

Framework for Circular Economy for the ASEAN Economic Community



one vision
one identity
one community

Current Linear Economy: Wasteful and Inefficient

ASEAN's economic resilience is increasingly threatened by resource depletion, unsustainable patterns of raw material consumption, inefficiencies throughout product value chains, and climate change.



The current economic model of 'take, make, dispose' is predisposed towards wasting valuable materials and resources. To enhance resource efficiency and attain sustainable growth, ASEAN needs to encourage the adoption of a new economic model that looks beyond the prevalent linear growth model.

Circular Economy: Restorative and Resilient

A circular economy is restorative, regenerative by design, and makes effective use of materials and energy to retain their value. Competitiveness, efficiency, and resilience are at the heart of the circular economy.

While circular economy initiatives already exist in the AEC, most of the circular economy programmes in ASEAN have been focused on the environmental perspective, with limited role of trade, technological innovations, and financial markets – which are imperatives for accelerating the circular transformation.

ASEAN can take an inclusive approach to policymaking by facilitating active participation from all relevant stakeholders, including the broader public.



Framework for Circular Economy for the AEC

The Framework for Circular Economy for the AEC sets out an ambitious long-term vision of the circular economy, building on the strengths of existing ASEAN initiatives, and identifies priority focus areas for action along with enablers, to accelerate the realisation of a circular economy in ASEAN.

The Framework

STRATEGIC GOALS

- Resilient Economy
- Resource Efficiency
- Sustainable Growth

GUIDING PRINCIPLES

1. Promote ASEAN integration and the development of regional value chains.
2. Consider the broader impact on the economy and society.
3. Recognise the unique circumstances of each AMS.
4. Encourage ASEAN-wide coordination on knowledge and technology sharing.
5. Evaluate financial and institutional feasibility and sustainability prior to implementation.
6. Function within the reality of international production linkages.

STRATEGIC PRIORITIES



Enablers: Policy framework & institutions/ Enhanced awareness & competences across sectors/ 4IR for circular economy/ Partnership and collaboration

Strategic Goals

As it moves towards a circular economy, ASEAN strives to achieve a balance between **three interdependent goals**:

STRATEGIC GOAL 1:

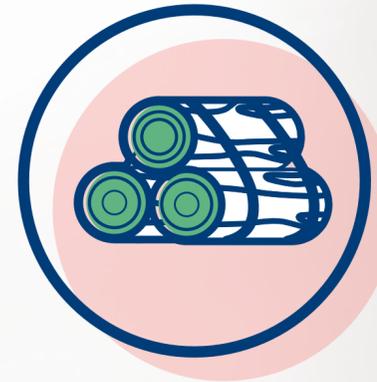
Resilient Economy



ASEAN can leapfrog resource-intensive development paths – which tend to be vulnerable to shocks – by adopting circular economy alternatives. Shaping a circular economy that is resilient to climate change and resource constraints will minimise costs and risks over the long-term, ultimately benefiting ASEAN.

STRATEGIC GOAL 2:

Resource Efficiency



ASEAN's commitment to circular economy-based policies and innovations to attain resource efficiency will boost industries' competitiveness in domestic and foreign markets, both regional and global. A strong regional ecosystem for eco-innovation is very important, to strengthen and support pioneering entrepreneurs and startups, not to mention investors and big corporates.

STRATEGIC GOAL 3:

Sustainable Growth



Environmental, Social and Governance (ESG) criteria is part of the growing international trend towards investment portfolios where profit goes hand in hand with sustainability. ASEAN has an opportunity to lead this global shift by becoming a hub for circular innovations and mobilising funds towards circular investments.

Guiding Principles

The Framework provides **six guiding principles** for circular economy initiatives in the region:

1. **Promote ASEAN integration and the development of regional value chains.**

ASEAN aspires to be a highly integrated and cohesive economy. Circular economy initiatives will be trade-enabling and promote new market and investment opportunities.

2. **Consider the broader impact on the economy and society.**

AEC circular economy initiatives shall take into account wider economic and societal dimensions, such as the impact on prices, small businesses, employment, livelihoods, and well-being.

3. **Recognise the unique circumstances of each AMS.**

AEC's circular economy initiatives should take the diversity of AMS circumstances and socioeconomic development priorities into consideration, while engaging in the collective pursuit of the region's long-term growth prospects.

4. **Encourage ASEAN-wide coordination on knowledge and technology sharing.**

Close cross-sectoral and cross-pillar coordination is required – a Community-wide collaborative approach and cooperation mechanism shall be encouraged to advance circular economy in the region.

5. Evaluate financial and institutional feasibility and sustainability prior to implementation.

To have long-lasting impact, initiatives shall be pursued with financial and institutional feasibility and sustainability in mind, ensuring they continue to perform and deliver benefits beyond the period of implementation.

6. Function within the reality of international production linkages.

The continued importance of global value chains means that ASEAN-specific circular economy strategies need to recognise global best practices and policies adopted by key ASEAN economic partners.

In preparing the region to be resilient and future ready, ASEAN is committed to building a more circular economy by transforming the production and consumption pattern of its community to minimise waste.

Strategic Priorities

AEC considers **five strategic priorities** to set a pathway for the smooth transition to a circular economy, in support of the continued pursuit of sustainable economic growth and integration in the region.

The AEC shall take into consideration the following five strategic priorities:

STRATEGIC PRIORITY 1:

Standard Harmonisation and Mutual Recognition of Circular Products & Services

Harmonisation of standards and mutual recognition are required to facilitate circularity of trade in products and services as well as promoting greater transparency, facilitating integration between value chains, and multiplying circularity.

PROPOSED INITIATIVES:

1. Explore trade-related standards and regulations that would support CE in the region.
2. Develop and promote the utilisation of MRAs for product and service standards embedding CE principles, in accordance with prevailing international regulations, standards, and practices, where these exist, including those of MSMEs.
3. Harmonise circular products and services standards with other existing MRAs and standards in various ASEAN sectoral bodies and pillars.
4. Initiate inclusive capacity building and develop guidelines on agreed priority sectors.
5. Establish commonly understood and reliable standards or taxonomy for the reuse of raw materials, second-hand products, and services as well as refabrication or re-manufacturing, to assist consumers, both industry and the public, to make informed choices and purchasing decisions.

STRATEGIC PRIORITY 2:**Trade Openness and Trade Facilitation
in Goods & Services**

Circular economy tends to be fragmented and focused on specific products or materials that are located in separate jurisdictions or product clusters. Keeping trade barriers, including non-tariff ones, at their minimum levels, will allow seamless movement of products or services, and facilitate optimal resource allocation at both country and regional levels.

PROPOSED INITIATIVES:

1. Alleviate unnecessary barriers to and promote trade, investment, and innovation in environmental goods and services to ensure the diffusion of the best available circular technologies.
2. Facilitate movement of second-hand goods and materials across border to support circularity efforts, such as through the development of a taxonomy to help minimise unnecessary regulatory burdens.
3. Ensure compatibility of environmental goods and services in ASEAN bilateral and multilateral trade negotiations.
4. Support businesses in their supply chain management efforts, which may include technical advisory and consultative services, testing beds for emerging technologies, and other ancillary services, where unnecessary trade barriers for CE exists.
5. Consider a review of existing agreements and regulations with aim of identifying entry points for circularity and addressing possible trade barriers.



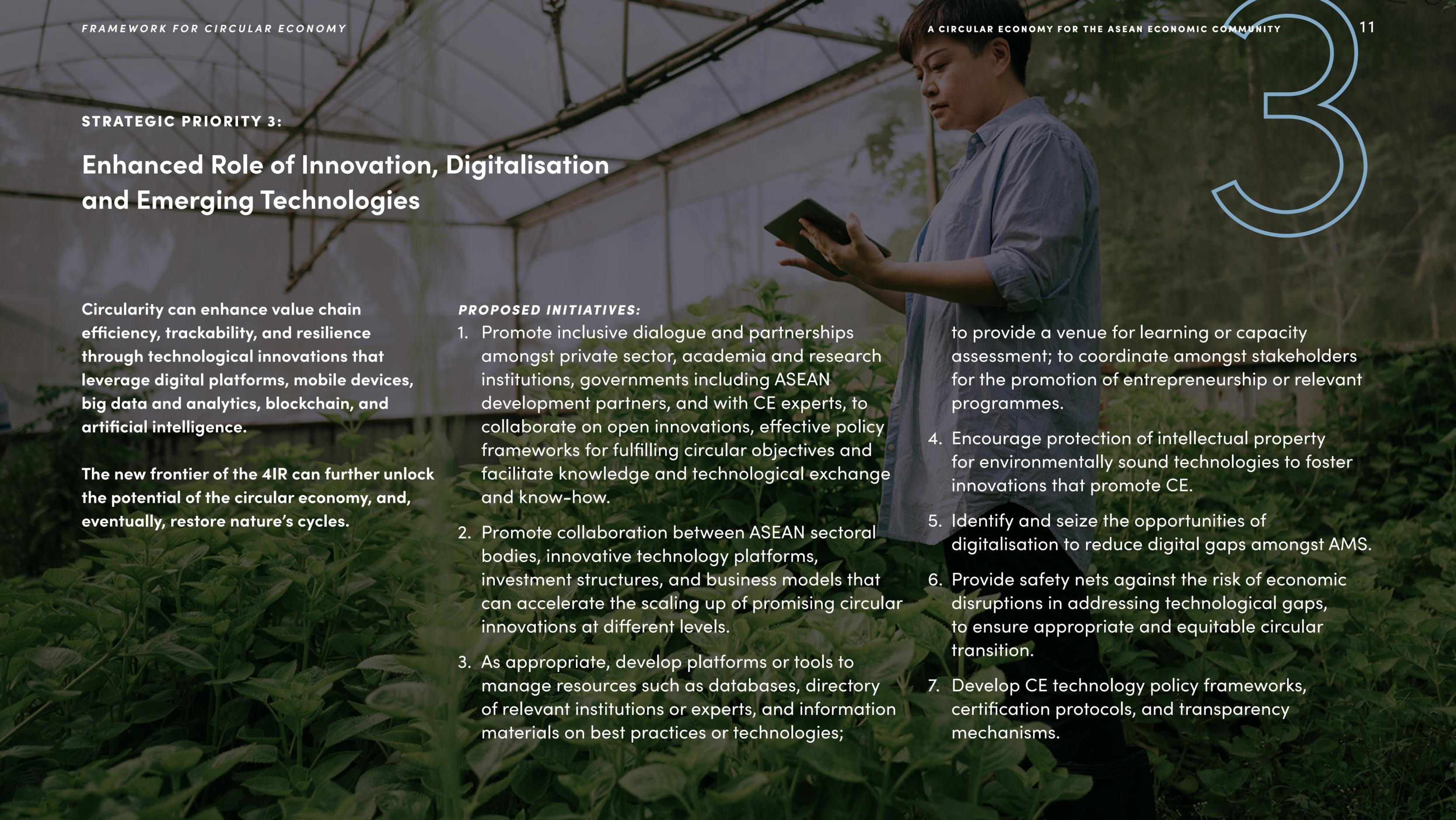
STRATEGIC PRIORITY 3:**Enhanced Role of Innovation, Digitalisation and Emerging Technologies**

Circularity can enhance value chain efficiency, trackability, and resilience through technological innovations that leverage digital platforms, mobile devices, big data and analytics, blockchain, and artificial intelligence.

The new frontier of the 4IR can further unlock the potential of the circular economy, and, eventually, restore nature's cycles.

PROPOSED INITIATIVES:

1. Promote inclusive dialogue and partnerships amongst private sector, academia and research institutions, governments including ASEAN development partners, and with CE experts, to collaborate on open innovations, effective policy frameworks for fulfilling circular objectives and facilitate knowledge and technological exchange and know-how.
2. Promote collaboration between ASEAN sectoral bodies, innovative technology platforms, investment structures, and business models that can accelerate the scaling up of promising circular innovations at different levels.
3. As appropriate, develop platforms or tools to manage resources such as databases, directory of relevant institutions or experts, and information materials on best practices or technologies; to provide a venue for learning or capacity assessment; to coordinate amongst stakeholders for the promotion of entrepreneurship or relevant programmes.
4. Encourage protection of intellectual property for environmentally sound technologies to foster innovations that promote CE.
5. Identify and seize the opportunities of digitalisation to reduce digital gaps amongst AMS.
6. Provide safety nets against the risk of economic disruptions in addressing technological gaps, to ensure appropriate and equitable circular transition.
7. Develop CE technology policy frameworks, certification protocols, and transparency mechanisms.



**STRATEGIC PRIORITY 4:****Sustainable Finance and Innovative Investments**

Supporting sustainable investment, mainstreaming circular economy in AEC-related projects, encouraging public or private financial institutions to fund sustainable projects, and promoting the financing of new business models that support circular economy.

PROPOSED INITIATIVES:

1. Consider the use of different and new financial instruments for CE-related projects such as but not limited to, blended financing, green, transition and sustainable bonds, carbon pricing, and catalytic capital, in accordance with existing standards or mechanisms such as the ASEAN Green Bond Standards, the ASEAN Green Catalytic Finance Facility of the ASEAN Infrastructure Fund, or through the development of an ASEAN Taxonomy.
2. Consider the use of fiscal and tax policies, such as green tagging for expenditures, fiscal incentives for green investments, environmental taxes, and reward mechanisms to support CE goals within the context of broader national strategies.
3. Consider the use of risk mitigants and investment enablers to encourage MSMEs and informal sector businesses to adopt CE principles.
4. Re-orient financial, institutional, and investment policies to prioritise responsible and sustainable businesses and infrastructure, including the development of green technologies and the transformation of public and private partnerships (PPP) towards CE.
5. Facilitate collaborations between the financial sector, regulators, and other public and private institutions, to develop and assess new business models that are aligned with CE principles.

STRATEGIC PRIORITY 5:**Efficient Use of Energy and Other Resources**

The circular economy moves towards efficient use of resources and materials by reducing waste and pollution through recovery and better design. The sustainable use of energy underlies all economic activities in a circular economy. Therefore, focusing on reducing energy use and the adoption of renewable sources of energy is key to promoting circular economy.

PROPOSED INITIATIVES:

1. Strengthen coordination and collaboration amongst ASEAN sectoral bodies, institutions, governments, the private sector and the broader ASEAN community, in promoting the use of renewable energy and energy efficiency, including the development and deployment of new technologies and renewable energy sources, and implementation of energy efficiency and conservation measures, to harness related mineral resources.
2. Re-consider existing policies that discourage circularity in operations, and explore those which support CE.
3. Promote responsible business conduct, and greening of supply chains and production processes, which may include effective waste management.
4. Encourage companies to disclose carbon performance and to implement improvements that enhance resource efficiency, resilience, and sustainability in a cost effective way.
5. Drive the growth of circular low-carbon infrastructure and sustainable transport, to accelerate reduction of carbon emissions.
6. Enhance the role of primary sectors in resource management, by promoting sustainable and smart agriculture practices, including the use of technology.
7. Promote green jobs, and the re-skilling and upskilling of workers to adapt to new products and services, for circular production processes and business practices.

Moving Forward

In reducing costs and increasing customer and market acceptance of more circular business models the following enablers can be taken into consideration:

1. **Policy framework & institutions**

Guide AMS in pursuing appropriate policy interventions, encourage and direct private sector and consumers towards circular business models and consumption patterns, and involve relevant institutions in strategizing and designing regional initiatives.

2. **Enhanced awareness & competences across sectors**

Environmental awareness and legislation, and the need for social responsibility and strengthening of capacity regarding circular economy are key to ensuring effective implementation of circular economy-related initiatives in the region.

3. **4IR for circular economy**

4IR technologies, such as artificial intelligence, machine learning, the Internet of Things, Big Data, Blockchain, robotics, and so on, have proven to be effective in promoting circular business model in industries such as information and communication technology, mining and manufacturing, education, healthcare, and others.

4. **Partnership and collaboration**

Engage all relevant stakeholders, and shift from a 'customer-oriented' approach to the 'multiple stakeholder' perspective that is rooted in integration. Bridge sustainability-related initiatives undertaken by different pillars of ASEAN Community, while ensuring successful implementation of circular economy-related initiatives in the region through partnership with ASEAN's external partners, such as in the areas of knowledge sharing and resource mobilisation.



This content is supported by



Economic Research Institute
for ASEAN and East Asia