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BCG ECONOMY

3 Thai SMEs and their responsible business models

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REDEFINING THAILAND'S ECONOMY

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The key buzz word that arose from the 2022 APEC Summit in Thailand that is going to affect the structure of the entire economy was “Bio-Circular-Green (BCG) Economy Model”.

In a nutshell, the Bio-Circular-Green (BCG) Economy concept is set to be a post-pandemic growth strategy where science, innovation and technology are applied to promote the efficient use of resources, maintain and restore our ecosystems, and reduce waste. It aims to build a system where the world—through a whole-of-society approach—can

survive and grow, and address all the environmental challenges for a sustainable planet.

More easily said than done, you may think.

Just for the record, Thailand's economy has been quite the roller coaster ride over the past half a century. In the late 1960s, school children were taught that Thailand's top exports were teak, rice and tin. During the following three decades, Thailand's economy boomed at an average annual rate of 7.5%, slowing down to 5% or less from 1999–2005 following the Tom Yum Kung Crisis, or the Asian Financial Crisis, graduating from teak and rice exports, to agriculture, manufacturing and services.



Eventually, manufacturing faced stiff competition from Thailand's own regional neighbours, and we began to rely mainly on travel and tourism, our strengths being our vast natural and cultural resources. However, the unbridled drive for tourist dollars led to unchecked exploitation and eventual decline of the natural environment. Though not the only culprit—over-fishing has also destroyed the healthy marine ecosystem as well as coral reefs—tourism can be considered a double-edged sword if no control and management measures are implemented. During the Covid-19 pandemic locals at the popular Railay beach in Krabi Province noticed the re-emergence of manatees, dugongs, reef shark and turtles, as well as the revived health of the coral reefs.

The World Bank Thailand overview indicates that a sustained economic recovery will require, amongst other things, the need to “explore more environmentally sustainable and efficient approaches to economic production.” Therefore, it is not only a welcome sign, but also a necessary step, that the Thai government has set as its national development and post-pandemic recovery policy the Bio-Circular-Green (BCG) Economy Model which will turn Thailand's comparative advantage in biological and cultural diversity into competitive advantage.

The Thai government has already made headway into the BCG Economy Model. One of the most ambitious projects to date, with an investment of 3.4 billion baht, is the construction of the Bio Base Asia Pilot Plant (BBAPP), the multi-purpose biorefinery pilot plant in the Eastern Economic Corridor (EEC) in Rayong. Slated to begin operation in 2024, it is a joint venture between the National Science and Technology Development Agency (NSTDA) and the Belgium-based Bio Base Europe Pilot Plant (BBEPP).

BBAPP is expected to create an infrastructure to support Thailand's capability in processing agricultural products and increase the value of farm products for use as raw materials in pharmacies, food additives, cosmetics, and other biomaterials, through the use of technology. As the first pilot plant in Thailand and ASEAN, it is in a position to give Thailand an edge in developing

and scaling up sustainable bio-based products and processes.

As a top producer of sugar cane, cassava, oil palm, Thailand has over 40 million tonnes a year of biomass at its disposal that has not been utilised. This is an opportunity to use advanced technology provided by BBAPP to convert biomass to energy, chemicals and biomaterials, adding value to crops and their by-products.

In the automobile industry, known for its contribution to carbon emissions, the Thai government has made a push to make Thailand an electric vehicle (EV) production hub in the ASEAN region, with EVs accounting for at least 30 percent of domestic vehicle production by 2030. This is being done through an EV subsidy programme since September 2022, as well as tax incentives for EVs including excise, road, and import tax reduction.

That is not to say that small and medium size enterprises cannot switch to the BCG Economy Model. All it takes is the will and a concentrated effort, adjusting the mindset from making profit the top priority, towards the need and desire to balance earnings with responsible practices and concern for the environment.

The following social entrepreneurs are doing just that. They have embarked upon their journeys to bring balance into the economy, eliminating the exploitation of resources, looking outwards towards mutual benefits for society and nature with greater compassion and care, rather than inwards to themselves for purely financial gains. And they have done this in their own individual ways, some through trial and error, but gaining respect, know-how, and a win-win situation for all.

Through embracing and implementing the BCG Economy Model on every level, from government subsidised mega-projects to local SMEs, Thailand hopes to inspire all the 21 APEC member economies with a new environmentally friendly and responsible business code of conduct, creating awareness in all stake-holders that everyone is accountable for their future, and indeed the future of the country—and the world—as a whole.

FIND FOLK

Leading the way to responsible tourism

Tourism has long been Thailand's top income earner, bringing in almost 20% of GDP prior to the Covid - 19 pandemic. The Office of the National Economic and Social Development Council projected in 2019 that the tourism sector would account for 30% of GDP by 2030.

However, the economic boom as a result of tourism has had its negative effects, mainly on the country's natural resources. Land appropriation in order to expand infrastructure such as roads, hotels, restaurants and shops; depletion of natural resources to provide building materials, food and travel; excessive noise and air pollution and waste; loss of wildlife due to loss of natural habitat, both on land and in the water. Without proper control, economic gains for the country have come at the expense of the natural environment.



Miang Klib Bua, a local delicacy eaten with lotus petals.



Dedicated bicycle lanes allow visitors a fun way to look around the community.

To help curb these negative effects in the tourism industry, a small social enterprise start-up called Find Folk was created by Jakkapong Chinkrathok or Tontarn. He noted that despite the success of Thailand's tourism industry—Thailand was in the world's top 10 ranking in terms of income from tourism—the country's competitive and management potential was way down the list at No. 31. As it turned out, Thailand still lacked proper control and management of the environment, culture and natural resources which would threaten the health of tourism in the future. There was an urgent need to create a balance between profit and exploitation.

And Find Folk does literally that—they find the real local folk or cultural gems of each location, create awareness of the need to take charge of their own treasures, and help them on their journey to protect the environment. In short, they are tourism development consultants for local communities. At the same time, they also act as a travel agency, encouraging visitors to

enjoy the genuine, unadulterated aspects of Thailand without the need for embellishment and exploitation.

Essentially, the goal of Find Folk is responsible, sustainable tourism through the introduction of trends and innovations, which will benefit local communities, the natural environment, and tourists alike. They aim first to create awareness in the local communities of the need for sustainability, to protect and manage their natural and cultural resources, the introduction of innovations so the community is not only looking to earn an income, but also to know they have to invest in the management of their resources, and build a sense of appreciation by tourists and local communities alike in responsible tourism.

As a link between the two, they also set themselves up as a market place, offering products from various communities. For this, they look to corporate partners, an integral part of the chain especially during the recent Covid - 19 restrictions when tourism came to a virtual standstill.

By-products of Find Folk's responsible tourism mantra include a gradual reduction of waste and carbon emissions.

In the true social development principle of "explosion from within", Find Folk works with local communities, earning their trust and making them an integral part of the development process in order to create sustainability. They already have over 200 communities in their portfolio, and one of the success stories

was the Bang Kor Bua community in Bangkrachao, Bangkok's "island" oasis surrounded on all sides by the Chao Phraya River.

An initial brainstorming session with local stakeholders came up with one solid vision—to become an eco-friendly travel destination. Amongst other things, Find Folk helped to create a low-carbon route where bicycles or kayaks rather than cars or long-tail boats are the vehicle of choice, becoming an eco-friendly tourism model for other communities around the country. This "Go Green" ideology looks towards an ultimate goal of becoming "carbon neutral". The green tour models use the Bio-Circular-Green Economy Model as indicators to screen the community activities, and among the favourite tour activities are kayaking, ikat cloth dyeing, making and painting plant pots from recycled plastic waste.

With its successful track record, Find Folk has introduced further strategies for 2023, with its three-pronged "Go Consult, Go Green, Go Global" mission. "Go Consult" serves to provide consultancy services on the sustainability concept through its effective model projects. "Go Green" aims to create responsible tourism products and services with communities with the ultimate goal being Zero Carbon.

And its "Go Global" strategy is to create international partnerships to promote an awareness of Thailand's sustainable tourism models and share lessons learned and know-how. Among the initial partnerships are international universities and embassies.



Row boats provide a zero-carbon way to tour the area.

HAPPY GROCERS

Upstream to Downstream Quality Control

If food is life, then Happy Grocers ensures that you maintain a healthy lifestyle with grocery items from safe and reliable sources, eco-friendly packaging, efficient delivery, in short, quality control from farm to table, fitting in perfectly with the Bio-Circular-Green Economy Model.

This online platform, known as “Your neighborhood’s sustainable grocery store” was established by friends, Suthasiny “Moh” Sudprasert and Pattamaphon “Pearl” Dumnuai in 2020 to try and reinvent the food supply-chain in Thailand by connecting consumers to organic agricultural products directly in a sustainable manner. During the Covid - 19 lockdown small-size farms had no access to consumers, and were at risk of losing their livelihood.

Meanwhile, consumers had very little choice other than supermarkets or deliveries where produce was wrapped in overwhelming amounts of plastic packaging with only its weight and sell-by date as the only relevant information you are expected to need.



Pattamaphon Dumnuai (left) and Suthasiny Sudprasert (right) support organic and regenerative farming through their online platform Happy Grocers.



Suthasiny and Pattamaphon saw a real need to fill in the blanks. What you put into your body is even more important that what you put on your body, and consumers should be able to avoid questionable farm produce that might contain harmful contaminants or pesticides.

Organic and regenerative farming was what they were after—essentially farming that does not use GMO seeds, synthetic chemical fertilisers and pesticides, but does use traditional farming practices such as crop rotation and composting. They were interested in going to the source of organic farm produce, to ensure the quality of the soil and the farming process, as well as create a “bridge” that connects urban consumers to the farmers in the field.

Organic and regenerative farming processes include using natural compost as fertiliser to create healthy soil. Natural compost fertiliser is made from agricultural waste from previous crops. Biological waste such as animal manure can be used to compost. Healthy soil serves to support plant health and resilience.

The growth of agriculture in Thailand and the quest for high crop yields over the past few decades have led to a massive increase and dependence upon pesticides to control insects, weeds and fungi, with herbicides making up the largest proportion of imported pesticides. Not only does this pose a threat to the farmers and their families who are directly exposed to the potential health hazards of pesticide poisoning, it also accumulates in the soil, and lingers in the farm produce that reaches the consumers.

Happy Grocers begins with organic and natural seeds which are then grown in nurseries before being transferred into the ground. Without the use of pesticides,

farmers have to contend with insects that are part of the organic farm system. Maintaining healthy soil ecology and biodiversity helps to combat pests, as well as a good understanding of the life cycle of pests.

Another factor in organic farming is planting crops within their natural season rather than pushing for off-season crops that result in produce with lower quality and taste. Harvesting is only done when the crops are at their peak for the best quality and nutrient content.

Organic vegetables, particularly, are not even or perfect in shape and size, unlike products from hyper farms where irregular shapes or sizes are discarded as waste. At Happy Grocers, #realsizebeauty refers to agricultural products in the same way people are different in shape and size, yet still beautiful.

Community led sustainable farms are also much healthier for the local communities, where families can live and work together, live a healthier lifestyle devoid of chemicals, earn a higher price for their organic produce, and reduce cost of commercial fertilisers and seeds, where previously bad harvests led to debt and eventually the need to sell off their farmland and migrate to the city to find work.

Issues that affect the midstream cycle of farm to table produce is delivery. Normally, farmers had to rely on middlemen to market their produce, and in the case of fruit and vegetables, it would be Talad Thai market in Bangkok, known to be the largest wholesale market in Southeast Asia, or Srimuang Market in Ratchaburi, the gateway for produce to the south. But between the farm and the wholesale markets, there are a series of other “exchanges” that add to the time and cost— inflating the price up to 90% which

may not benefit the farmers—and also affect the freshness of the produce.

The Covid - 19 lockdown meant small farmers—particularly organic farms—had limited access to markets. Happy Grocers decided to step in with an online platform, as well as their own delivery service. It was tough for Suthasiny and Patthamaphon at first, with their limited time and resources. But after a learning curve, they were able to put in place a logistics system that worked for them and their customers, mostly regulars. The Happy Grocers home delivery truck with its trademark white body and green roof can deliver your orders within a day.

A social enterprise has to be competitive in the market, and has to be able to attract customers because of the quality products, not just because they want to help society. And although financial success may come gradually, the positive benefits to all—from upstream to downstream—is much more than they could have anticipated.

This is further proof that a BCG Economy model—a model that can mobilise small scale farmers to be a part of the change in sustainable agriculture, where new markets can be created for products that are sustainably grown, that support local communities, and benefit the environment—is possible if one makes the effort.

Happy Grocers are already looking to the next stage of their business—to expand their market and connect Thai farmers to Europe while ensuring sustainability throughout the supply-chain. Sustainability in the international supply-chain will not be easy but Happy Grocers is ready to take on this challenge and expand their impact to reach 1 million farmers in their supply-chain.

MORELOOP

From Landfill To Designer Ateliers

To Amorphol Huvanandana and Thamonwan Virodchaiyan, the co-founders of Moreloop, landfill is actually a treasure trove, if only one takes the time and effort.

Moreloop was established in 2018 when the co-founders saw there was an enormous amount of waste from the country's textile and garment industries destined for landfill. Just to fill in the big picture here, Thailand's textile industry has become very advanced over the past half a century, becoming one of the few countries in the world that can provide the whole value chain, from the production of fibres and fabric to the design, manufacturing and sales of apparel. The country has almost 5,000 local textile producers, exporting to countries that are garment manufacturers, not only in the region, but also India, Europe and the US, with the forecast for growth looking very



Moreloop upcycles waste textiles, with tags that indicate the amount of carbon reduction.

Big change starts with a tiny grain of rice



Upcycled T-shirt by Moreloop with braille signage on the sleeve.

positive. Meanwhile, with textile production exceeding demand, 350 million kgs of waste per year and carbon emissions were being generated, while very little attention was paid to this issue—until Moreloop came along.

They were eager to apply a recycling model that not only made ecological sense but was also a profitable use of waste, rather than seeing it end up as landfill or burnt. In the same way that people collect plastic bottles to sell for money, they saw industrial waste such as textiles, plastic, metals, wood and glass, as a raw material with downstream value. Having uncovered the term “circular economy”—a concept that was just beginning to take on global significance at the time—Moreloop became an online platform that connects buyers to the surplus textiles from factories. Its aim was to become a one-stop service solution dedicated to maximizing the value of surplus fabrics and minimizing waste in the fashion industry.

Moreloop has a two-pronged approach to its business in order to reduce the environmental impact from the textile and garment

industry. First, it sells surplus fabrics that would otherwise become landfill. The Moreloop website now offers 107 pages of fabric choices from over 70 textile factories, ranging from four-way stretch microfibres and Calico to Woven Wax Coated and Yarn Dyed Bird Eyes Pique. Its customers include fashion designers who use the platform as a one-stop shop to source materials for their creations at a low price, thereby reducing the amount of textile waste generated in the industry.

Secondly, Moreloop also emphasizes “upcycling”—taking surplus fabrics and transforming them into new and unique products and apparel according to customer orders, giving them a new lease on life and reducing environmental impact. In its first three years, Moreloop was able to upcycle more than 20 tonnes of surplus fabric and created over 100,000 utility items that have prevented over 225 tonnes of carbon from being released into the atmosphere.

Relying only on surplus fabrics has its limitations when dealing with customers. For

bulk orders, there is always a possibility that there is not enough surplus fabric in exactly the same colour and texture, so problem-solving and communication has always been part of the game.

Amorphol and Thamonwan want their business model to be a success to prove to others that a circular economy is not beyond our reach, and if all adopted this principle, it would lead to a more sustainable use of resources and an economy where environmental impact is minimised, and ethical practices are the norm. Not only are they practising circular economy, they are also pitching their ideas at local and international level in places like Europe and Japan, where the concept of circular economy and sustainability are already well-ingrained.

They are also creating awareness among the younger generation through workshops that focus on theories and strategies of circular economy.

Looking ahead into the future, they aim that by the year 2026, they will have cut one million kilogrammes of carbon waste. They also believe that Thailand has great potential to become a model for circular economy—the BCG Economy Model that has now become a national policy.

To the two co-founders, it's a matter of changing your mindset towards the term “waste”, and seeing it for what it is—resource for further design, production and manufacturing.