

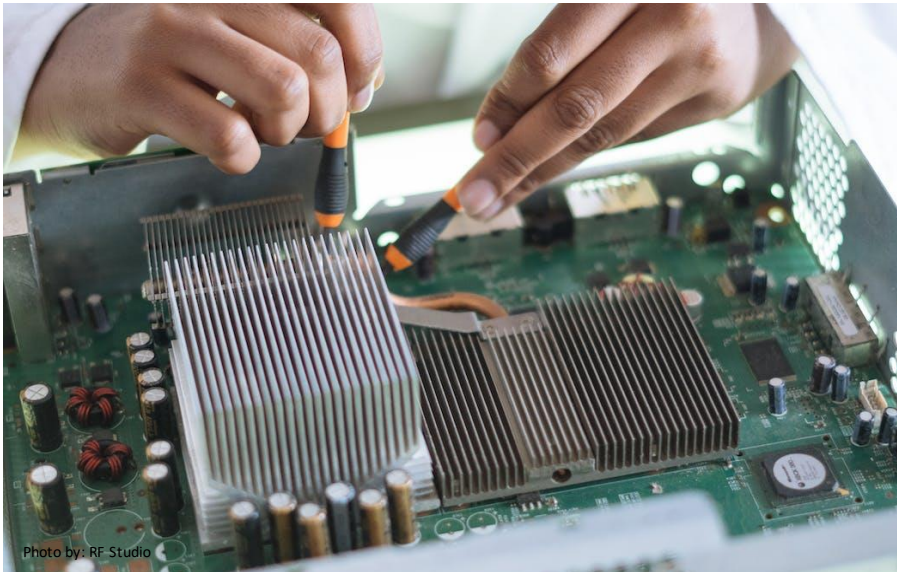
ASEAN FOR BUSINESS

# Monthly Bulletin

October 2022



## In Focus: Tapping the Opportunity of Circular Economy for Business in ASEAN



### **About the Bulletin**

ASEAN for Business is a bulletin published by the Enterprise and Stakeholder Engagement Division of the ASEAN Secretariat.

This monthly bulletin provides quick updates on specific topics related to the ASEAN Economic Community (AEC) for businesses operating in the region.

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The rapid economic development in ASEAN has contributed to high energy consumption and waste generation. The 7<sup>th</sup> ASEAN Energy Outlook recorded that ASEAN's total final energy consumption (TFEC) had grown by 1,6 times in 2019 from 2005 levels. Meanwhile, United Nations Environment Programme reported that the waste volume in ASEAN countries reached about 150 million tonnes in 2016 and is estimated to be more than double this number by 2030. Along with the pressing planetary crises on climate, biodiversity, and pollution, ASEAN recognises that long-term economic resilience in the region needs to look beyond the traditional 'take, make, use, dispose' economy, and move toward Circular economy (CE) model, a systemic approach to economic development that is restorative, regenerative by design and makes effective use of materials and energy.

To this end, ASEAN adopted the Framework for Circular Economy for the ASEAN Economic Community (AEC) at the 20<sup>th</sup> AEC Council Meeting on 18 October 2021. The Framework provides a structured pathway for stakeholders in the ASEAN Member States (AMS) to progressively adopt the CE model in achieving sustainable and inclusive economic development. It also sets out an ambitious long-term vision of CE by building on the strengths of existing ASEAN initiatives and identifies priority areas to accelerate the realisation of CE in ASEAN.

## **ASEAN's Initiatives to Realise Circular Economy**

The Framework for Circular Economy is equipped with an implementation plan that outlines specific initiatives that ASEAN can take between 2023-2030. In the first phase of implementation, ASEAN focuses on three high-impact sectors, namely energy, transport, and agriculture. These sectors are key to carbon emission reduction in the region and already have extensive programmes related to sustainability.

The first phase of implementation, to be rolled out next year, covers the following broad initiatives.

- i. Developing **CE standards** for production processes and product characteristics and ensuring that the standards in ASEAN are aligned with globally recognised standards.
- ii. Adopting **trade facilitation** measures to improve and expedite the movement of CE products or items that meet CE standards, unlock trade flows in circular products and services, as well as safeguard against illegal trade.
- iii. Access to **sustainable finance** that includes support for CE projects, exploring CE incentives, and promotion of financial products and mechanisms that enable CE transition.
- iv. **Capacity Building** to enhance knowledge, deepen understanding and strengthen the capacity of the private sector, regulators, and policymakers to implement the transition towards CE.

Supporting the Implementation Plan is the Work Programme which outlines actions that can fill the knowledge gaps, enhance decision-making capacity, and propose new approaches to mobilise resources for the implementation of CE and serve as a reference for AMS in developing national CE road maps and programmes. The Work Programme focuses on five areas, namely, (1) Training and Capacity Building; (2) Education, Information, and Awareness; (3) Partnerships and Collaboration; (4) Sharing of Data and Best Practices; and (5) Regulatory and Institutional Frameworks.

## **ASEAN Member States' National Initiatives on Circular Economy**

Hanns Seidel Foundation identified that in recent years, AMSs had developed national plans and

roadmaps to promote circular economy and provide incentives for private sectors that participate in implementing circular economy. Cambodia, for example, launched a National Circular Economy Strategy and Action Plan and established a platform for the private sector to share knowledge and exchange best business practices in circular economy measures. Meanwhile, Indonesia has mainstreamed circular economy in its national medium-term development plan for 2020 - 2024 and set a goal to achieve net-zero emissions by 2060 or sooner. Indonesia provides incentives in terms of tax holidays, tax allowance, and import duty facilities for investors in the renewable energy sector and proposed a lower value-added tax (VAT) for the recycling industry. On the other side, Thailand is moving forward with a Bio-Circular-Green (BCG) Economy Model and providing incentives for investment in BCG in terms of an income tax break for up to eight years, other non-tax related incentives such as permission to own land for a foreign majority owned company, permission to hire foreign workers and experts to work in the BCG activities over the number usually permitted under the relevant law.

## **Tapping the Opportunity Provided by Circular Economy in ASEAN**

A plethora of studies evinced that circular economy will generate new opportunities such as the repair of electronic products, refurbishment of buildings, reduction of food waste, and upcycling and recycling of plastic packaging. The Economic Research Institute for ASEAN and East Asia (ERIA) identified that implementing circular economy across Asia could lead to the economic growth of USD 324 billion and generate 1,5 million jobs by 2025.

Businesses in ASEAN could also take part in the implementation of circular economy by transforming their business model to be more circular and creating innovative services and products aligned with the principle of circular economy. With this, business could benefit from the tax incentives provided by each AMS, create new income streams, develop new markets, and gain new customers for their business. **The ASEAN Secretariat (ASEC)** spoke with **Mr. Kunal Narula, Group CEO at Mercantile Pacific Asia (Mercantile)**, to understand the business perspective and experience in growing business in the area of circular economy.

## *In Conversation with Mercantile Pacific Asia*

**ASEC:** *Could you tell us briefly about your business and how that contributes to the circular economy?*

**Mercantile:** Mercantile Pacific Asia has been involved in the mobile phone industry for the last two decades. About eight years back, we expanded our business in the domain of lifecycle management of smart devices. Today we ship repurposed devices to over 100 countries worldwide. We have strategic tie-ups with telecom operators, OEMS and brands in their buyback program. This enables us to source quality used devices from various geographies at scale. After data wiping, we test, grade and certify the devices with in-house software (Jivo.ai). All the phones which need repairs are then refurbished with genuine and original parts. End-of-life cycle products are carefully recycled through our partners. Jivo-certified phones are then sold to our network of ten thousand-plus retailers and wholesalers across the world.

By doing this, we save a significant amount of carbon footprint by preventing each of those phones from going to landfill. As per the study done by the World Economic Forum, a single iPhone resold/ refurbished prevents emissions of 81 kg of carbon dioxide, 100 litres usage of water and 34 kg of mineral ores consumed. The world generates 50 tonnes of e-waste every year, which is equivalent to 4500 Eiffel towers. This number could double down in two decades. Repurposing, not recycling, is the best step forward to tackle this menace. Mercantile is doing its part and is the forefront leader in ASEAN in this regard. In the last two years alone, we have saved 160 million litres of water, more than a million tons of carbon dioxide and fifty-two thousand tons of mineral ores.

**ASEC:** *How do you see the opportunity presented by the circular economy in ASEAN for business?*

**Mercantile:** ASEAN provides a great opportunity as the region comprises fast-growing economies with an aspiring population. Mercantile's Focus is to play its part in Singapore to be the Global Leader in the repair, reuse and recycling economy. We are in a unique position to fasten the internet connectivity, networking and lifestyle demands of people in emerging markets by supplying high quality high end devices in affordable price. Refurbished devices can have a massive impact on the social development

of the lowest strata in ASEAN, where we could connect them to the internet with smartphones, transforming lives in rural areas. Mercantile could accelerate the adaptation to 4G and 5G, where the most common connection is 2G in rural ASEAN.

**ASEC:** *What do you think the business should or can do to capture the opportunity provided by the circular economy?*

**Mercantile:** A special focus and packages are given to the circular economy by various government bodies across the world. Businesses in a circular economy should try to explore and avail these benefits. They can also tap into the green financing option available for sustainability-based businesses. These are often subsidised compared to conventional financing options. Traditional businesses should consider expanding into a circular economy if the expansion is rather organic. Since Mercantile already has years of experience and relationships in these mobile devices and technology, getting into the circular economy in the same domain was a conscious decision as well as a natural evolution that we took. Additionally, communication and education to the addressable market about the sustainable aspects of the product/ services are important. Businesses should not compromise on the quality, affordability and convenience of linear economy products.

**ASEC:** *What are the supports that you expect from the government in ASEAN to unlock the circular business opportunity in ASEAN?*

**Mercantile:** Many ASEAN countries are supportive when it comes to a circular economy. However, the current regulatory restrictions in terms of imports of used devices in some of the ASEAN countries are a barrier to entry. Developed nations generate used phones due to buyback and trade-in services. But the demand lies in emerging markets. Having free market access to these countries for certified refurbished phones is needed. Post legalisation, natural business evolution and possible subsidies on VAT/GST/import duties would also fuel the in-country mobile trade-ins. This would eventually result in the export of the used phones that are generated locally to other developing regions. This is a favourable situation for any country. Hence, we would like ASEAN countries to remove existing restrictions on imports of used phones and to legalise the import of certified products from reputed organisations like Mercantile. This will allow a level playing field against brand-new devices and would benefit the consumers.\*

## Recent Updates

### **Business Guidebook on ASEAN-Hong Kong, China free trade agreement launched**

[A Business Guidebook to Increasing Trade Competitiveness Using the ASEAN-Hong Kong, China Free Trade Agreement \(AHKFTA\) was officially launched](#) on 17 September 2022 at the sidelines of the 6<sup>th</sup> ASEAN Economic Ministers – Hong Kong, China consultation. The development of the guidebook is an initiative by the AHKFTA Joint Committee and the ASEAN Secretariat to promote AHKFTA among stakeholders, especially the business communities in ASEAN and Hong Kong, China. The guidebook was developed to provide a snapshot of the AHKFTA, including illustrations on the application of relevant rules and procedures, with funding support from the AHKFTA Economic and Technical Cooperation Work Programme Fund. The guidebook is available [here](#).

### **The 13<sup>th</sup> ASEAN Connectivity Symposium**

[The Royal Government of Cambodia hosted the 13<sup>th</sup> ASEAN Connectivity Symposium in Phnom Penh on 3 October 2022](#). The Symposium brought together over 160 participants, including ASEAN Connectivity Coordinating Committee (ACCC) Members, representatives from ASEAN Sectoral Bodies, Dialogue Partners, External Partners, multilateral organisations, and the private sector. The Symposium exchanged views on current issues and emerging trends as well as challenges encountered by ASEAN in developing an ASEAN Connectivity Post 2025 Agenda. It also discussed ways to strengthen partnerships on ASEAN Connectivity with various stakeholders and how sustainable infrastructure, smart cities development, and digital innovation can shape and enhance the evolving regional network, contributing towards building an inclusive, resilient and well-connected ASEAN Community.

### **The 8<sup>th</sup> ASEAN Economic Community Dialogue**

The ASEAN Secretariat, in collaboration with ASEAN Business Advisory Council (ASEAN BAC) and with Tech for Good Institute as a knowledge

partner, convened [the 8<sup>th</sup> ASEAN Economic Community Dialogue on 5 October 2022](#). The dialogue discussed opportunities and challenges faced by digital start-ups and explored concrete initiatives with the private sector to enhance the digital start-ups' ecosystem and facilitate the growth of digital start-ups in ASEAN. The video record of the dialogue is available at this [link](#).

### **ASEAN, UN Women commit to advancing women's leadership in Southeast Asian business**

The ASEAN Committee on Women (ACW) in partnership with UN Women issued the ASEAN Policy Action Brief: Advancing Gender and Business Reporting to Implement the Women's Economic Principles (WEPs) as Part of an inclusive COVID-19 Economic Recovery at [the ASEAN Women Leaders' Summit on 13 October 2022](#). The policy action brief demonstrates the transformative role of women in achieving inclusive economic recovery. In particular, the brief outlines actionable guidance and recommendations for the public and private sectors to close gender gaps by addressing the disproportionate impact of the pandemic on women in terms of unemployment, income loss, business failure, and increased risk of domestic violence. The policy action brief is available at this [link](#).

### **ASEAN Commits to Promote Good Regulatory Practices in the Region**

[The ASEAN Secretariat and the Economic Research Institute for ASEAN and East Asia \(ERIA\) held the 'Why Good Regulatory Practice Matters to ASEAN' virtual seminar on 17 October 2022](#). The seminar aimed to help socialise the progress of ASEAN's work on Good Regulatory Practices (GRP) and facilitate information exchange on GRP best practices in the region. The seminar also launched the ASEAN handbook on GRP, which is intended for regulators and regulatory officials, particularly those involved in the process of formulation and implementation of regulations. It provides step-by-step guidance for the implementation of and compliance with GRP principles and describes in greater detail the preparation of the Regulatory Impact Statement, the Regulatory Impact Analysis process, and the key requirements.

## Upcoming Events

40<sup>th</sup> and 41<sup>st</sup> ASEAN Summits and Related Summits

Phnom Penh, Cambodia

**11-13**

November 2022

2<sup>nd</sup> ASEAN TVET Council Meeting

Manila, Philippines

**17-18**

November 2022