Concept Note

Informal roundtable on addressing the issue of e-waste in consumer electronics value chains through responsible business conduct (RBC) in South-East Asia

RBC is based on internationally accepted or recognized principles, standards or guidelines as an instrument to ensure or improve the sustainability of business across the three dimensions of sustainability, i.e. economic, environmental and social. RBC helps businesses, from large multinational corporations (MNCs) to small and medium-sized enterprises (SMEs), to minimize their negative impacts on the environment and communities, optimize their contribution to preserving the environment and meeting social objectives, and be more cost effective to optimize profits. The underlying rationale is that responsible and sustainable business is good for profit also and enhances competitive advantage. Along these lines, an increasing number of businesses have found that the proper management of their supply chain is a key feature of sustainability and for strengthening competitive advantages. Products continuously flow in both directions along supply chains, from manufacturers to consumers and from consumers to manufacturers. Some studies show that up to 20 per cent of all goods that are sold are returned to the vendor.[1]

Costs associated with returned goods represent anywhere from 8 per cent to 15 per cent of a company's top line.[2] Additionally, the cost of processing a return can be two to three times that of handling the original outbound shipment.[3] Here companies can take an initial pre-consumer step to reuse/recycle rather than dispose of returned consumer electronic goods. In many cases, MNCs are taking the initiative, seeking opportunities to reduce their operating costs by reusing products or components. Thus, the adoption of RBC principles provides a good entry point for businesses to contribute to the United Nations 2030 Agenda for Sustainable Development while at the same time improving their competitiveness and profitability. The government role is to conceptualize and develop regulatory frameworks that enable business to be productive in a more sustainable manner.

While RBC has had a demonstrable positive impact in developed countries, there is a certain urgency to demonstrate and implement RBC standards and principles in developing countries, including the least developed countries (LDCs), in order to help them fulfill their 2030 development obligations and achieve the Sustainable Development Goals (SDGs). In this regard, a convenient sectoral entry point is the consumer electronics industry. Electronics production is highly dispersed among a multitude of suppliers, with parts and components being produced and final goods being assembled in many different locations, each with different competitive advantages. Global brand corporations usually outsource a large part of their production (up to 75 per cent) to one of the few first-tier suppliers, called contract manufacturers. Such contract manufacturers, although playing a significant role in the production process, generally have low profit margins, with the large profit margins reserved for the brand name corporations.[4] Developing Asia, in particular East and South-East Asia, has

[1] Rogers, D. & Tibben-Lembke, R. (1999). Going backwards: Reverse logistics trends and practices. Reno, NV: Reverse Logistics Executive Council.
[2] Aberdeen Group Inc., Revisiting Reverse Logistics in the Customer-Centric Service Chain (2006).
[3] Shibesh Banerji, "Revisiting Returns," American Executive (March 1, 2011).
[4] Electronics Watch (2014). The ICT sector in the spotlight: leverage of public procurement decisions on working conditions in the supply chain. Available from http://electronicswatch.org/the-ict-sector-in-the-spotlight_723519.pdf

been at the heart of this trend, and has emerged as a global manufacturing centre as well as a rapidly expanding region in the consumption of consumer electronics with countries such as Cambodia, Lao PDR, and Myanmar set to add millions of new cell phone owners in their respective countries in the years to come. The Government of Myanmar, for example, has a stated goal of 74 per cent cell service access by 2016 (as of 2014, that figure is about 12 per cent) as Myanmar is one of Asia's last mobile phone frontiers with its 51 million potential wireless customers.

The consumer electronics sector is characterized by short product cycles, and faces various challenges that include environmental, health and safety related issues linked to some of the materials used during the production process. Additionally, the illicit trade in and disposal of electronic or e-waste violates international conventions, undercuts legitimate treatment facilities and permits the loss of recoverable raw materials, thereby threatening long-term economic sustainability and national development.

Apart from companies pre-consumer efforts on addressing product returns to be more cost effective, downstream in the value chain, the handling of post-consumer electronic waste is an issue that should be of particular concern in the Asia-Pacific region hosting more than half the world's population. For example, companies from the region, such as Samsung, are now the largest suppliers of cell phones in least developed countries such as Lao PDR and Myanmar, and as their phones have relatively short life-cycles with the steady emergence of new versions, it is not often clear what will happen to the discarded ones.

Outside of the Asia-Pacific, data from the European Union's Waste Electrical and Electronic Equipment (WEEE) Directive has found that computers, TV-sets, fridges and cell phones generate among the fastest growing waste streams in the EU, with some 9 million tonnes of waste generated in 2005, which is expected to grow to more than 12 million tonnes by 2020.[5] The production of modern electronics requires the use of scarce and expensive resources and therefore careful environmental management of e-waste. The idea is that the electronics industry contributes to a circular economy and enhances resource efficiency in the improvement of collection, treatment and recycling of electronic products at the end of their lifecycle. For example, applying reverse logistics, the management of returned and recyclable goods along with increasing the percentage of the materials used in that product to close the loop on waste, is a good practice that meets the tenets of RBC.

On the public sector side, regional and national regulatory frameworks have been developed to help businesses meet existing RBC challenges in the electronics sector. A case in point is the Electronics Industry Citizenship Coalition (EICC), which developed a code of conduct with around 100 subscribed members. In addition, many countries including in the Asia-Pacific region are developing e-waste regulatory frameworks such as Nepal through its Nepal Telecommunications Authority (NTA) this past November (2015). Other countries, such as

[5] EU., Waste Electrical & Electronic Equipment (WEEE)., http://ec.europa.eu/environment/waste/weee/index_en.htm

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Japan and Republic of Korea have long-standing regulatory frameworks but much more work needs to be done.

On the private sector side in the Asia-Pacific region, information and communication technology (ICT) solution providers have taken concrete actions to develop more sustainable global supply chains via building collaborative relationships with consumers, suppliers, industry associations, and non-governmental organizations (NGOs). The result of such efforts has seen an immediate effect on companies' bottom-line in many sectors and recognition from the United Nations under its Global Compact principles of best practices of RBC in supply chains. In spite of these initiatives, ensuring RBC in the electronics supply chain remains challenging. Given the strong global competitive pressures, and the still relatively weak consumer pressure in this sector, it is unlikely that many of these issues can be addressed on a broader scale without stronger involvement of multi-stakeholders at the national and regional level

With South-East Asia being a major location for electronic assembly and production, supplying major brand name corporations from the region, an informal Roundtable to be attended by regional stakeholders is proposed to define and address RBC issues in the electronics value chain in the subregion. Also, the implementation of the ASEAN Economic Community provides an additional opportunity for RBC to have a greater and more immediate impact.

ESCAP, and UNIDO, are working with the private sector and Governments to meet the challenges of achieving sustainable development in the Asia-Pacific region. ESCAP is mandated to foster cooperation between its 53 members and 9 associate members. It provides the strategic link between global and country-level programmes and issues. It supports Governments of countries in the region in consolidating regional positions and advocates regional approaches to meeting the region's unique socio-economic challenges. In the area of responsible business practices, from 2007-2012 ESCAP implemented a programme aimed at building the capacity of business networks in developing countries of the Asia-Pacific region and to promote the adoption and implementation of RBC, in particular the Global Compact principles. Also, ESCAP has over the past few years promoted the integration of SMEs into global and regional value chains, with a focus on SMEs in the Greater Mekong Subregion (GMS). The Roundtable therefore complements these initiatives and constitutes an appropriate follow-up. UNIDO, in line with its mandate to promote inclusive and sustainable industrial development, has been helping developing countries and countries with economies in transition to sustainably manage e-waste. It does so by advising governments on legal frameworks and identifying financing options to sustain the recycling system, taking all stages of the e-waste recycling chain into account – from collection to dismantling, recycling and final disposal.

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Proposed Deliverable:

- For governments: to hold initial discussions and share suggestions at the Roundtable on developing and enhancing regulatory frameworks to tackle e-waste;
- For business: sharing of good practices in minimizing e-waste along the supply chain – with such practices added to the outcome document;
- For all stakeholders: discussions on the main elements of a roadmap or guide on regional cooperation and national actions to enhance the adoption of RBC principles in the consumer electronics industry in general, and to improve cost effectiveness through minimizing e-waste in particular.

Objective(s):

- Seek the development of a roadmap and guide on regional cooperation and national actions to effectively minimize e-waste through the adoption and implementation of RBC in the electronics industry;
- Provide a fora for MNCs, SMEs as well as social enterprise to showcase and review cost-effective good practices to minimize e-waste;
- Seek synergies for public-private sector partnerships in the area of e-waste;
- Introduce the business sector with wider RBC processes.

Proposed programme: Attached