

Towards a Unifying Framework for Business Action for the Circular Economy in ASEAN

*Working paper for reflection and engagement with
business and industry*

Acknowledgment

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Synopsis

Circular economy speaks to the imagination as an alternative to the prevailing linear ‘take – make – use – throw away’ economy that continues to drive increases in the unsustainable extraction, use and wastage of natural resources. However, circular economy has become to mean very different things to different people, businesses and policy makers, which impedes collective action and lends an alibi to either romanticize recycling, or green wash regular business practices and/or simply do nothing. Arriving at a unifying understanding of the circular economy and its criticality for ASEAN Member States is essential for stepping up business commitment and action for the circular economy.

This business engagement paper positions circular economy as an innovation and co-creation framework to break the dependence of products and services on the unsustainable use of natural resources which is the common cause for climate change, loss of nature and biodiversity, and accumulation of pollution and waste – collectively the triple planetary crises. It suggests five guiding principles to unite for the circular economy, in short: net zero for climate, nature and environment; resource circularity, efficiency and substitution; responsible business; ideation and co-creation; and net benefit. Circular business action can then be tracked with enterprise level metrics, covering both enabling activities as well as circular results. Eight sectors are suggested as circular economy focus for ASEAN, respectively: food and beverages; textile and garments; leather and footwear; furniture and homewares; automotive; electrical and electronics; tourism; and construction.

A diversity of global initiatives demonstrates multiple benefits of business leadership and collaboration for circular economy, including networking and knowledge sharing; leadership and advocacy; co-creation of methods, tools and policies; and B2B matchmaking and (business) ecosystem development. These may be considered to step up business action for circular economy in ASEAN and enable businesses and industries to take advantage of the business and innovation opportunities it presents.



Purpose

The ASEAN Corporate Social Responsibility (CSR) Network (ACN) with the support from the EU SWITCH Asia Policy Support Component on Sustainable Consumption and Production (SCP) is mobilizing, catalysing and facilitating business action and commitment for the circular economy in ASEAN Member States (AMS). This requires a common framework for circular economy as well as perspectives on prospective modalities and benefits of coordinated business action for the circular economy. This working paper provides input for business engagement and consensus seeking at the country level in first instance in Cambodia, Indonesia, Philippines, Thailand and Viet Nam.

Genesis

Circular economy had its policy roots in the waste management hierarchy and sought to achieve the economy-wide scaling-up of Reduce, Reuse and Recycling (3R) practices and techniques. This policy scope has since expanded significantly to cover products, secondary materials and economic security (resilience in materials supply).

Circular economy draws on the natural sciences, which has given rise to expanded hierarchies of circularity practices covering: smart product use and manufacturing; expanded lifespan of products and its parts; and useful application of materials. Moreover, science has connected the unsustainable use of natural resources as the common cause of climate change, loss of nature and biodiversity, and accumulation of pollutants and waste. This existential triple planetary crisis of our time requires transformative change in production and consumption systems, for which circular economy has become a shorthand.

Businesses have stressed upon the business opportunities arising from the combination of circular business models and transformative technologies, particularly digital, physical and biological frontier technologies. Efforts are underway to harmonize and standardize circular economy through e.g., the international ISO 59000 standards series and the EU Corporate Sustainability Reporting Directive and its subsidiary European Sustainability Reporting Standard which stipulate disclosure on the circularity aspects and risks of large European firms.



Guiding Principles

Circular economy is emerging as the global community's best bet to break the vicious cycle of economic dependence on the unsustainable use of natural resources, or put differently: circular economy provides the thrust to innovate the economy out of its triple planetary crises.

This implies five guiding principles:

1

Net Zero for Climate, Nature and Environment

Circular Economy targets net zero by ending unsustainable resource use as the common root cause of climate change, loss of nature and biodiversity, and accumulation of pollutants and waste, which together constitute the triple planetary crises

2

Resource Circularity, Efficiency and Substitution

Circular Economy closes natural resource use loops by designing in resource circularity, resource efficiency and resource substitution

3

Responsible Business

Circular Economy involves business taking responsibility for the impacts on environment and society of the materials and other natural resources that are required throughout the lifecycle of its products and services

4

Ideation and Co-creation

Circular Economy frames ideation and co-creation by business and its value chains to innovate and develop circular product and service solutions

5

Net Benefits

Circular Economy de-risks the economy and society from the impacts and risks of their unsustainable use of natural resources to generate net socio-economic benefit.

Figure 1: The five guiding principles of the circular economy

Focus sectors

Even though circular economy is principally applicable in all economic sectors, priority might be given to sectors that dominate economy and trade, are resource intensive and have shown potential for circular innovation. Hence eight subsectors are suggested as priority for businesses action on the circular economy in ASEAN. Individual countries are advised to further prioritize and narrow down their priority sectors, based on national circumstances and respective business and innovation strengths and opportunities.



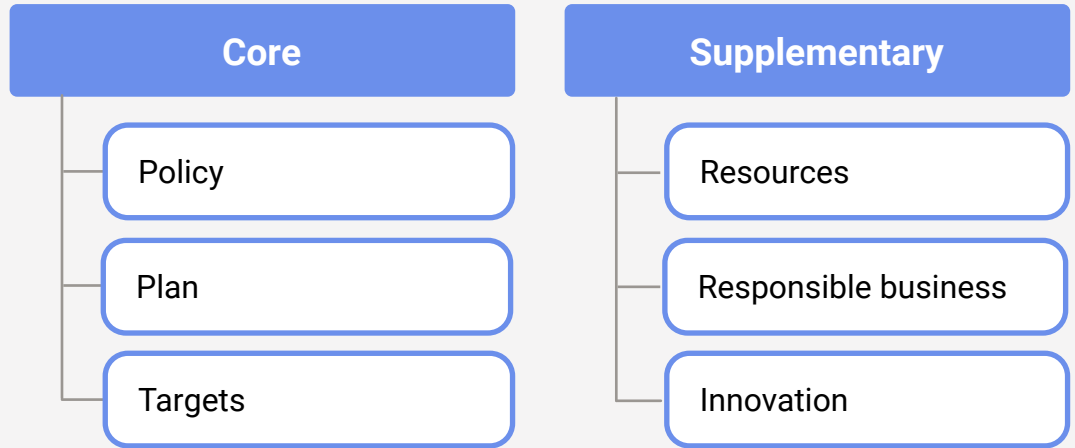
Figure 2: Priority sectors for business action on the circular economy in ASEAN.

Metrics

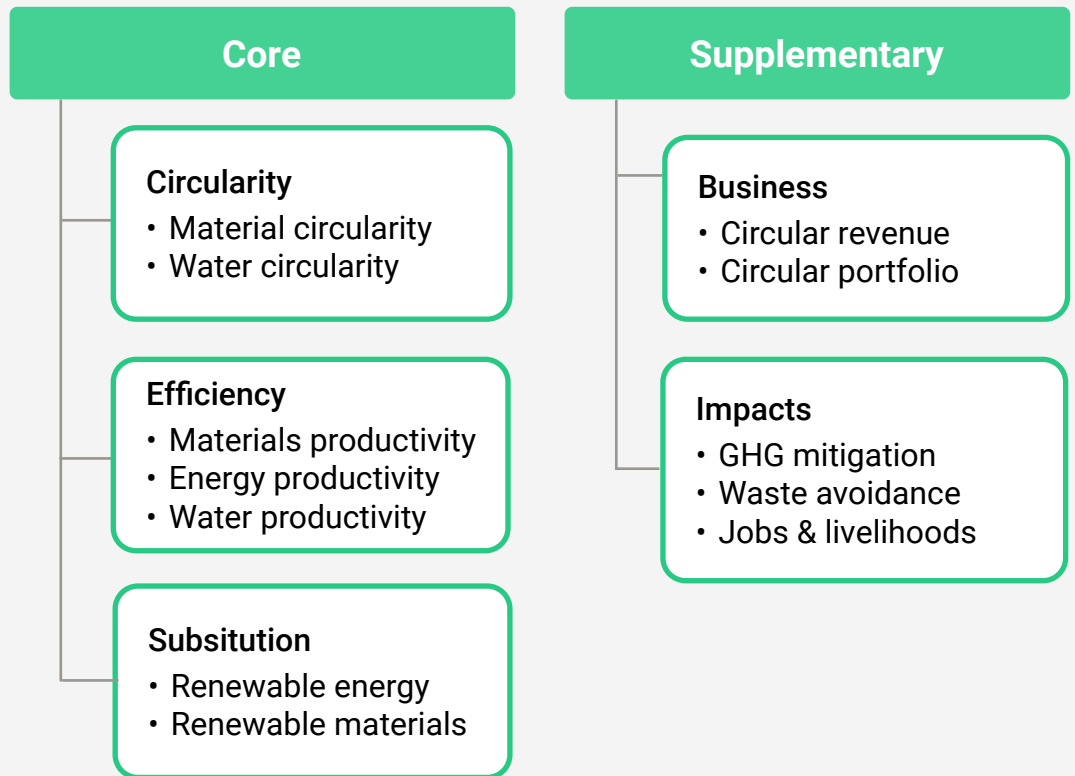
To support business action on circular economy, a set of firm level indicators is suggested, covering both enablers (activities supporting the circular transition of the firm) and results (achievements made by this circular transition). In both categories, firms could start with core indicators and gradually extend to cover supplementary indicators. These indicators achieve harmonization and their use for internal management decisions would not require standardization, hence providing a flexible approach for firms to track progress on their circular transition.



Category 1:
ENABLERS



Category 2:
RESULTS



Business case

In addition to its net macro level benefits for economy and society, circular economy can, depending on sector, markets, etc., create practical benefits for individual firms and the value chains these are part of, particularly through operational costs savings on their use of materials, energy and water and increased sales. Furthermore, tangible spill-over benefits are achieved through adoption of circular economy as firms become more innovative, ensure full compliance and conformance, and get future ready.

Business action

Recognizing that navigating the circular economy transition is a common and pre-competitive need and challenge for business and industry, firms have shown industry leadership and come together in a variety of global, national, sectoral and other circular economy initiatives. In addition to general networking and knowledge sharing, such initiatives have curated knowledge, learnings and best practices, co-created methods and tools, coordinated policy advocacy and stakeholder engagements, and facilitated ecosystem development and B2B matchmaking. Some ASEAN firms are involved in such collective endeavours, however, this has not yet led to an ASEAN specific thrust for business action for the circular economy.

Moving forward

This operational framework and example collaboration opportunities for business in the circular economy are presented with an invitation for reflection by and engagement with business and industry stakeholders in ASEAN Member States. It is aimed to identify and document country experiences relevant to the circular economy and integrate their lessons learned into a further refined version of this framework. Moreover, the business engagement will serve to explore and define collective and individual business actions and commitments, with a view to boost circular economy initiatives and implementation in ASEAN.

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Launched in 2007, the **EU SWITCH-Asia Programme** is the single largest programmatic investment to promote and facilitate the uptake of sustainable consumption and production practices in the Asia and Pacific region. Under the current phase of its Policy Support Component (PSC), SWITCH-Asia lends advisory support to multi-country and sub-regional initiatives on policy and practices for sustainable consumption and production and their contribution to circular economy and achievement of Nationally Determined Contributions to the Paris Climate Agreement.

Loraine GATLABAYAN

Key Expert, SCP Awareness and Partnership Building,
SWITCH-Asia PSC, Thailand
loraine@switch-asia.eu

The **ASEAN CSR Network** is a recognised entity of ASEAN that brings together business membership organisations and businesses from ASEAN Member States to catalyse and facilitate – corporate - social responsibility: the practice of businesses and other organizations taking responsibility for the impacts of its activities and decisions on society and environment, with a view to support sustainable development. This includes consideration of business and industry contributions to the triple planetary crisis and opportunities to mitigate this through resource efficiency and circular economy - actions that cannot be seen independently from other core CSR subjects, particularly organizational governance, adoption of fair operating practices, labour and community engagement and development.

Thomas THOMAS

CEO, ASEAN CSR Network, Singapore
thomas@asean-csr-network.org



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