Recap of Round Table on: Establishing Circular Textile Systems in Indonesia
22.05.24

Objective

This leadership roundtable aimed to foster collaborative dialogue amongst stakeholders around establishing a robust and regionally impactful circular textile system in Indonesia.
The discussion cantered on five key areas:

- Mapping the Landscape and Opportunities: collaboratively assess the current state of the Indonesian textile sector, identifying existing strengths, weaknesses, and pinpointing key opportunities for transitioning to a circular economy model.
- National Circular Fashion Partnership (NCFP): delve into refining the implementation strategy for the NCFP in Indonesia. This will involve identifying key stakeholders, outlining specific action points, and establishing a collaborative roadmap for successful execution, focusing on addressing pressure points faced by brands.
- Brand Ambitions and Priorities: explore the ambitions and priorities of brands regarding circularity in Indonesia. This will involve identifying the specific circularity activities brands feel need prioritisation and the challenges they foresee in implementing them.
- Regional Recycling Hub Potential: Exploring the potential of establishing a recycling hub in Indonesia to address waste recycling problems for the entire region, fostering collaboration and knowledge sharing.
- Enabling Conditions for Circularity: The ideal conditions necessary to foster circular economy practices within the apparel manufacturing industry. This will involve brainstorming potential solutions and formulating recommendations for policymakers and industry leaders.

Background

- Indonesia is one of the fastest developing countries and consumer markets. However, its textile and apparel industry is marked by a highly fragmented supply chain and significant logistical challenges, primarily due to the nation's complex landscape. The country currently faces deficits in effective textile waste management, and expectations are that most waste is illegally disposed of or incinerated, as it is considered private property. This absence of systematic waste processing highlights a critical gap in the country's circular economy capabilities.
- Some studies have been conducted on textiles: Indonesia produces 2.3 million tonnes of textiles per year, of which 12% is recycled, and the rest is sent to landfill or incinerated. Indonesia is among the 10 top countries producing textiles in the world and the biggest exporter to North America.

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- Despite these challenges, Indonesia presents a considerable opportunity for developing a local textile recycling industry. This potential is largely untapped due to a scarcity of raw textile materials, making the country heavily reliant on imports for production. However, Indonesia's policy environment, which includes stringent social compliance and environmental laws focused on water management, provides a conducive framework for promoting circular apparel manufacturing.

Key factors that could drive the growth of recycling and processing capacities include:

- Infrastructure and Logistics: Enhancing reverse logistics is essential, utilising existing transport routes and mechanisms, such as repurposing empty containers for the backhaul of textile waste, thereby creating a more efficient circular supply chain.
- Stakeholder Engagement and Education: Increasing awareness and understanding among all stakeholders, including the pivotal role of local policymakers, is crucial for fostering industry-wide support and facilitating policy transformation towards sustainability.
- Innovation and Investment: The expansion of recycling capabilities will require substantial investment in technology, machinery, and infrastructure that supports high-value textile waste recycling. Mapping the overall ecosystem and identifying new investment opportunities are also vital for scaling up circular systems.
- Market Development: Formalising demand signals for recycled materials in Southeast Asia and Indonesia will necessitate continuous dialogue and commitment from brands towards designing products with circularity in mind, albeit progressively aiming for perfection.

Discussion Points:

Mapping the Landscape and Opportunities

- The Indonesian government, with its commitment to green economic growth, recognises the value of circularity. The country's keen interest in developing recycling and circular economy practices is evident in the 5-year plan with Denmark. This partnership is poised to establish a national development plan for 2025-20245 that revolves around the circular economy. While the initial focus may be on financial support, the specific policies and infrastructure are yet to be defined due to a lack of knowledge. The Indonesian Embassy is ready to engage in this effort and provide necessary connections.
- Indonesia provides an excellent landscape for partnerships and investments, making it suitable for foreign investment compared to other countries.
- The opportunities lie in building a circular ecosystem, manage waste better, attract chemical recyclers, and create job opportunities.
- While waste is available in Indonesia, many recyclers need to import the feedstock because waste feedstock is not organised as they need it, resulting in the import a lot of waste, including PET.
- It's essential to learn from previous methodologies and the help from the Danish government is needed to have a more significant impact.

Brands & recyclers ambitions and priorities

- The existing recycling market in Indonesia is a valuable resource that should be maintained. However, it is currently dominated by the informal sector. It's crucial to involve the informal sector in the transition to a circular economy. Leveraging key suppliers' existing relationships with local waste handlers in the supply chain, is a strategic approach. The aim is not to disrupt the current process or communication channels but to enhance them to benefit the entire value chain.
- Some brands prioritise renewable energy. However, acknowledge that Circularity and decarbonisation are complementary for the same target. Circularity can be a lever to decarbonisation.
- For other brands that have their largest production operations in Indonesia, the main challenge lies with suppliers who may have some recycling processes in place but are not very open about their practices, suppliers are hesitant to be transparent about them, as they see it as an interference with their usual way of conducting business.

- In addition, recyclers are considering Indonesia as a potential location for their operations.

Regional Recycling Hub potential

- The reverse logistics industry in Indonesia faces a challenge due to the significant distances between hubs, as most of the industry is concentrated in Jawa. However, the supply chain is a vertically integrated industry with all tiers, which allows for a closed-loop system within the country.
- The primary challenge in waste recycling management in Indonesia is the low value and lack of a business case. It is crucial to incentivise suppliers and solution providers, such as recyclers and sorters, to retain value in Indonesia and actively contribute to the circular economy.
- The strong collaboration between Global Fashion Agenda, Reverse Resources and Closed-Loop Fashion could bring numerous benefits, offering extensive knowledge of the current landscape and a large network of waste handlers/recyclers, which can significantly enhance waste management capabilities.
- The feedstock in Indonesia consists of cutting waste, garment and fabric leftovers. The main products produced in Indonesia are sports, outdoor, leisure, and swimwear, which are higher in quality than those from other production countries, resulting in high-quality material waste. Additionally, there is a solid nonwoven industry focusing on insulation and filling materials.
- Imported materials such as cellulosic and other materials from China are prominent, with cotton being valuable for exporting. There is also the option for chemical recycling in cellulosic and pet production.
- Recyclers are under pressure regarding their energy sources, with many facilities using coal-based energy from China. Efforts to utilise solar energy and self-sustaining facilities are an option for recyclers.

Enabling Conditions for Circularity

- The critical objective is to ensure that circularity is not just a concept but a fundamental part of the production processes in the Indonesian supply chain.
- The main priority is to develop a business case. First, conduct an assessment: map the locations of the feedstock, ensure proper logistics for warehousing, and establish traceability by monitoring waste data. It is crucial to demonstrate a solid business case for waste handlers, which has not been previously formalised, by integrating traceability and increasing compliance.
- It is important to directly engage with waste handlers, adapt to local circumstances, and empower local waste handlers and recyclers to be part of the solution. A good starting point is by addressing the waste management issue by focusing on post-production waste. Although resolving post-consumer waste may take a decade, this strategy should also be a primary focus.
- Logistics will be crucial. Logistics players need to understand the system-wide requirements to offer appropriate solutions, determine distances, and decide on the best locations for warehouses.
- Waste mapping, traceability, data requirements, and GFS trackers attached to trucks to ensure waste is not lost during transportation are all highly important. Potential collaboration opportunity between EON and Reverse Resources — RR can provide information on reverse logistics, while EON has data on the linear supply chain. The objective is for EON and RR to link their data to inform the DPP.
- It will be necessary to outline the recycled material content and the social component due to regulations.
- Priority should be given to selecting or partnering with recyclers who utilise green energy, as renewable energy is a critical element of success.

- Education and knowledge building will play a key role. There is an opportunity for the Circle Economy Foundation, Reverse Resources, and Closed-loop Fashion to bring knowledge and training to the initiative.

Next Steps

- Global Fashion Agenda will take into account the feedback from the round table discussions for the projects in Indonesia. They will continue the dialog within the Circular Fashion Partnership group and offer the opportunity to participate in collective action projects related to the GCFF & NCFP.

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