

## Environmental Impact on Business Economy in Southeast Asia

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### ABSTRACT

Southeast Asia is experiencing rapid economic growth, driven by the manufacturing, services and agricultural sectors. Countries such as Vietnam and Indonesia stand out in global manufacturing, while Singapore and Malaysia excel in the services sector. However, structural challenges and dependence on natural resources in some countries mark differences in business situations. To achieve sustainable growth, investment in education, skills training, technology and infrastructure is necessary. Despite economic integration through free trade agreements and technology adoption, environmental challenges such as climate change, air and water pollution, and deforestation require collaboration between governments, companies and communities. Environmental protection and economic growth cannot be separated. Stakeholder collaboration is key to addressing environmental challenges and ensuring inclusive and sustainable economic growth. With joint efforts, the future of the business economy in Southeast Asia looks bright and full of potential.



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## INTRODUCTION

Southeast Asia, which consists of ten member countries of ASEAN (Association of Southeast Asian Nations), is one of the regions with the fastest economic growth in the world. Countries such as Indonesia, Malaysia, Thailand, Singapore, Vietnam, the Philippines, Brunei Darussalam, Laos, Myanmar and Cambodia have unique and diverse economic dynamics. The region's business economy has undergone significant transformation in recent decades, influenced by factors including globalization, technology and demographic changes.

Economies in Southeast Asia have recorded consistent growth over the past few years. This growth is driven by various sectors, including manufacturing, services and agriculture. Countries such as Vietnam and Indonesia have become global manufacturing hubs, attracting large foreign direct investment (FDI) thanks to competitive labor costs and supportive government policies. Meanwhile, Singapore and Malaysia continue to lead in the services sector, particularly finance, information technology and tourism. (Firmansyah, et al, 2022)

Southeast Asian countries such as Indonesia and Brunei Darussalam have very different business economic conditions. Indonesia, with its large market and diverse economy, has strong growth potential but also faces significant structural challenges. Brunei Darussalam, with an economy heavily dependent on oil and gas, is focusing on economic diversification to reduce the risk of dependence on the energy sector. Both must overcome their specific challenges to achieve sustainable economic growth. (Nugroho, 2018)

ASEAN has sought to increase economic integration through various free trade agreements, such as the ASEAN Free Trade Area (AFTA) and partnerships with countries outside the region through ASEAN+3 and the Regional Comprehensive Economic Partnership (RCEP). This integration aims to

create a larger and more integrated market, increase global competitiveness, and attract more foreign investment. (Bastari, 2016)

However, this rapid economic growth cannot be separated from significant environmental challenges. Environmental conditions in Southeast Asia have a major impact on the business economy in this region. Some important aspects that need to be considered are climate change, air and water pollution, and deforestation. Climate change may result in more frequent and severe natural disasters, such as floods and droughts, which can damage infrastructure and disrupt economic activity. Air and water pollution caused by rapid urbanization and industrialization also threaten public health and environmental sustainability. Deforestation that occurs to clear agricultural land and plantations causes biodiversity loss and reduces the region's ability to absorb carbon emissions, which in turn exacerbates climate change. (Awanti, 2017)

Thus, although Southeast Asia shows great potential for economic growth, the region must also face serious challenges in maintaining a balance between economic development and environmental conservation. Collaborative efforts between governments, the private sector and civil society are essential to ensure that sustainable economic growth can be achieved without destroying the environment on which life and long-term prosperity are based.

## **RESEARCH METHODS**

This research aims to understand the impact of the environment on the business economy in Southeast Asia through descriptive qualitative research methods and literature studies. Southeast Asia, which consists of ASEAN member countries, is experiencing rapid economic growth but is also facing significant environmental challenges such as climate change, pollution, and deforestation. This research will explore how these environmental challenges affect the business economy in the region. Descriptive qualitative research is an approach used to describe phenomena in depth and detail based on qualitative data. This research also aims to gain comprehensive insight into the interaction between environmental factors and business operations in Southeast Asia and identify adaptation strategies implemented by companies to overcome these environmental challenges.

## **RESULTS AND DISCUSSION**

Southeast Asia is one of the fastest growing economic regions in the world, consisting of ten ASEAN member countries: Indonesia, Malaysia, Thailand, Singapore, Vietnam, the Philippines, Brunei Darussalam, Laos, Myanmar and Cambodia. The region has diverse economic dynamics, driven by the manufacturing, service and agricultural sectors. Countries such as Vietnam and Indonesia have become global manufacturing hubs, attracting foreign direct investment (FDI) thanks to competitive labor costs and supportive government policies. On the other hand, Singapore and Malaysia lead in the services sector, especially finance, information technology and tourism.

The author who is familiar with the economic conditions of Indonesia and Brunei Darussalam will explain the significant differences in the business situation of the two. Indonesia, with a large market and diverse economy, has high growth potential but also faces major structural challenges. On the other hand, Brunei Darussalam is highly dependent on the oil and gas sector, and is seeking to diversify its economy to reduce the risks of dependence on natural resources. Both must overcome their own unique challenges in order to achieve sustainable economic growth. (Bahari, 2023)

To achieve these goals, both countries need to adopt wise strategies in managing natural resources, improving workforce skills, and investing in technology and infrastructure to support inclusive and sustainable economic growth.

Economic growth in Southeast Asia is driven by economic integration efforts through various free trade agreements, such as AFTA and RCEP, which aim to create larger and more integrated markets and increase global competitiveness. However, this growth has also been accompanied by significant environmental challenges, including climate change, air and water pollution, and deforestation. (Mulyana, 2019)

Deteriorating environmental conditions can hamper business operations and increase production costs. Therefore, sustainable policies and strategies are needed to manage environmental impacts. This shows that environmental sustainability and economic growth cannot be separated.

Overall, although Southeast Asia shows great economic potential, long-term success will depend largely on the ability of the region's countries to strike a balance between sustainable economic

growth and environmental conservation. This emphasizes the importance of adopting environmentally friendly and sustainable policies and practices in economic development in the region. (Aryawan, 2017)

Technology plays an important role in driving the business economy in Southeast Asia. Digitalization and the adoption of new technologies, such as e-commerce, fintech and green technology, have changed the way businesses operate and interact with consumers in the region.

Countries such as Singapore and Malaysia have become centers of technological innovation in Southeast Asia. They have a thriving startup ecosystem and strong government support for technology research and development. Initiatives such as the creation of conducive work spaces, tax incentives and easy access to risk capital have accelerated the growth of startups and technological innovation in the region.

Technology adoption has also increased business operational efficiency and opened up new opportunities for economic growth. However, challenges such as unequal access to technology between urban and rural areas as well as data security and privacy issues also need to be addressed to ensure that the benefits of technology can be felt equally by all levels of society. (Yusof, 2021)

Thus, investment in technological innovation and creating a supportive environment for startup development will be key to sustainable and inclusive economic growth in Southeast Asia.

However, rapid economic growth also brings challenges, especially related to environmental impacts. Issues such as deforestation, air and water pollution, and climate change are major concerns in Southeast Asia.

Many countries in the region have begun adopting sustainability policies in response to these environmental challenges. Investments in renewable energy, such as solar and wind power, as well as implementing environmentally friendly business practices have become a major focus. Countries in Southeast Asia are also working to limit deforestation through measures such as sustainable forest management and land rehabilitation. (Lim & Pengiran Haji Ali, 2019)

Companies in the region are also increasingly realizing the importance of social and environmental responsibility in their operations. Many companies have begun adopting sustainable business practices, including the use of environmentally friendly raw materials, reducing waste, and increasing energy efficiency. In addition, more and more companies are prioritizing corporate social responsibility (CSR) programs and collaborating with governments and non-governmental organizations to address existing environmental problems.

Thus, while continuing to pursue rapid economic growth, countries and companies in Southeast Asia are also realizing the importance of paying attention to their environmental impact. Efforts to reduce these negative impacts are an important step in achieving sustainable and inclusive economic growth in the region.

The young and dynamic demographic in Southeast Asia is one of the main forces for economic growth in this region. A large population and high productive age provide great opportunities for increasing productivity and innovation. (Hassan & Abdul, 2020)

However, to maximize this potential, Southeast Asian countries need to invest significantly in education and skills training. By improving access and quality of education and skills training that is relevant to labor market needs, workers in this region will be able to compete better in an increasingly complex global market.

Investments in education and training will also help strengthen the foundations for innovation and technological progress in the region. This creates a conducive environment for the growth of more technologically advanced industrial and business sectors.

Additionally, it should be noted that quality education and effective skills training can also help reduce economic disparities and increase social inclusion across all levels of society in Southeast Asia. Therefore, investment in human resources through education and training is a crucial step in maintaining sustainable and inclusive economic growth in the region. (Bastari, 2016)

The future of the business economy in Southeast Asia looks bright, with huge growth potential. Deeper economic integration, rapid adoption of technology, and awareness of the importance of sustainability will be key drivers for economic progress in the region.

Economic integration through free trade agreements such as AFTA and RCEP will open up more opportunities for trade and investment among countries in Southeast Asia. Rapid adoption of technology, especially in the fields of e-commerce, fintech and green technology, will improve

operational efficiency and open the door to innovation and growth in various industrial sectors. (Ahmad & Noor, 2018)

Awareness of the importance of sustainability is also increasing in the region, encouraging countries and companies to adopt more environmentally and socially friendly business practices. Investment in renewable energy, sustainable management of natural resources and environmental protection will be important priorities in efforts to achieve sustainable economic growth in Southeast Asia.

However, to achieve full potential, countries in Southeast Asia need to work together to overcome common challenges, such as economic inequality, environmental issues, and increasing global competitiveness. Regional collaboration on economic policy, investment in education and skills training, and environmental protection will be key to creating an enabling environment for inclusive and sustainable economic growth in Southeast Asia. With concerted efforts and strong commitment, the future of the region's business economy looks bright and full of potential.

Southeast Asia is at an interesting crossroads in its economic journey. With a combination of economic dynamism, technological innovation and commitment to sustainability, the region is poised to become a major player on the global economic stage in the coming decades. (Kusuma & Fitria, 2017)

The impact of environmental conditions on the business economy in Southeast Asia needs to be taken seriously. The region is known for its rapid economic growth, however, this is not without significant environmental challenges. Environmental conditions in Southeast Asia have a major impact on the business economy in the region, especially related to climate change, air and water pollution, and deforestation.

Climate change is a global issue that greatly affects Southeast Asia. Rising global temperatures and changes in rainfall patterns have a direct impact on the agriculture, fisheries and tourism sectors in this region. For example, farmers in countries such as Vietnam and Thailand have difficulty growing rice due to changing seasons and more frequent droughts. Reduced crop yields certainly affect their income and the country's economy as a whole. Therefore, mitigating and adapting to climate change is very important for the economic sustainability of businesses in Southeast Asia. (Prasetyo & Agustina, 2021)

Air and water pollution is a serious problem in many large cities in Southeast Asia. Air pollution, caused by motor vehicle and industrial emissions, has a negative impact on public health and work productivity. On the other hand, water pollution caused by industrial and household waste damages clean water resources and aquatic ecosystems. For example, the fishing industries in Indonesia and the Philippines have been severely impacted by declining water quality, resulting in reduced catches and significant economic losses. Therefore, efforts to control air and water pollution are very important to maintain public health, economic productivity and environmental sustainability in Southeast Asia.

Deforestation, or massive deforestation, is a serious problem in several Southeast Asian countries, such as Indonesia and Malaysia. Forests cleared for palm oil plantations and mining cause loss of biodiversity and damage to ecosystems that are important for human and wildlife life. In addition, deforestation also contributes to increasing carbon emissions, which worsens climate change. The economic impact of deforestation can be seen from natural disasters such as floods and landslides which result in material loss and hamper business activities. Therefore, forest protection and efforts to reduce deforestation are crucial for maintaining environmental sustainability and business economic sustainability in Southeast Asia. (Rahmawati & Widodo, 2019)

Maintaining environmental conditions is very important for business sustainability in Southeast Asia. Therefore, many companies in the region are starting to implement sustainable and environmentally responsible business practices. Good natural resource management, such as the use of renewable energy and sustainable agricultural practices, can help reduce negative environmental impacts and support more stable economic growth. By implementing these practices, companies not only help maintain environmental sustainability, but also improve their operational efficiency and competitiveness in the long term. As a result, responsible management of natural resources is one of the key factors in ensuring sustainable and inclusive economic growth in Southeast Asia. (Suryani & Utama, 2020)

The role of governments in Southeast Asian countries is very important in managing the environmental impact on the business economy. Strict policies and regulations related to environmental protection, such as reducing carbon emissions and waste management, can encourage companies to

operate in a more environmentally friendly manner. Steps such as imposing limits on industrial emissions and enforcing higher environmental standards can help reduce the industry's negative impact on the environment. Additionally, providing incentives for investment in green technology and renewable energy can also accelerate the transition to a more sustainable economy. Thus, good policies and regulations will provide a strong foundation for sustainable economic growth and protecting the environment in Southeast Asia.

Environmental conditions have a significant impact on the business economy in Southeast Asia. Climate change, air and water pollution, deforestation, and poor management of natural resources can hamper economic growth and cause huge losses to the business sector. Therefore, collaboration between governments, companies and society is urgently needed to overcome these environmental challenges and ensure sustainable economic growth in the Southeast Asia region.

The government has a key role in formulating policies and regulations that support environmental protection and sustainable economic development. Policies aimed at reducing carbon emissions, protecting forests and ecosystems, efficient waste management, as well as incentives for investment in green technology and renewable energy can help create an environment conducive to sustainable economic growth.

Companies also have a big responsibility in playing a role in protecting the environment and practicing socially and environmentally responsible business. By implementing sustainable business practices, such as efficient use of natural resources, reducing waste, and increasing energy efficiency, companies can not only reduce their negative impact on the environment, but also improve their operational sustainability and long-term competitiveness. (Handayani & Wibowo, 2018)

Apart from that, active community participation is also important in supporting efforts to preserve the environment and sustainable economic development. Environmental education and awareness can help people understand the importance of protecting the environment and support actions aimed at protecting it. Through community involvement, such as participation in tree planting programs, waste management, and responsible use of natural resources, negative impacts on the environment can be minimized.

Collaboration between governments, companies and communities is the key to sustainable economic development in Southeast Asia. By working together, they can identify effective solutions to overcome the environmental challenges they face and ensure that the economic growth achieved is also sustainable in the long term.

## CONCLUSION

Southeast Asia, as one of the regions with the fastest economic growth in the world, shows diverse dynamics in its economic sectors. Countries such as Vietnam and Indonesia have become global manufacturing centers, while Singapore and Malaysia lead the way in the services sector. However, structural challenges and dependence on natural resources in some countries, such as Indonesia and Brunei Darussalam, mark significant differences in the business situation in the region.

To achieve sustainable economic growth, Southeast Asian countries need to adopt wise strategies in managing natural resources, improving workforce skills, and investing in technology and infrastructure. Investment in education and skills training is critical to harnessing the potential of the region's young and dynamic demographic.

Economic growth in Southeast Asia is driven by economic integration through free trade agreements and rapid technology adoption. However, significant environmental challenges, such as climate change, air and water pollution, and deforestation, require collaboration between governments, companies, and communities to ensure sustainable economic growth.

Therefore, environmental protection and economic growth cannot be separated in Southeast Asia. Collaboration between stakeholders is key to addressing environmental challenges and ensuring inclusive and sustainable economic growth in the region. With joint efforts and strong commitment, the future of the business economy in Southeast Asia looks bright and full of potential.

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