
Limits and Merits of Transition to Circular Economy in (post-) Transitive Economies of CEE

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Abstract

The transition to a more circular society has been adopted as a guiding principle in several countries' policies. The present paper reviews the international definitional and theoretical approaches to the circular economy originating in the Anglo-Saxon environment with a view to assessing their applicability in the (post-) transitional context of CEE and identifying the elements of their integrative conceptual core. The main finding is that scientific research of circular economy and circular business thinking takes two relatively independent directions (normative/positive), as it is grounded in two different methodological approaches. The paper shows that it is possible to use a starting point for further research on circularity that would not be based on dichotomous approaches but on integrity (holistic approach).

Keywords – Circular Economy, Circular Business Thinking, Transformation Process, CEE

Paper type – Academic Research Paper

1 Introduction

Having gone through a transformation to a market economy, the concept of circularity in the (post-) transitive European countries has tremendous potential. The achievement of this potential, however, depends on the post-communist countries' ability to deal with the socio-economic and political challenges that are no less tremendous. Much of the work that needs to be done toward achieving the potential the circularity offers involves the scientific analysis and reconstruction of basic conceptual foundations. The paper aims to review the international definitional and theoretical approaches to circular economy originating in the Anglo-Saxon environment with a view to assessing their applicability in the (post-) transitional context and identifying the elements of their integrative conceptual core.

The theoretical relevance and practical importance of the development of circular economy (cf. Ellen MacArthur Foundation, 2013; Ghisellini et al., 2016; Lieder and Rashid, 2016) around the world has been experienced, among others, by the post-

communist economies. The trend towards emerging circularity in the transitional economies of Central and Eastern Europe (CEE) has grown in recent years. It can be evidenced also on recent research projects the academics from the Czech Republic are currently working on, e.g. H2020 —Resource-efficient Circular Product-Service Systems”, and TACR —Analysis of Potential of South Moravia regarding the Circular Economy”, as well as their newly published papers, e.g. Škapa and Klapalová (2019), Klapalová (2019), Škapa (2018a, 2018b).

Transition to a circular economy requires a radical change of existing business models and new ways of thinking and doing business (Bocken et al., 2016). The knowledge base of circular economy and circular business models needs a substantial work on expanding, deepening and interconnecting existing pieces of knowledge from multidisciplinary perspectives, which holds true even more for the (post-) transitive context of CEE.

The concept of the transitional economy came into existence at the end of the 1980s when all the countries concerned were gradually abandoning the path towards socialism they had followed under the leadership of the Communist Party. Those were the years when the western countries had already started to cope with the circular economy. While it can be argued that some elements of the market economy also existed in a centrally-commanded economy (just as the state might have intervened in the market), the key feature of the communist regime was the way in which the economy was controlled or planned by the state and not driven by market forces (Shleifer and Treisman, 2014).

The economic transition was not conducted in the vacuum. At the macro level, the transformation of economy has included changes to its structure: in terms of different sectors, industries, branch specializations, and products; in terms of the size of corporations; and in the nature of foreign trade (Vaceková et al., 2019). The accession of several post-communist economies to the EU has involved the complete transformation of the former command economy to one based on the market. And the transformation of the economy was the precondition for a radical change in the political system to create a capitalist social system, a process that was much broader than changes to the economy (ibid). It opened a space for circular business thinking. Has this space been sufficiently used by (post-)transitive economies? If so, how? And if not, why?

Two types of research methods were used to meet the paper goal. Analysis was selected as the general scientific research method; it was used specifically in searching through theoretical resources. The synthesis method and the generalization method were applied in particular in connection with formulating theoretical conclusions. The paper is organized around three major themes. The first one presents the circularity conceptualization in the Anglo-Saxon environment. The next part is an inquiry that provides an analysis of the economic determinants of circular business thinking in the (post-)transitive area. This opens the third one which is devoted to the discussion of limits and merits of transition to circular economy from methodological and conceptual point of view. The paper ends by drawing conclusions, and making suggestions for further research.

2 The transition to a circular economy

In recent years there has been a proliferation of scholars' publications on circular economy (Merli et al., 2017). There are several concepts defining it, nevertheless, no commonly agreed definition yet (Kirchherr et al, 2017). According to Geissdoerfer et al. (2018, p. 712) circular economy *„is based on the idea of putting private business into the service of the transition to a more sustainable system.—System view is stressed also by Merli et al (2017, p. 703) arguing that circular economy „proposes a circular system in which the value of products, materials and resources is maintained in the economy as long as possible.—Camacho-Otero et al (2018, p.1) state that a circular economy „aims at decoupling value creation from waste generation and resource use by radically transforming production and consumption systems.—*

Despite the lack of conceptualisation, circularity has been attracting the attention of scholars, as the shifting to circular economy demands the understanding of how companies can introduce circularity into their business models (Lewandowski, 2016). Until now, most studies use a case study approach. This captures several possibilities and context-based features in specific firms or sectors, but it also limits their generalization (Lewandowski, 2016). Merli et al. (2017) highlight circular economy as an evolving concept that still requires development to consolidate its definition, boundaries, principles and associated practices.

Nevertheless, most of the concepts defining circularity point out the transformation process and the transition to the new phenomenon. This can be seen as a parallel to the transformation process from central-planned to market economies of the post-communist countries. The *„transitional economies‘* constitute a varied mixture of 27 countries, predominantly from the CEE but complemented by the republics of the former Soviet Union situated to the south of the Caucasus and in Central Asia. The concept of the transitional economy came into existence at the end of the 1980s when all these countries were gradually abandoning the path towards socialism they had followed under the leadership of the Communist Party. Instead they were setting out on a phase of transition from a state-controlled economy to one that was driven by the market, a change that was seen as the general goal of economic transformation. While it can be argued that some elements of the market economy also existed in a centrally-commanded economy (just as the state might have intervened in the market), the key feature of the communist regime was the way in which the economy was controlled or planned by the state and not driven by market forces (cf. Vaceková et al., 2019).

In 1989 and 1990, citizen movements were decisive in overturning the political order and, with it, the economic configuration in CEE countries (Strachwitz, 2015). There are big differences in the extent to which individual countries have implemented the development of market economies and the growth of democratic institutions that are seen as complementary to them. Today the transition to the market economy of the post-communist countries is seen to be far from complete but generally typical of states at similar stages of economic development.

When it comes to the issue of business thinking innovation the focus is also on emphasis on the transformation of existing business models. Business model innovation is considered an important source of firm's competitive advantage (Spieth et al. 2014). Recently, it is also pointed as a fundamental aspect in a transition to a more sustainable economy (Klapalová et al., 2018). The transformation is considered as a major driver and obstacle to the implementation of a circular economy (Lewandowski 2016).

At the macro level, the transformation of economy has included changes to its structure: in terms of different sectors, industries, branch specializations, and products; in terms of the size of corporations; and in the nature of foreign trade. The transformation of the economy was the precondition for a radical change in the political system to create a capitalist social system, a process that was much broader than changes to the economy. This holds true even for the circular business thinking.

3 Discussion

While the concept of a transitional economy has always been a kind of simplification or abstraction, all of the economies concerned, even after more than quarter century of transformation, share certain characteristics essentially because the institutions of their democracies and their market economies are not fully developed (Vaceková et al., 2019). This lack of development also holds true for circular economy.

An analysis of the literature shows that scientific research of circular economy and circular business thinking takes two relatively independent directions, as it is grounded in two different methodological approaches. The first approach is descriptive and based on non-normative methodology and the corresponding explanation tools that clarify the role of the circularity and circular business models in the economy. The second approach turns in the normative direction. It is based on normative methodology and on the explication or interpretation of a researched topic. The contrast between these two different methodological approaches to circular economy is a specific example of the current state of scientific discussion in the areas of economics and social sciences. The contrast takes the form of "two cultures" (Snow, 2002) or, in terms of scientific methodology, a form of commensurability or incommensurability between normative and non-normative statements about, or explanations of, a researched topic (Ochrana, 2015).

The general contradictions between economics and social sciences are reflected in the scientific discussion about the circular economy and influence the circular business thinking. The paper is based on a critical evaluation of this discussion and offers a different solution. The solution is an attempt to depart from the existing traditional approaches and reach some synthesis. The paper works on the assumption that it is possible to use a starting point that would not be based on dichotomous approaches but on integrity (cf. Vaceková, 2016; Valentinov 2009; ibid 2011; ibid 2012; Valentinov & Iliopoulos, 2013; Valentinov et al., 2015)

The methodological basis for this integrity is the holistic approach (Fay, 2002; Ochrana, 2015), enabling a shift in direction toward the integrative approach. The paper seeks answers on how the circular business thinking participates and contributes to this

process which indeed integrates normative and positive aspects: there is a normative imperative to solve problems, and there is positive interest in discovering how circular economy can actually do it.

The need for integrative research of circularity is determined by two groups of factors. The first group is the new economic and social reality within which businesses operate. This new reality includes transformations of the positions, roles, and functions. Therefore, this represents an objective side of the issue: the ontological layer of circular economy. The recent and ongoing changes in the position and functioning of business require a corresponding scientific approach and tools that would enable proper research of these changes. Traditional existing approaches offer dichotomous solutions: either explanations or interpretations (Vaceková, 2016). The integrative theory (see Vaceková, 2016) bridges this dichotomy, offering a comprehensive view of the current issues related to the operations of circular economy. The ambition of the paper was to contribute to the theoretical elaboration of the issue.

4 Concluding remarks

Circularity has received increasing attention in the scientific literature worldwide. This literature is, however, largely Anglo-Saxon and it is not perfectly suited to a context of the transitional economies. The lack of relevant research on circularity in the post-communist countries of CEE shows a considerable gap that strongly indicates the need for deeper insight. The proposed paper contributed to the conversation by rethinking the existing literature in the context of transitional economies, focusing on the merits and limits of transition to circular economy in (post-) transition economies. Furthermore, it aimed to create a space for discussing critical implications and making suggestions for further research.

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