to the circular economy conducted in Belarus in 2020-2021 by the Belarusian Economic Research and Outreach Center (BEROC) reveals that while the share of enterprises that consider themselves fully circular is larger among non-exporters (13.77%) than exporters (11.70%), it is exporting companies that are more actively implementing various circular economy practices. The survey included 403 respondents, notably enterprises across different industries, with 34.2% of them being totally domestic-oriented companies, while 65.8% were exporters.

According to the survey, 71.76% of exporting and 58.82% of non-exporting enterprises are engaged in the trade of waste and secondary raw materials through recycling, refurbishment and remanufacturing activities. One of the main reasons for that is the legislative requirements in Belarus that forbid the disposal of secondary raw materials into landfills. The use of secondary raw materials for the production of goods is adopted by 49.4% of exporters and 42.8% of non-exporters. Exporters perform better than non-exporters in terms of recycling end-of-life products into new goods or raw materials (30.4% and 23.0% respectively), as well as in extending products' life (32.0% and 29.6% respectively).

Undoubtedly, implementing circular economy practices, such as using secondary raw materials in the production and recycling of end-of-life products into new goods or raw materials, may require substantial upfront investments in new equipment or adjustments of technological processes. In this regard, exporting enterprises, whose larger sales base allows them to better amortize the fixed costs of new technologies or equipment, are better positioned to implement these upgrades. Moreover, exporters well positioned in the global value chains may have better access to CE technological know-how or may experience more pressure from other segments of the value chains, acting as a driver to become more circular.

With respect to more advanced business models, such as product-as-a-service or sharing production facilities, databases, services, etc., with other enterprises, the survey revealed, that the performance of both exporters and non-exporters was not quite advanced. This suggests that enterprises in Belarus focus mostly on circularity of product and production processes instead of innovative CE service schemes. Nevertheless, 75% of exporters fully or partly acknowledged that innovation is accelerating the transition to a circular business model, which, taking into account global trends, is gradually becoming a necessary condition for access into foreign markets.

Despite the increased interest in CE among Belarussian enterprises, the implementation of circular business practices has been hampered by economic, technological, regulatory, information, and cultural barriers. Yet, exporters are much more aware of the existing barriers against their circular transformation (84.9%) compared to non-exporters (71.7%). The survey also revealed differences in the prioritization of the limiting factors in this transition. The lack of state support and tax stimulus were prioritized by exporters, while non-exporters considered the lack of funding as the limiting factor in their circular transformation. Both groups noted that a shift from a linear economy is hampered by technical and knowledge barriers, such as the lack of available technologies (60.54% of exporters, 63.16% of non-exporters) as well as the lack of information and best practice examples with regard to circular economy implementation (51.79% of exporters, 53.68% of non-exporters). As exporters are better integrated into international trade and global value chains, they nevertheless enjoy more opportunities to overcome these barriers successfully.

To conclude, the extent of an enterprise's integration into international trade and global value chains can affect progress towards the transition to the circular economy. Exporting companies are more actively implementing various circular economy practices than non-exporters and are therefore better positioned to address barriers in their CE transformation.

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