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What does it Take to be Green? Evidence from Asia and the Pacific

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Abstract: This paper reviews the green markets, technologies and practices with a particular focus on Asia-Pacific countries as well as provides some policy recommendations facilitating public and private organizations in order to speed up green business development. The paper argues that there are massive potential for gearing up green business expansion in Asia and the Pacific. A number of green businesses are already leveraging private sector capabilities and resources both through direct command-and-control measures and through indirect market-based instruments targeted at not only large firms but also small and medium enterprises. The paper suggests that adopting the greening strategy can be a win-win situation for the stakeholders but it needs to mobilize vast capital resources as well as inspiring technological innovation. The paper ends up providing the options to the Asian and Pacific countries and firms to hold the green "Great Revolution" or to continue with traditional "Short-term" stakeholders' return from the region's swiftly declining natural resource base.

Keywords: Green business, Governments, Asia, The Pacific, Economic growth, Resource, Environment.

1. Introduction:

Due to the strong economic growth and increasing production capacity in preceding 50 years or more, millions of people in Asia and Pacific have succeeded to lift out themselves out of poverty making the region a place of healthier, longer living and better educated population (Ponzi, 2019). Unfortunately, the other part of the coin is not much similar. Many countries in the same region have failed to understand and nourish the importance of environmental sustainability as the long term key factor of success. In evidence of the statement is that, in many countries, particularly in South Asia, although growth, per capita income and consumption level has grown, pollution level has been deteriorating and the natural resources are being exhausted. The increasing pollution and natural exhaustion are being compensated through increasing urbanization and industrialization for ever increasing demand by the people with higher living standard. Such degradation in natural resources and increasing pollution often results in destroying the ecosystem and climate change. The ultimate consequences are ill-timed flood, lack of pure water, lack of fresh fish or vegetables and other natural calamities.

Accompanied by such environmental challenges, the Governments and a number of pressure groups in the Asia-Pacific region are gradually recognizing the fact that the economic growth, living standard and the ecological sustainability are actually interrelated (Ponzi, 2019). As a result, in many countries, new legislations and initiatives are being taken either voluntarily or as a part of international pressure to adopt the greening strategy integrated with growth. The most discussed "Green Business" or "Environmentally Sustainable Business" models seek healthy economic growth ensuring the protection of nature and proper environmental ecosystem in order to achieve sustainable long term business success.

The interesting fact is that while many developed or developing countries in Europe and North America are consistently emphasizing on green economy, most of the Asian countries are still perusing "Grow now, clean up later" strategy although some countries are reconsidering it and being adapted to going green. As the developing countries have multiple pressures and lack of resources, the commitments and policies are in general confined to paperwork only while the supporting mechanisms, planning implementations and realistic agreements are very slow, missing or ineffective. At the national level, the achievement of green economy repeatedly depends on political will/commitment and public sector capacity. Such commitments are frequently determined by specific environmental pressure points, such as air quality in the People's Republic of China, deforestation across Southeast Asia and rising sea levels in the Pacific Island countries.

However, the Governments can set policies and measures to adopt green growth through environmentally sustainable business practices, but cannot guarantee to invest the huge amount of resources required for implementing those measures due to the lack of fund and other necessary obligations of using the funds. In fact, only a small portion of investment comes from the domestic public sector and external aid agencies. Therefore, obviously to fill that gap of initial investments, private sectors (both domestic and foreign development agencies) should come forward in financing the sound practices and technologies in the areas of clean energy, prevention of natural water sources, sustainable transport, green cities, waste management, natural resource preservation, preserving ecosystem & biodiversity; and pollution prevention and control.

However, the real challenge for the Governments is to bring and engage the private sector firms in greening proposition. The task is complicated as there are often conflict arises between the stakeholders' interests and social or natural development. This paper will

discuss the measures that can be taken to make the businesses more environment friendly with specific emphasis on the Asia-Pacific region.

2. The green business:

There is no universally accepted definition of green business. This paper defines green businesses as the organizations that blend stakeholders' wealth maximization objective with environmentally sustainable performance. Inherent in this definition, there are two types green businesses.

- The first one consists those businesses producing goods or services that are environment friendly. According to the Organization for Economic Co-operation and Development (OECD) and the Statistical Office of the European Union (Eurostat), "Green firms are those firms that produce goods and services to measure, prevent, limit, minimize or correct environmental damage to water, air, and soil, as well as problems related to waste, noise, and ecosystems." This category includes technologies, products and services that reduce environmental risk, minimize pollution and resource degradation (OECD/Eurostat, 1999)
- The second category consists of those businesses taking vigorous measures to change their products or processes keeping consistency with environmental sustainability priority. These actions can be taken at different points in the life cycle of a product and can lengthen throughout the complete supply chain of a good or service (Ponzi, 2019).

Additionally, there are actually firms that are not producing any good or service directly related to greening environment but they are greening their own organizations according to their capacities. In this third category of firms, some are using greener inputs or selling

more environmentally sustainable products and services, while others are transforming production and consumption patterns across complete value chains. In the product life cycle (inputs, processes, outputs, environmental externalities and marketing) of different products, a firm can actively involve a number of different elements as part the value chain (UK Department for Business, Enterprise and Regulatory Reform/Ernst and Young, 2008). The practices such as green supply chain management and green procurement focus on greening the upper layer of a value chain whereas the shift to amplify producers' responsibility and product stewardship is geared toward greening bottom layer functions.

The concluding circle of greening is the point of recycling indicating that materials and resources are recycled continuously so that waste and pollution do not exist. The process has been started in many countries including the Asian and Pacific ones as well.

3. The current trend:

A recent study conducted by a reputed research firm, Oekom Research (2017), specialized in the area of sustainable investment, reported that although a number of firms are making high investment in environmental, social and governance criteria, the private sector is still much behind in attaining global sustainability targets. Another analysis by the same firm form 2013 to 2017 revealed that the average green performance scores of firms in both the developed and developing countries are in an upward trend. In the year 2017, approximately 17% of studied firms were considered as "Very Good" or "Good" in terms of sustainability performance while about 44% firms achieved medium-level performance scores, up from 35% in 2015 and 40% in 2016 (Ponzi, 2019). On the other hand, 39% of the analyzed companies were reported to have the lowest scores that is the

recorded low in sustainability review history. Firms related to food & beverage and oil & gas industries have been branded as poor environmental performers.

In case of Asia, a good number of firms are adopting green practices in their production and marketing operations. Those firms have been mainly motivated by the pressures from external stakeholders such as government policy, foreign investors and export markets, rather than by internal intentions. In this context, green supply chain management is another outer motivating driver, in particular for the firms focusing on producing consumer durables, metals and electronics. Such trends indicate that businesses along supply chains are coming across rising pressure to adopt more environmental friendly practices.

A growing number of firms are turning environmental awareness to a source of competitive advantage. For example, more and more firms in Asia are adopting environmental management approaches and looking for the recognition for their environmentally sustainable practices from the reputed organizations such as the International Organization for Standardization (ISO) that provides ISO certificates to the organizations. There are other international and domestic organizations that recognize the social and environmental practices such as the World Business Council for Sustainable Development, the World Industry Council for the Environment, the Ceres Company Network and the Global Reporting Initiative; and at the regional and national levels, the East Asian Seas Sustainable Business Network, the Confederation of Indian Industry, the China Business Council for Sustainable Development and Philippine Business for the Environment. Many of these organizations have developed their own code of conducts and acceptable practices for business firms. Some reputed business firms are trying to turn the challenges into opportunities through innovation, developing

green sustainability in their company cultures and actively shaping their business environments (World Economic Forum, 2011).

However, in order to pursue green innovation practices, a firm must develop and implement cost-effective policy instruments that can achieve short term return as well as long term transformation of sustainable goals. Such policies will aid in mobilizing private investment and enabling structural and behavioral changes among producers, traders, distributors and consumers (Ponzi, 2019). Here, the core challenge is to devise policies and regulations that are rigorously sufficient to motivate and reward compliance and innovation assisting to stimulate long-term investments. Such policies must also be flexible enough to adjust to changing circumstances, particularly new technologies. In this case, together economy-wide and sector-targeted policies are essential to build up the inter-disciplinary and inter-sectoral approaches to meet up the demand for suitable innovations to the supply.

4. Policy measures to encourage green business growth:

A number of policy measures have already been adopted by different public and private organizations to promote green businesses. This paper recommends some policy measures from the standpoint of the Central Governments in order to achieve a blend of both short-term gain and long term sustainable growth. However, such strategies should be aligned to the businesses and industries to be survived sustainably integrated towards the national and local economies. It is also vital to know what types of companies such policies to be targeted at. However, this review paper recommends the following policy actions in order to support and pursue green businesses in the regions of Asia and the Pacific.

Preservation of natural capital: As a well known fact, it is not deniable that the green business philosophy always argues to safeguard for natural capital. In this regard, the Governments and Development Finance Institutions (DFIs) can work mutually to create combined benefit from well-established natural resource administration. Natural resource accounting philosophy can facilitate the Governments and business firms developing their decision making to incorporate natural capital management. Such management approaches might include the United Nations (UN) Scheme of Environmental Economic Accounting, the World Bank's Wealth Accounting and the Assessment of Ecosystem Services; and the Natural Capital Practice (Ponzi, 2019). The individual Governments and DFIs can also encourage and assist underserved but swiftly emerging nature-based business sectors that play a pivotal role in green business revolution, including sustainable agriculture & food industry, forestry and ecotourism. Lastly, several strategic approaches can move forward green business mechanism efforts while balancing natural capital. A few prominent examples are payments for ecosystem services (PES) and Wetland Mitigation Banking (Ponzi, 2019).

Development of green technological innovation and investment policy: Green innovation and investment policy mechanisms can assist in playing a vital role in supporting green business expansion. In order to encourage such policy measures, the individual Governments can think of financial grants and straight investments for premature market research and development (R&D). Prevailing nationwide tax systems may be utilized to propose a blend of general and sector-specific support for business R&Ds that can be growing in nature targeting SMEs. Green business incubators and other identical venture support programs (including early-stage venture funding support) through the Government or multilateral agency partnership programs can also assist smaller firms to boost up their activities (Ponzi, 2019). Developing the Asian and Pacific countries may also look for growing innovation and/or the adapting well-established

clean technologies that match local circumstances through a variety of technology transfer strategies in order to open value at the bottom of the economic pyramid.

Promoting private sector green finance: As a result of fiscal restrictions in many countries, private finance will more progressively have to build up the mass of green finance in the long term. Private capital extension can be well-supported through public investments and institutions such as central banks, DFIs; and other institutional investors such as private banks and leasing companies. DFIs can put forward financing instruments to build up green businesses more profitable by providing them working capital and create additional leverage creating a favorable environment for private investors. These mechanisms might comprise: Green Banking, working with other banks to include environmental hazards in their lending portfolios; Green Bonds that might be considered as the debt instruments for financing projects delivering ecological benefits; and Sustainable Investment, by which investors can integrate environmental criteria in their decision making process. In such programs, the Governments must dedicate momentous efforts in building capability and crating public environmental awareness, including the supervision of private sector firms (Ponzi et al., 2018).

Mutual financing scheme: The Governments can link personal investors and global aid providers in providing "Mixed Finance", or public funds used to draw personal capital toward investments in delivering sustainable development impacting sustaining green businesses. Public investors can offer concessional finance at below-market interest rates to leverage private capital toward green investments. In such efforts, public investors can spot or develop investment opportunities (characteristically by offering grant-based funding or technical support), while the Governments must get ready for extensive green project pipelines through state-run development planning or suitable financing conveniences. Institutional public investors can further offer additional supportive

products (such as risk guarantees) that help lessen precise types of risk including credit, political and systemic risk. By dropping the actual and supposed risks surrounding a certain investment, such products can assist enhanced private investor assurance, particularly in relation to high-risk projects. Finally, by combining the experience and skills of private sector management, the Governments can also deal with their requirement of human resource capability to handle these investments (Ponzi et al., 2018).

A combined market-based approach: For the promotion of green businesses, market-based policy instruments can offer an economically competent approach in aligning economies toward environmental sustainability by "being at the right prices" in order to grasp environmental externalities (Hallegatte et al., 2013). Such approach can be either price-based (including depressing externalities of production or consumption activities through taxes or charges) or rights-based (calculating the quantity of the environmental good or service to a preset level). A well-designed market based approach can motivate innovation through the enhancement of business performance and making firms further productive and profitable (Porter and Van Der Linde, 1995). The kind of market based instrument and the method it implements can assist in attracting firms to look for novel opportunities and to augment their competitiveness, rather than merely concentrating on avoiding problems and managing risks. The Governments can also think of rights-based instruments, such as emissions trading schemes, in place of price-based instruments, since the former can direct to higher profits and do not require firms to pay for the residual pollution emitted, unlike taxes. To encourage firms to admit and sustain market based approaches more easily, the Governments can think about returning to the pollution fees charged, as subsidies for abatement investments and further allocating trade permissions free for firms other than using auctions (Harrington and Morgenstern, 2004). In general, market based policy approaches should complement the government

regulations and be cautiously adapted to local institutional capability (Ponzi and Bowyer, 2018).

Skills development and training policies: Developing skills and training are the pre-requisite for smooth transitions. The Governments and the private sectors require spotlighting on skills development policies. Innovative green businesses can generate jobs. Skills development policies can aid in avoiding investment bottlenecks, augment employment opportunities, smooth the changeover of human resources from declining sectors, decrease social anxiety and inequality; and sustain comprehensive growth (Porter and Van Der Linde, 1995). The Governments can encourage improved training programs and certification schemes, aligning with industry skill councils or chambers of commerce. Furthermore, support programs can assist SME management recognize green practices and technologies better and conquer the obstacles, such as imperfect admission to financial channels and lack of consciousness of those practices and technologies.

Creating awareness through information sharing: Green business approach needs public awareness as it is somewhat different from traditional profit-only mentality. Public disclosure programs, certification, eco-labeling, industry codes of conduct and domestic voluntary agreements are valuable tools that are too often less underused. Decision makers can use those techniques separately or combinedly to allocate some of the responsibilities for environmental safeguard with investors, producers, distributors, consumers; and of course, with the common people. Public revelation and green certificates can include green finance making it easier both for banks to assess the viability of such projects; and for manufacturers and users of green technology to get access to such financial schemes. However, the Governments cannot view public disclosures and other business-led programs as an alternate for fragile regulatory and civic society pressures. Such initiatives should be a mix of voluntary approaches, law enforcement and

financial schemes consistent with the development of community, market and civic pressures (Ponzi and Bowyer, 2018).

5. Green business obstacles in Asia and the Pacific: A long way to go?

However, there are several obstacles in introducing and implementing green businesses in many developing countries of Asia and the Pacific. This section briefly introduces and explains a few notable obstacles in going green.

Heavy initial investments: The main and biggest challenge of starting a green business is the burden of initial heavy capital investments that most of the entrepreneurs cannot afford. For an example, an eco-friendly manufacturing plant needs effluent treatment plant (ETP), environmental supervision system and heavy investment in research and development (R&D). Such big, one time investment often discourage the owners not to go for greener, environment-friendly business that pay back slowly.

Reluctance of many entrepreneurs: This reason is more or less related to the first one. The green businesses usually slow but steady. Due to heavy initial investments, such business operations are costly. As a result, prices of products are normally higher than the traditional, non-green business generated products. Many customers are reluctant to buy such costly products as they are not well-informed or well-concerned about the environmental aspects. Therefore, most entrepreneurs are reluctant to adopt green initiatives.

Lack of environmental consciousness: In many countries, the businessmen as well as the general people (who are, in turn, customers) are not well-informed about the

environmental safety or eco-friendly products. This is one of the main obstacles of sustainable green businesses in many countries including Asia and the Pacific.

Search for quick profits: Most of the business persons seek quick returns for their investments. However, as mentioned before, the green products require premium pricing due to higher initial investments in manufacturing, R&D and marketing. The net result is the slow return that the traditional minded investors do not prefer at all.

Lack of fund towards R&D: Research and development is one of the main pre-conditions for any environment friendly organizations. However, although some firms want to spare some money for manufacturing, they are not that much in favor of investing a huge amount to R&D in order to produce higher quality eco-friendly products.

Lack of innovative skills: Creativity and innovation is the heart of green, eco-friendly businesses. Such creative and innovative efforts require incentives such as investments in R&D, other spending such as costly raw materials and financial incentives. Due to the reluctance of such incentives, many firms lack such creative and innovative performance from their employees.

Lack of green marketing: Green products require huge marketing efforts in order to peruse the customers to promote and buy such products. Conventional marketing methods or techniques cannot encourage mass consumers to buy such expensive products who are generally price-sensitive. Therefore, if a firm invests a good amount in manufacturing and R&D but not in precise customer influencing green marketing strategies, often such products fails to get attracted by mass people.

6. Conclusion:

Although the trend is slow, the core technological and economic drivers of the green growth are gradually more being recognized. But as a gesture of green technological advances is definitely on the way, it is still uncertain how swiftly the developing Asian and Pacific countries will accept such green technologies. The speed and degree of technology innovation, adaptation, and incorporation in the region will mostly notify to a large degree of global resource requirement and ecological excellence.

The "green" rejoinder of developing Asia-Pacific countries will also facilitate determining the swiftness of economic growth in the region. Policy makers as well as the business leaders can either grab such rising opportunities or just sit idly and watch others making profit. Those who embrace the unavoidable green alteration will surely be rewarded.

However, the challenge is partially receiving the right mix of policies and partially gaining access to capital. It is apparent that the innovations are not just technical as such innovations require financial supports from both the public and increased private sector investments. Other innovations are related to creation of business models, such as "base pyramid" solutions to multifaceted challenges.

It is important to keep in mind that policy portfolios develop over decades. Therefore, policies supporting green businesses require a long-standing steady effort to reinforce institutional and governance capability to administer, implement, observe and re-evaluate policies. With a concrete foundation, new approaches can help deal with the long-standing challenge of economic growth from pessimistic environmental impact and natural resource expenditure. As there is a growing thrust for the eventual

accomplishment of the 2030 Agenda for Sustainable Development, there are incredible opportunities ahead for us with the forethought to grab them.

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