



Advancing ASEAN's Circular Economy Agenda Advocacy Paper

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Executive Summary

ASEAN is facing a crisis like never before. COVID-19 has disrupted supply chains, impacted stock markets, and has taken the lives of thousands of people. The Asian Development Bank (ADB) has revised ASEAN's growth forecast from 4.7% to 1% in 2020, as 7 out of 10 Member states enter deep recessions.¹

As Covid-19 traced its way through the region from early February, all ASEAN members adopted different approaches to deal with the outbreak. As economies begin to implement exit strategies, now more than ever, sustainability needs to be used a business model. Such an approach will promote long term resilience, preparedness, and competitiveness. The Global Commission on the Economy and Climate has found that strategic policy and investment decisions supporting a transition to low-carbon, sustainable growth could bring in economic gains of US\$26 trillion by 2030, powered by job creation in cleaner industries, health gains through improvements in air and water quality, and tax revenue from non-renewable energy sources.²

Herein lies an opportunity for ASEAN leaders to develop recovery plans, centred on circularity. The circular economy, at the heart of it, calls for a fundamental realignment of our society's production and consumption patterns – which presently assumes a myopic worldview of limitless resources and waste absorption capacity. A circular economy is a systemic approach to economic development designed to benefit businesses, society, and the environment. In contrast to the 'take-make-waste' linear model, a circular economy is regenerative by design and aims to gradually decouple growth from the consumption of finite resources.³

This approach will benefit ASEAN socioeconomically. The Economic Research Institute for ASEAN and East Asia (ERIA), a Jakarta-based think tank found that adopting circular principles across Asia could lead to economic growth of US\$324 billion and create 1.5 million jobs by 2025, which would make it an effective strategy to hasten recovery from Covid-19 and rebuild ASEAN in a sustainable, resilient way.⁴ The time for ASEAN is now. Although, some may claim that in times of crisis, developing and emerging economies would not be able to afford luxury of green or sustainable investments, this paper argues that is a very short-sighted view. Instead, a long-term view needs to be adopted, one which appreciates that unsustainable growth undermines long term development.

ASEAN LEADERS' VISION STATEMENT ON A COHESIVE AND RESPONSIVE ASEAN:

*We urge Member States to work more closely in **strengthening our cooperation in promoting sustainable development through, among others, development of circular economy, the use of renewable energy, sustainable and integrated water resources management at all levels, including through transboundary cooperation as appropriate, sustainable management of natural resources and reduction of waste, and conservation of biodiversity***

¹ [Updated Assessment of the Potential Economic Impact of Covid-19. Asian Development Bank, 2020.](#)

² [Unlocking the Inclusive Growth Story of the 21st Century. Global Commission on the Economy and Climate, 2018.](#)

³ <https://www.ellenmacarthurfoundation.org/explore/the-circular-economy-in-detail#:~:text=A%20circular%20economy%20is%20a,the%20consumption%20of%20finite%20resources.>

⁴ [Industry 4.0 Empowering ASEAN for the Circular Economy. Economic Research Institute for ASEAN and East Asia, 2018.](#)

Recommendations

National Governments

Short Term

- Remove regulatory barriers to the reprocessing and reuse of post-consumer materials. For example, Vietnam's Law on Environmental Policy (LEP) does not distinguish between plastic scraps (used as raw material in production) and plastic waste. This results in plastic scrap imports being subject to technical standards (below 2% contamination, below 20% humidity) that are difficult to verify, resulting in delays at ports and extra storage costs for manufacturers
- Establish the systems upon which a circular economy for plastics is founded, including waste collection, separation and reuse
- Provide structural and economic support for recyclable and recycled materials, for example by ensuring the economic viability of recycling in municipalities where it does not exist or is insufficient
- Start to price negative externalities, so that economic actors can take them into consideration when designing, manufacturing, using and discarding products (e.g. waste charging)
- Establish medium- and long-term goals in consultation with industry, academia and other interested stakeholders, with transparent circularity indicator metrics and regular milestones along the way
- In establishing Circular Economy goals, metrics and frameworks, take full advantage of the standards already established or in process under the International Standards Organization (ISO)

Medium – Long Term

- Invest in circular economy education, training, innovation incubators, and transition projects, with particular focus on those with (a) high circularity indicator scores, (b) positive social impacts and (c) the capacity to scale
- In collaboration with industry, to establish baseline data of the full set of policies to support investment and recycling of plastics with indicative timeline that will be rolled out in country to require different stakeholders' support and follow through
- Develop policy a framework to integrate informal waste workers into a modernised waste / material recuperation sector, through participatory and consultative process and support. This could be achieved by developing capacities and skills to enhance livelihoods and social welfare security in collaboration with industry via. Public private partnership
- Standardisation of recycling labels across ASEAN: align with international standards. The Council suggests setting goals, metrics and frameworks based on established or emerging international standards (e.g. for recycled plastic, biodegradable plastic, etc) from ISO.

ASEAN

- Build an ASEAN-wide research and innovation network on sustainable polymers, packaging and circularity.
- An ASEAN framework agreement on plastic pollution could be negotiated to create a common regional approach. Currently there is the ASEAN Framework of Action on Marine Debris, which was adopted by all states in 2017. However, a wider regional agreement would demonstrate the resolution and ability of ASEAN Member States to jointly address common challenges and could set a precedent for a future global agreement on plastics

Climate Change Impact in ASEAN



16%

Loss of labour capacity due to increase in heat levels by 2045



50%

of rice yield in ASEAN will decline by 2100.



US\$9.9 Billion

Loss in GDP due to climate-change related natural disasters in ASEAN in 2017.



40%

Rate of loss of coral reefs in the region

Circularity in ASEAN: Why Now?

COVID-19 has introduced a myriad of challenges to communities, companies, nations and the global economy. It has also put a spotlight on the greater role sustainability can play moving forward. At the 11th Petersburg Climate Dialogue hosted virtually by the governments of Germany and the UK on 27-28 April 2020, officials from developed and developing countries, the UN Secretary-General and the UNFCCC-COP President emphasised the importance of a “green recovery” – one that integrates economic recovery from COVID-19, climate action and the UN Sustainable Development Goals (SDGs).⁵ Similarly, the IMF called for green investment as a means of recovering from the pandemic and raising the \$2.3 trillion required to transition to a low-carbon economy. It suggested providing conditional financial lifelines to carbon-intensive industries, mandating the disclosure of climate risks by banks and using carbon pricing revenues to redistribute welfare to more vulnerable households.⁶

A similar trend is also unfolding in ASEAN. During the recently concluded 36th ASEAN Summit, leaders reiterated the need to work towards a comprehensive recovery framework that is robust, holistic, inclusive, gender-responsive and science based, towards longer term resilience, preparedness, and competitiveness.⁷

A circular economy model provides a useful framework for such recovery plans. Well crafted, it would not only mitigate the socio-economic damage wrought by the pandemic, but also prevent future scenarios from getting so far out of hand. Therein lies an opportunity for Southeast Asia. ASEAN should now be able to chart a development path that avoids uncontrolled land development and ecosystem destruction that has characterised the linear economic models of the past.

⁵ [Petersburg Climate Dialogue 2020. Press Release, 2020](#)

⁶ [Covid-19: Opportunities for a Green Recovery. International Monetary Fund, 2020.](#)

Sidebar-(1) [Global Warming and Productivity - Verisk Maplecroft, 2015.](#)

(2) [Economics of Climate Change in Southeast Asia – ADB, 2009](#)

(3) [Global Climate Risk Index, 2019.](#)

(4) [ASEAN Biodiversity Outlook](#)

⁷ [ASEAN Leaders Statement \(2020\)](#)

Chairman’s Statement of the 36th ASEAN Summit ‘Cohesive and Responsive ASEAN’.

“We emphasize the importance of undertaking responsive and timely measures to address the impact of the Covid-19 pandemic on vulnerable sectors, including women, children, youth, the elderly and persons with disabilities, taking into account how disasters and other challenges can further heighten their vulnerabilities, as well as strengthening their capacities to respond to the impacts of the pandemic.”

Aligning COVID-19 recovery strategies with circular economy principles, is both an urgent need and a potentially significant moment for ASEAN.

The circular economy requires a fundamental realignment of society’s production and consumption patterns. Circular models reject the unarticulated assumption of limitless resources and waste absorption capacity and embrace assumptions of limited natural resources, leading to new outcomes in terms of resource use, supply chain dynamics, business models and consumer behaviour.

There is a consensus of opinion that the effects of climate change and environmental degradation harm those at the bottom of the socioeconomic ladder the most.⁸ Adopting the circular economy does not just contribute to the fight against climate change, or bring in additional revenues – it also secures a better future for the people of ASEAN. From the farmers of the Mekong who face food insecurity due to water pollution, to the indigenous populations at risk of losing their land due to peatland conversion; the linear economy model has created a legacy of vulnerability, displacement and unsustainability.

ASEAN’s rapid development has contributed to high levels of plastic use in the region, which in turn has contributed to an abundance of domestically generated plastic waste. Municipal waste in ASEAN consists of 18% plastic waste, with Thailand generating the highest per capita quantity of municipal waste of 385.5 kilograms/capita/year.⁹

More problematically, the region still relies on unregulated dumping and burning of waste, and there is limited recycling infrastructure in place for plastic and E-waste.⁵ Unsanitary, open dump sites directly contribute to environmental degradation due to groundwater and soil pollution. In the long run, these practices aggravate climate change, health problems for people and contribute to the loss of biodiversity in the region, which is already highly vulnerable due to the concentration of economic activity along coastal lines and heavy dependence on agriculture and natural resources.¹⁰

The circular economy approach provides a more people-centric model, one which accounts for the constraints of fuel-poor households and insufficient access to advanced recycling technologies. It taps onto the existing knowledge base and community practices of composting and crop rotation, while also embracing forward-looking models of sustainable urban landscaping and infrastructure financing. Ultimately, the circular economy serves the people of ASEAN across different education and income strata – through employment opportunities, risk and disaster resilience and creating a healthy ecosystem for future generations to thrive in. While the circular economy touches on all aspects and streams of waste, this paper will only focus on one trending but important piece of the equation: plastics.

⁸ [Climate Change hits vulnerable communities first and hardest. International Institute for Sustainable Development, 2019](#)

⁹ [Waste Management in ASEAN. UNEP, 2017](#)

¹⁰ [ASEAN Cooperation on Climate Change. ASEAN Environment, 2015](#)

Plastics and ASEAN

Plastic waste has become a serious problem in ASEAN, especially after China's decision to ban plastic imports in 2017. Moreover, widespread urbanisation aggravates the problem, with cities contributing to over 60% of plastic waste leakage into the environment from uncollected waste and ineffective municipal waste management systems.¹¹ The challenge of dealing with plastic waste is manifold – lack of regional harmonisation on definitions of single-use vs recyclable plastics, transboundary marine leakage, technological backwardness and the lack of systematic recycling regimes.

The challenge ahead is the management of plastic waste, such as labelling of recyclable plastics, capacity to process waste, and the cross-boundary transit of post-consumer use material. A UNEP study in 2019 found that plastic litter within Asia costs the tourism, fishing and shipping industries \$1.3 billion a year.¹² This is because the region suffers from a lack of systems to collect, sort and profitably reprocess plastic waste into new products. It also lags in terms of laying out national targets for sustainable packaging metrics, standardising definitions of processes, and accounting for the informal sector when drafting waste collection and source segregation laws.¹³

At the moment, many countries in Asia are at a critical juncture on packaging waste issues. Many are in the process of formulating their regulatory approaches to single-use plastics and packaging waste (and waste in general). For example, Indonesia is set to release a regulation applying extended producer responsibility (EPR) targeting consumer goods and F&B packaging which mandates that producers and retailers are to increase the percentage of recyclables in their product packaging through setting up their own recycling facilities or partnering with existing ones. The regulation, due to come into effect this year, requires producers to issue a 10-year plan identifying the proportion of waste from their products to be recycled.¹⁴

The areas that require attention include the type of plastics in circulation, product design, manufacturing processes, the recyclability of plastics, plastics pollution, and waste collection systems.

Herein lies the opportunity for ASEAN countries to adopt circularity.

To alleviate the impact on the environment, packaging waste regulations are being focused on shared responsibility that includes regulators, producers, producer responsibility organisations, waste

Plastic Waste in Asia

According to the World Economic Forum, plastic packaging waste represents an \$80–120 billion loss to the global economy every year.

Within Asia, a UNEP study in 2019 found that plastic litter in Asia Pacific costs the tourism, fishing and shipping industries \$1.3 billion a year.

Indonesia's Environment Ministry found that 95% of the plastic bags used each year are not recycled and end up in landfills.

Over 50% of the total plastic waste in the world oceans come from just five Asian countries; China, Indonesia, Philippines, Vietnam and Thailand, according to the Ocean Conservancy.

¹¹ [New UN Initiative to Reduce Plastic Pollution from ASEAN Cities. UNESCAP, 2020.](#)

¹² [Lagging Plastic Policy in ASEAN. UNEP Press Release, 2019](#)

¹³ [The Role of Packaging Regulations and Standards in Driving the Circular Economy. UNEP, 2019](#)

¹⁴ *ibid*

management operators, and citizens. A more holistic approach would focus on all aspects of the waste system, rather than just on one aspect (e.g. EPR or bans).

ASEAN has realised the urgency of addressing plastic wastage, and some member states have crafted national policy frameworks to phase out or ban certain plastics and to improve recycling facilities. At a two day EU-ASEAN regional workshop on circular economy in 2019, ASEAN states, private sector and civil society groups affirmed their commitment to adopting circular economy principles and launched a regional gap analysis study of the same with the Institute of Global Environmental Strategies.¹⁵ These findings were used to support circular economy policy recommendations in the ASEAN Framework of Action on Marine Debris, and discussions are underway to establish an ASEAN Working Group on sustainable consumption and production through the circular economy.¹⁶

However, there is yet ground to be covered in terms of crafting region-wide regulations and harmonisation of standards – which would help increase the scale of recycling and reusing options, create ‘scrap-trading economies’ and close recycling loops. The predominant perception of plastic management as just a waste management issue also requires reframing; and there needs to be greater engagement of diverse stakeholders such as trade bodies, manufacturers and the informal sector, instead of just instating hard-to-implement bans and unclear recycling requirements.

ASEAN’s institutional assessments indicate significant participation of informal sector in the waste management chain. Therefore, governments should develop a policy framework integrating the informal waste sector through participatory and consultative process and support. This could be achieved by developing capacities and skills to enhance livelihoods and social welfare security.

The private sector welcome policies which aim to minimise compliance costs and incentivise new innovation and sustainable practices (e.g. recycling/reuse). Innovation and new technology are key to transition the throwaway culture to one that is focused on the circular economy, where resource conservation and effective waste disposal are top priorities.

It is equally important to avoid critical errors that slow or obfuscate what is already a complex process. Again, there is much to be learned by looking at experience around the world. For example, many governments have succumbed to pressure to ban specific types of polymers, without due consideration for critical uses (e.g. in medical devices) or adequate transition periods. Similarly, rules to promote “greener” products, such as bio-plastics, have sometimes been designed to include designation of oxy-degradable plastics, which do not decompose but simply break down into micro-plastics in the environment. Strict scientific testing and close consultation with industry can help keep the policy-making process efficient and effective.

Given the global move towards circular economies and lower carbon emissions, recycled plastic will increasingly replace virgin plastics production. The current state of the recycling industry, highly fragmented and thus lacking in scale economies, offers a unique opportunity to invest and consolidate.

¹⁵ [EU and ASEAN commit towards a circular economy for plastics in the ASEAN Region. ASEAN Secretariat News, June 2019](#)

¹⁶ [Circular Economy and Plastics - A Gap-Analysis of ASEAN Member States. Enhanced Regional EU-ASEAN Dialogue Instrument \(E-READI\), 2019.](#)

Understanding Circularity

The unprecedented growth in demand for resources in recent decades, coupled with population growth worldwide, has led to an interest in a 'circular economy' approach. This is framed around the need to improve resource efficiency, as well as to address the current environmental impact that our "business as usual" resource use is having. A circular economy is therefore 'a systemic approach to economic development designed to benefit businesses, society, and the environment'.¹⁷



A circular economy approach introduces systems and processes that restore and regenerate materials and ecosystem services. It recognises the importance of having the economy work effectively at all scales – for big and small businesses, for organisations and individuals, globally, regionally and locally.

The approach is based on three principles:¹⁸

- **Designing out waste and pollution** – reveals and designs out the negative impacts of economic activity that cause damage to human health and natural systems.
- **Keeping products and materials in use** – favours activities that preserve value in the form of energy, labour, and materials, favouring durability, reuse, remanufacturing, and recycling to keep products, components, and materials circulating in the economy.
- **Regenerating natural systems** – avoids the use of non-renewable resources and enhances renewable ones.

¹⁷ [The Circular Economy in Detail, Ellen McArthur Foundation, 2015.](#)

¹⁸ *Ibid*

Reasons for Circularity in ASEAN

Transitioning to a circular economy approach can have crucial benefits across several different areas. Here we will focus on the socioeconomic benefits.

Economic benefits

Moving towards a circular approach in our activities will result in lower costs as society makes more productive use of inputs that in turn, will increase revenue generation. Changes to the input and output of production will in turn affect supply, demand and pricing, benefiting all sectors of the economy and adding to overall economic growth. The Jakarta based think tank the Economic Research Institute for ASEAN and East Asia (ERIA) has estimated that the adoption of circular economy principles could lead to economic growth of US\$324 billion and create 1.5million jobs in Asia over the next 25 years. Cost savings are a major contributor. In a major study with the Ellen MacArthur Foundation, McKinsey found that such an approach could boost Europe's resource productivity by 3 percent by 2030, generating cost savings of \$678 billion a year and \$2.1 trillion more in other economic benefits.¹⁹

- 1. Trade and investment opportunities:** The European Union (EU) has been a strong supporter of ASEAN's economic development. The EU has consistently been the region's top investor with total investments amounting to US\$21.9 billion in 2018. ASEAN has also exported over US\$150 billion worth of goods and services to the EU, making the region ASEAN's second largest trade partner after China²⁰. To deepen relations between the two economic blocs, the EU and ASEAN are developing a framework for a region-to-region Free Trade Agreement.²¹

The European Green Deal, published in December 2019, reaffirms EU commitments to sustainability in the context of its trade policy, with a promise to continue mainstreaming social and environmental sustainability concerns in EU trade agreements. The EU is not alone in promoting Green Free Trade Agreements. South Korea has included an environmental chapter in all of its FTAs after signing the Korea-U.S. FTA (KORUS) in 2012.²²

BASF's light stabilisers from the Tinuvin® range are one step to a circular economy of plastics.

Greenhouse films around the world are exposed to intense UV radiation causing them to age, become brittle, and degrade prematurely. Rose growers in Vietnam found their films barely lasted a single growing season, leading to loss of the rose yield, costly film replacement, and increased plastic waste. After switching to a Tinuvin®-containing film, the farmer found that his film lasted two to three times as long!

Using BASF light stabilisers helps increase the rose crop, reduce farmer costs, and prevent unnecessary plastic waste.

¹⁹ [Mapping the Benefits of a Circular Economy. McKinsey & Company, 2017.](#)

²⁰ [EU-ASEAN Cooperation – Key Trade and Investment Statistics. Eurostat, 2017](#)

²¹ [Overview of FTA and Other Trade Negotiations. Trade European Commission, 2020.](#)

²² [South Korea aims for Environmental Leadership through Green FTA's. The Diplomat, 2020.](#)

As more of ASEAN's top trading partners look to advance their green growth strategies through FTAs, it is crucial for Southeast Asian economies to prioritise responsible growth strategies or risk future FTAs and potential declines in international trade that that would then entail.

- 2. Job creation potential** – Multiple studies have demonstrated the positive employment effects resulting from a circular economy.²³ This correlation is due to increased spending, fuelled by lower prices, increased labour-intensive waste collection and recycling activities (prevalent in several ASEAN markets), a higher skilled workforce required in remanufacturing processes, as well as job creation across industrial sectors thanks to increased innovation and entrepreneurship. For example, Thailand's Siam Cement Group uses plastic waste from chemical companies to mix with asphalt to increase erosion resistance of roads, in its Smart Road project of building recycled roads in India and Indonesia.
- 3. Innovation** – A circular economy approach spurs innovation in technological development, improved materials, labour, and energy efficiency, while contributing to a cleaner environment. Greenpac, a Singapore-based company that designs and manufactures packaging systems, has adopted a circular input model where packaging materials are designed for recyclability. Their 'revolutionary systems concept packaging' solution uses Oriented Strand Boards (OSB) and water-based glue to do away with the use of nails, which can sometimes destroy the product. It is the world's first nail-free wooden packaging design that is 100% reusable and recyclable. The new design also saves 60% of the material and therefore reduces weight, saves transport costs, and reduces carbon emissions.
- 4. Improving the security of the supply of raw materials:** Current production and consumption patterns resulted in an overall 150% increase in commodity prices between 2002 to 2010, negating the real price declines over the last 100 years. However, the circular economy principle of closing resource loops, i.e. minimising resource input through remanufacturing and reuse, does provide a hedge against these risks of raw material supply. This is of particular importance to ASEAN, where manufacturing accounts for over 20% of the region's GDP and brings in \$600 billion in value added. A noteworthy step has been taken by Vietnam, which recognised its heavy reliance on imports of scrap plastic and paper as feedstock for recycling industries, resulting in a challenge of packaging waste. To address this, a coalition of nine leading FMCG companies including Friesland Campina, helping to come up with circular economy solutions for real-life business problems. was formed, titled the Packaging Recycling Organization Vietnam. This coalition vowed to adopt circular economy principles such as partnering with the recycling industry to support local recycling of post-consumer packaging, downcycling applications and develop local food-grade applications for recycled packaging products to create a closed loop.

Environmental benefits

The linear model of take-make-use-dispose is a primary driver of natural resource depletion, waste, environmental degradation and climate change. Negating the effects of climate change has rightfully become a priority for ASEAN. During the recently concluded 36th ASEAN Summit, ASEAN leaders put together a Leaders' Vision Statement which explored ways to rise above challenges while sustaining growth. In the Statement, they committed to "strengthen ASEAN's capacity to respond to the adverse

²³ [Circular Economy and Employment. Centre for European Economic Research & University of Applied Sciences Augsburg, 2015.](#)

effects of climate change through the sharing of information and best practices, including from traditional knowledge, and the effective implementation of the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement and Nationally Determined Contributions (NDCs)”²⁴

Circularity can be key in helping ASEAN implement the UNFCC and Paris Agreement targets. Circular economy reveals and designs out the negative impacts of economic activity that cause damage to human health and natural systems. This includes the release of greenhouse gases and hazardous substances, the pollution of air, land, and water, as well as structural waste such as traffic congestion.²⁵

- 1. Carbon dioxide emissions** -By designing out waste and pollution, keeping products and materials in use, and regenerating natural systems, a circular economy can significantly contribute to achieving global climate targets. This is key given that in ASEAN, average temperatures have been rising every decade since 1960. Vietnam, Myanmar, the Philippines, and Thailand are among the 10 countries most affected by climate change in the past 20 years.²⁶ The Asian Development Bank has demonstrated that unchecked, climate change will have a devastating economic impact, with ASEAN suffering bigger losses than most regions in the world. The region could face an 11 percent reduction in its GDP by the end of the century as climate change takes a toll on key sectors such as agriculture, tourism, and fishing, along with human health and labour productivity.²⁷
- 2. Reduction in primary material consumption** – Our “material footprint” is mounting due to economic and social progress, accompanied by and leading to environmental degradation. According to a 2018 OECD report, the world’s consumption of raw materials is set to nearly double by 2060 as the global economy expands and living standards rise, placing twice the pressure on the environment that we are seeing today.²⁸ Whilst we continue to use ever-increasing amounts of natural resources, the



Alaska Milk forged a partnership with the City of Manila to launch the ‘AlasKalikasan Wrapper Redemption Project’ also known as the ‘Basura Palit Gatas Program’ in January 2020.

Through this program, city residents can trade in flexible plastic, such as packaging film, plastic bags and shrink wrap for Alaska Fortified Powdered Milk. They receive 1 kilogram of milk powder for every 5 kilograms of plastic, which can come in handy for the poorer families of the city while increasing awareness about the proper disposal of plastics.

In the words of AMC Managing Director Harvey Uong, “AMC is not only committed to cleaning the environment, but we are also determined to deliver the best nutrition for Manila and the rest of the country. Through this Win-Win alliance with the City of Manila, AMC will be able to collect more than twenty times the volume of wrappers that it produces every year”.

²⁴ [ASEAN Leaders’ Vision Statement on a Cohesive and Responsive ASEAN: Rising Above Challenges and Sustaining Growth](#)

²⁵ <https://www.ellenmacarthurfoundation.org/explore/the-circular-economy-in-detail>

²⁶ [Global Climate Risk Index. Germanwatch, 2020.](#)

²⁷ [Southeast Asia and the Economics of Global Climate Stabilization. Asian Development Bank, 2015](#)

²⁸ <https://www.oecd.org/environment/raw-materials-use-to-double-by-2060-with-severe-environmental-consequences.htm>

efficiency with which these resources are used remains unchanged, thereby making it difficult to decouple economic growth and primary material usage. A circular economy approach can contribute to a decrease in the use of primary material consumption in key areas, including water use, fuels and non-renewable electricity. We could potentially see as much as a 32% reduction by 2030²⁹ with a robust programme in place.

Social Benefits

The circular economy can also bring about social welfare; firstly, by reducing the social harms brought about by climate change, and secondly, by changing the myopic linear economic model that excludes vast swathes of society and causes wastage. The World Health Organization found that, if unaddressed, climate change could lead to an additional 250,000 deaths each year between 2030 to 2050 due to heat stress, malnutrition, malaria and diarrhoea.³⁰

1. Agriculture and food security - ASEAN is confronted with increasing land degradation, and food insecurity. The ASEAN region has already lost 30 million hectares of natural forests in the past decade to cash crops/commodities, unsustainable logging and monoculture plantations.³¹ Land degradation has many hidden costs, including the growing challenge of agricultural productivity and food insecurity in ASEAN. The global population is expected to hit eight billion by 2050, with food demand rising to as much as 40 percent by then.³² ASEAN could hold the key to feeding this unprecedented number of people as agriculture remains a significant contributor to the region's GDP. A 2017 report by the Food and Agriculture Organization (FAO) stated that the ASEAN region as a whole has increased agricultural productivity at an average annual rate of 2.2 percent a year since 1991.³³ The principle of regeneration in a circular economy could support improved land productivity, leading to less wastage in the food value chain and better-quality soil nutrition, thereby contributing positively to agricultural and food security in the region.

The circular economy can bolster the food supply chain in ASEAN through reintroducing previously discarded outputs as useful by-products, thus reducing food insecurity in the region. For instance, the egg supply chain in Singapore brought down food losses in production to 1% by using damaged eggs to create by-products such as liquid and powdered eggs, and by collecting chicken waste in the coops to be used as fertiliser in vegetable farms.³⁴

Opening Remarks of Vietnam's Prime Minister at the 36TH ASEAN Summit, 2020

ASEAN needs to pay due attention to enhancing complementarities between sub-regional cooperation, including the Mekong sub-region, and ASEAN agenda, in terms of the sustainable management and use of water resources. After every storm and typhoon, the stalks of paddy rice on the logo of ASEAN will grow tighter-knit, and from it more grains of rice will spring forth.

²⁹ [The Circular Economy in Detail. Ellen McArthur Foundation, 2015.](#)

³⁰ [Climate Change and Health Factsheet. World Health Organization, 2018.](#)

³¹ [Wildlife in Southeast Asia - Environmental Degradation, Deforestation and Extinction. ISEAS Yusof Ishak Institute and ASEAN Studies Centre, 2018.](#)

³² <https://theaseanpost.com/article/aseans-role-global-food-security>

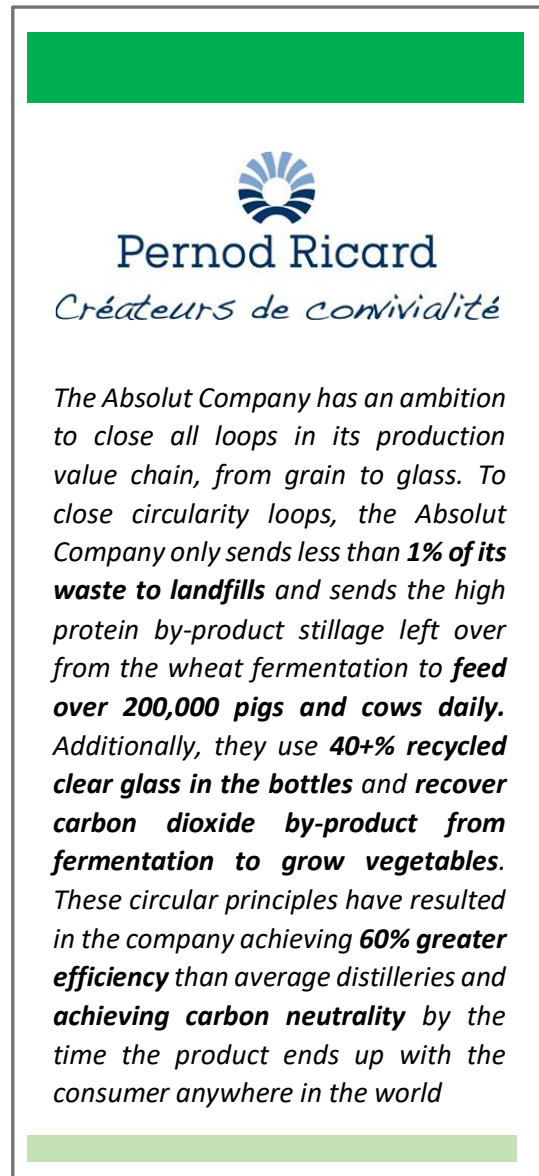
³³ [Southeast Asia – Prospects and Challenges. Food and Agricultural Organization, 2017](#)


³⁴ [Advancing a Circular Economy for Food. Singapore Environment Council, 2019.](#)

2. Multiplier effect of Circularity: Adoption of circular economic principles reduces dependency on depleting natural resources through reuse and remanufacturing. For example, the Net-Works initiative in the Philippines run by the flooring company Interface buys discarded nylon fishing nets from local fishing communities and uses them to make new carpet tiles.³⁵ The social benefits of this are manifold – it provides an additional income source to the fishing community, it reduces littering and marine pollution which increases food security and livelihood opportunity, and lessens the use of virgin materials in production. Thus, the circular economy model is not just a value driver for businesses, but rather it offers a plethora of social benefits for the communities that participate in the economy, including those who may have been previously overlooked.

3. Empowering the informal sector: Recognising the size of the informal economy in Asia, developing an inclusive economy approach is crucial to ensuring livelihoods are maintained and efforts to bring people out of poverty are sustained. The World Bank estimates that informal workers make up 47% of jobs in the East Asia and Pacific region, with the figure rising to between 60% and 80% in lower income countries such as Myanmar and Laos.³⁶ In many of these countries, the plastic

waste value chain forms a sole income stream for the urban poor (“waste pickers”³⁷) who engage in an informal manner in the collection, sorting, recycling and sometime selling (through scrap shops) of plastic. Waste pickers in some cases also provide the only form of solid waste collection in a country, providing widespread public benefits and achieving high recycling rates. They make a significant contribution to the environment in that regard, diverting a significant quantity of materials from the waste stream. In Jakarta for example, 37,000 waste pickers recover 25 percent of the city’s waste (378,000 tons a year), saving the city \$300,000 a month and producing an economic impact of more than \$50 million a year.³⁸ There is therefore a crucial need to ensure a circular economy approach remains inclusive through solutions that build partnerships between informal stakeholders and across the plastic waste value chain. Working through formal systems, the recovery and recyclability of plastic waste can be enhanced by incorporating micro-enterprises and informal waste recycling cooperatives into the municipal solid waste management system.³⁹




Pernod Ricard
Créateurs de convivialité

*The Absolut Company has an ambition to close all loops in its production value chain, from grain to glass. To close circularity loops, the Absolut Company only sends less than **1% of its waste to landfills** and sends the high protein by-product stillage left over from the wheat fermentation to **feed over 200,000 pigs and cows daily**. Additionally, they use **40+% recycled clear glass in the bottles** and recover **carbon dioxide by-product from fermentation to grow vegetables**. These circular principles have resulted in the company achieving **60% greater efficiency** than average distilleries and **achieving carbon neutrality** by the time the product ends up with the consumer anywhere in the world*

³⁵ [The Networks Program. Interface, 2015.](#)

³⁶ [Asian countries seek to pull millions out of informal economy. Nikkei Asian Review, 2019.](#)

³⁷ [Home Page. Global Alliance of Waste Pickers, 2020.](#)

³⁸ [Gridlines - The Informal Recycling Sector in Developing Countries. World Bank, 2008.](#)

³⁹ [Municipal Solid Waste \(MSW\) PPP's. World Bank Group PPP Legal Resource Centre, 2019.](#)

Moving ASEAN towards a Sustainable Tomorrow

It is noteworthy that ASEAN leaders are waking up the dangers of climate change and other socioeconomic issues which pose long-term dangers to the people of Southeast Asia. As a result, they are pledging to do more to support sustainability efforts across industries. This is vividly seen in the recently concluded ASEAN Summit. The ASEAN Leaders' Vision Statement vowed to 'strengthen resilience of ASEAN economies to make them sustainable and less vulnerable to future shocks by stabilising manufacturing, promoting complementarities in the regional supply chain through technology exchange, and ensuring food security and energy security.' It also promised to strengthen existing ASEAN Frameworks to achieve the same, including the ASEAN Community Vision 2025, ASEAN Integrated Food Security Framework, ASEAN Network for Combating IUU Fishing and the ASEAN Framework of Action on Marine Debris.⁴⁰

However, more needs to be done, especially in a post pandemic world. As the Economist put it, Covid-19 will leave in its wake, a '90% economy' characterised by increased inequality and fragility.⁴¹ This is especially relevant for Southeast Asia, where 70% of the workforce is employed in the informal or part-time sector, and welfare spending typically averages to about 6% of the region's total public spending.⁴² From increasing access to social assistance schemes and essential services, to addressing the needs of vulnerable groups – ASEAN faces the daunting task of reducing the social and economic costs of the pandemic.

Moving forward, circularity provides a new growth paradigm for the region, a more balanced and people-centric framework which can help unlock ASEAN's sustainable development priorities. For ASEAN, the circular economy model comes at an opportune time when its economy is expected to grow by multiple folds in the coming years. Increased economic integration and regional movement of goods and services will allow ASEAN to capture a greater share of global manufacturing, bringing in annual GDP gains of \$280-625 billion by 2030, according to estimates by the McKinsey Global Institute.

Moving from a linear to a circular economy will require overcoming deeply embedded economic and organisational inertia. While companies are key to fostering the shift to a circular economy, governments also play an important role. To successfully tackle a systemic reshaping of the production and consumption model that has dominated the past two centuries, a tight alignment of supply, demand, and policy is required.⁴³ Government action is essential to plan, animate, and steer the process. At the same time, industry has a critical role to play in advising on practical aspects of the transition and on the complexities of recalibrating complex value chains. Only by working together, toward a shared vision and on a well-planned path, can progress be made.

⁴⁰ [ASEAN Leaders' Vision Statement on a Cohesive and Responsive ASEAN. Asean Storage, 2020.](#)

⁴¹ [The 90% economy that lockdowns will leave behind. Economist, 2020.](#)

⁴² [The Coronavirus Crisis is Laying bare SEA's Inequality Problem. The Diplomat, 2020.](#)

⁴³ https://www.eria.org/uploads/media/7_ERIA_Books_2018_Circular_Economy_Chapter_3.pdf

About the EU-ASEAN Business Council

The EU-ASEAN Business Council (EU-ABC) is the primary voice for European business within the ASEAN region. It is formally recognised by the European Commission and accredited under Annex 2 of the ASEAN Charter as an entity associated with ASEAN.

Independent of both bodies, the Council has been established to help promote the interests of European businesses operating within ASEAN and to advocate for changes in policies and regulations which would help promote trade and investment between Europe and the ASEAN region. As such, the Council works on a sectorial and cross-industry basis to help improve the investment and trading conditions for European businesses in the ASEAN region through influencing policy and decision makers throughout the region and in the EU, as well as acting as a platform for the exchange of information and ideas amongst its members and regional players within the ASEAN region.

The EU-ABC conducts its activities through a series of advocacy groups focused on particular industry sectors and cross-industry issues. These groups, usually chaired by a multi-national corporation, draw on the views of the entire membership of the EU-ABC as well as the relevant committees from our European Chamber of Commerce membership, allowing the EU-ABC to reflect the views and concerns of European business in general. Groups cover, amongst other areas, Insurance, Automotive, Agri-Food & FMCG, IPR & Illicit Trade, Market Access & Non-Tariff Barriers to Trade, Customs & Trade Facilitation and Pharmaceuticals.

Executive Board

The EU-ABC is overseen by an elected Executive Board consisting of corporate leaders representing a range of important industry sectors and representatives of the European Chambers of Commerce in South East Asia.

Membership

The EU-ABC's membership consists of large European Multi-National Corporations and the eight European Chambers of Commerce from around South East Asia. As such, the EU-ABC represents a diverse range of European industries cutting across almost every commercial sphere from car manufacturing through to financial services and including Fast Moving Consumer Goods and high-end electronics and communications. Our members all have a common interest in enhancing trade, commerce and investment between Europe and ASEAN.



To find out more about the benefits of Membership and how to join the EU-ASEAN Business Council please either visit www.eu-asean.eu or write to info@eu-asean.eu.



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19/F Singapore Land Tower
50 Raffles Place
Singapore 048623

info@eu-asean.eu