Green Economy for Sustainable Development: 
Japan should lead the policy shift towards global poverty alleviation

Policy Proposals

The present socioeconomic activities of developed countries are in excess of environmental carrying capacity. Accordingly, the adoption of environmental taxes and payment for ecosystem services (PES) schemes that reflect the consumption of ecosystems services and environmental services on economic activities is required to establish a genuine green economy model that is compatible with environmental carrying capacity of the Earth. The creation of such a model calls for shifting away from values that excessively seek convenience and reconsidering lifestyles dependent on mass production and mass consumption.

In order to spread the advanced energy and environmental technologies of Japan to emerging and developing nations eager to switch to green economy models, it is essential to carry out precise matching of needs, giving consideration both to Japan’s green innovation and to the green economy models of emerging and developing countries. A detailed plan for international standardisation of technologies, regulations, norms and standards in the environmental field (in cooperation with other Asian countries) is also urgently required.

In order to prevent policy on green economy from leading to green protectionism, efforts are necessary to create mechanisms by which green economy policies promote sustainable production within exporting countries. This can be accomplished through the bilateral combination of green certification and technology transfer to promote sustainable methods of production that fulfil the conditions of green certification.

A framework to carry out effective green economy-related discussions that overcome the differing standpoints of countries must not be based on any uniform definition of green economy. Rather, we must promote flexible approaches that allow countries to utilise not only their own green economy policies but also those of others to achieve their priority goals, including poverty eradication, while sharing a common objective: to shift to green economy on a global scale.

(For further details on these proposals, please refer to p.6)

The concept of green economy is not new. It has been advocated since the late 1980s to imply a balance between environment and economy. Furthermore, the report released by the World Commission on Environment and Development (WCED 1987) in 1987, that put the concept of sustainable development in the spotlight, also sparked debate on green economies.1 However, it was in the latter half of the 2000s that the green economy concept began to attract its current level of attention. At the Fifth Ministerial Conference on Environment and Development in Asia and the Pacific (MCED 2005), held in 2005 in the Republic of Korea, the Seoul Initiative on Green Growth was adopted as a regional co-operation framework aimed at achieving a balance between environmental preservation and economic growth through methods such as improvement of eco-efficiency. The Republic of Korea has since pursued green growth and a green economy with great fervour. President Lee Myung-bak, inaugurated in 2008, set forth “low carbon and green growth” as the national vision. Likewise, Japan set forth the formation of a “low carbon society,” a “sound material-cycle society”, and a “society in harmony with nature” as the pillars of its Strategy for an Environmental Nation in the 21st Century, and policy and initiatives have been put into place toward forming a green economy.

The financial crisis of 2008 further raised the status of green economy to the level of a major global issue. As a means to overcome the financial crisis, many major industrial nations, including the US, the EU, Japan and the Republic of Korea, have laid out green new deal policies focused on employment creation and economic stimulus based on large-scale investment in renewable energy and other green industries. While the concept of a green economy has been highlighted as a method to stimulate economies based on growth of green industries, there is also debate on interpreting green economy as a shift from existing economic models focusing on GDP growth to more sustainable socioeconomic systems. Moreover, there are negative arguments against the green economy concept of developed countries that are blessed with advanced technological capacity and a wealth of funds and human resources. Doubts have been raised on whether the concept can provide a prescription for sustainable development on a global scale that includes emerging and developing nations.2

In this manner, while the green economy concept holds great potential and has captured the interest of many countries and international organisations, the lack of agreement on definition increases the risk of convoluting the debate. This policy brief will explore the debate regarding the green economy concept within the UNCSD process, and will cover initiatives in various countries from the perspective of advancement of global sustainable development. It will also analyse Japan’s initiatives related to green economy and make a proposal on the vital role of Japan in linking green economy polices from developed countries to global sustainable development.

---

1 For instance, the work published as an introductory guide to environmental economics in 1989 by Pearce et al. (1989), that aroused a great deal of interest, defined a green economy as an economy in alignment with sustainable development.

2 In this document, OECD member countries are referred to as developed nations, BRICS (Brazil, Russia, India, China and South Africa) as emerging nations, and all other countries as developing nations.
I Trends in Debate on Green Economy within the UNCSD Process

The two Preparatory Committee Meetings and one Intersessional Meeting held by the UNCSD have played a key role in leading discussion on green economies. At the First Preparatory Committee meeting held in May of 2010, definition and interpretation of the concept of a green economy was the main subject of discussion, and arguments both for and against the concept were revealed. Issues of concrete green economic policy and the outcomes expected from UNCSD were also given the floor as framework for future debate took shape.

At the subsequent First Intersessional Meeting held in January 2011, a positive common recognition of the green economy as a means to realising sustainable development began to ferment. Debate on the content of a green economy also began to take shape, and became divided into roughly two categories. The first of these is international issues, such as support for emerging and developing countries and the potential for environmental policies to hinder equity of trade (green protectionism); the second category involves domestic issues, such as the decoupling of economic growth from environmental burden and green taxation schemes including environmental taxes.

At the Second Preparatory Committee meeting held in March of 2011, attention focused more on concrete issues, in particular international issues, rather than the definition of a green economy. The debate covered support for technology transfer, financial assistance and capacity building for emerging and developing nations, as well as avoidance of green protectionism in international trade. In this manner, the debate on green economies within the UNCSD process has changed course with each meeting, shifting from debate on definition to more concrete issues, and from discussion on domestic issues to international ones.

2 The Respective Positions of Countries on Green Economy Initiatives and International Debate

Regarding initiatives towards a green economy, it is found that Japan purports formation of the three pillars (a "low carbon society," a "sound material-cycle society", and a "society in harmony with nature"). It is also clear from debate within the UNCSD process that international interest lies in the areas of "international co-operation" and "green protectionism". Based on these issues, this brief presents the following overview of the respective positions of countries related to policy and international debate on green economies.

A glance at various countries shows that interest in low carbon societies is on the rise. The stable supply of energy, indispensable for economic activity, is an issue faced by most countries. The creation of low carbon societies requires a shift in energy source from fossil fuels to clean energy, which is less dependent on carbon. Plans and initiatives on the development and adoption of renewable energy in particular are gaining force in many countries. Improvements in energy efficiency are one way of switching to low carbon and are regarded as important in many Asian countries and developed nations. Many countries are engaged in initiatives in waste management and recycling in attempts to form sound material-cycle societies. Environmental labelling and green purchasing initiatives have been carried out mainly in OECD member nations, with Europe implementing the most aggressive measures in this area. However even in Europe, where importance is attached to resource efficiency, it is rare to find cases that utilise these measures to achieve a fundamental shift towards systems based on environmental carrying capacity. In response to calls to create societies in harmony with nature, many countries carry out biodiversity conservation efforts or economic value assessment of ecosystem services. Aiming to measure the costs of environmental burdens such as pollution and to reflect economic value assessment of ecosystem services in policy formation, the UN and World Bank have taken on a leading role in advancing the development of green national accounting.
An examination on the progress of initiatives in various countries shows that of the three areas, relative headway has been made in the formation of low carbon societies. This state is due to the vigour of private industry activities. Namely, the low carbon market has already been established and is closely related to energy issues toward which private investments have actively been made. Measures aimed at the formation of sound material-cycle societies are both those that promote cyclic use of resources and those that control and manage the toxic substances and waste formed in course of resource use. While pricing mechanisms function effectively for the former, adjustments based on market mechanisms do not adequately function in the case of the latter. Initiatives related to the formation of a society in harmony with nature are insufficient. Namely, the costs of restoring ecosystems and the value of ecosystem services are neither necessarily reflected in the pricing of goods and services nor integrated into market mechanisms. National accounting has drawn attention as an attempt to internalise these costs and values. However, mere comprehension of the state of environmental and ecosystem capital use is insufficient. The pressing issue remains as to whether these costs and values can be reflected in actual market prices through payment for ecosystem services (PES) or other schemes.

In order to shift from the current brown economy to green economy, funds and technology are essential regardless of the stage of economic development. Developing countries in particular, without sufficient funds and technology, have strongly asserted that developed countries should provide support. On the other hand, while developed countries understand the necessity of international co-operation in creating green economies, and have promoted funding and technological support, most efforts are related to the formation of low carbon societies: very few international efforts have been seen in the formation of sound material-cycle societies and societies in harmony with nature. One cause of this discrepancy is the fact that initiatives are not appropriately integrated into market mechanisms, much in the same manner as debate over domestic initiatives. Furthermore, there is neither an international treaty related to the formation of sound material-cycle societies, such as the Framework Convention on Climate Change for low carbon societies, nor international funding mechanisms related to the formation of sound material-cycle societies. Another factor is the difference of geographical scopes. While global issues such as the reduction of greenhouse gas emissions are relatively easily justifiable for international co-operation, the formation of societies in harmony with nature is an issue greatly influenced by local conditions, and is difficult to address through international co-operation.

Regarding green protectionism, there are fears that green certification and border adjustment measures could be used to protect domestic industries. Green certification is a method of awarding certification to products that meet environmental standards as a means to differentiate them from those that do not. If based on the high environmental standards that follow developed nations' technological capacity, green certification has the potential to hinder the exports of developing countries. Moreover, border adjustment measures could potentially lead to excessive protection of domestic industries. Border adjustment measures aim to prevent decline in the international competitiveness of countries that have adopted climate change mitigation measures, such as carbon tax and emissions trading schemes, in relation to countries that have not adopted similar measures. They are a system for refunding climate change mitigation costs on exports to countries that have not adopted measures or of taxing imports from these countries. The respective positions of major countries on border adjustment measures are shown in Figure 1. With the exception of certain countries, Annex I countries to the Kyoto Protocol either support or favour these measures, while non-Annex I countries are opposed. In general, the figure shows the juxtaposition of developed versus emerging and developing nations, with emerging and developing nations particularly fearful of green protectionism. Therefore, creation of a system that allows for the realisation of the primary goals of border adjustment measures while avoiding the traps of green protectionism is necessary.
The Green Economy Aspirations of Japan and Related Issues

The course Japan has mapped toward a green economy and the initiatives underway in that direction warrant examination. Furthermore, the stance Japan has revealed on the major points of debate within the UNCSD process (namely support for technology transfer, financial assistance and capacity building and avoidance of green protectionism), is also examined herein.

Japan named the Environment and Energy Superpower Strategy based on green innovation one of the seven strategies of the New Growth Strategy set forth by cabinet decision in 2010. Policies and initiatives with relevance to the economy are being put in place toward formation of a “low carbon society”, a “sound material-cycle society” and a “society in harmony with nature”, as set forth in the 2007 Strategy for an Environmental Nation in the 21st Century. The low carbon field in particular has heralded attention from industry, government and academic sectors, and relevant activities are particularly robust, including development of low carbon technologies and deliberation on taxes for global warming mitigation, as well as drafting of a roadmap for reduction of greenhouse gas emissions.

On the other hand, economic policies on sound material-cycles and harmony with nature are at present less advanced. Some efforts are evident, such as the initiative to reflect the resource productivity indicators adopted domestically in the OECD Green Growth Strategy, as well as the declaration of intent to support the partnership on green national accounting promoted by the World Bank. While the former focuses on production efficiency, the fact that the initiative will not bring about reduction in production or consumption volume itself is an issue. Regarding the latter, there is doubt that the political will exists domestically to adopt measures in earnest, from the perspective of a shift from conventional national accounting.

Regarding support for technology transfer, financial assistance and capacity building and avoidance of green protectionism, two issues under debate in the UNCSD preparatory process, Japan has shown a favourable stance towards the former, but has not revealed its position on the latter. In the background of Japan’s support for international co-operation in building green economies lies its experience in carrying out numerous development support projects in social infrastructure and other fields, mainly in Asia. As a matter of fact, the New Growth Strategy clearly states the intent to unfold environment-related social infrastructure provision packages in Asia. However, the prominence of China and the Republic of Korea in recent years is striking, and competition in the Asian region has intensified in Japan’s strong areas of environmental technologies and advanced infrastructure provision. Hence, support paired with national interest certainly requires a shift from conventional methods as well. Meanwhile, avoidance of green protectionism must be considered, including measures to address various situations. Japan must consider whether or not to levy tax on imported products equal to that of...
domestic ones if carbon taxes are domestically adopted. Further, this stance must be revealed to the international community.

4 The Vital Role Japan Should Play in the Realisation of Green Economies: a Proposal

The twin ultimate objectives of green economies on the path to realising sustainable development are poverty eradication and a shift towards socioeconomic systems compatible with environmental capacity of the Earth. Meanwhile, promotion of a green economy is a pressing issue for Japan. It is an approach to creation of a sustainable society through employment generation and economic growth while tackling environmental commitments such as the achievement of emissions reduction targets agreed upon in the Kyoto Protocol. We propose the following win-win approach, in which Japan’s green economy policy can be utilised to solve global issues, while contributions to the world through international co-operation can in turn lead to promotion of Japan’s green economic policy.

- Creation of a green economy model compatible with environmental carrying capacity of the Earth
- Promotion of international co-operation and green innovation via dispersion of Japan’s energy and environmental technologies
- Formation of trade policy that promotes sustainable production while guarding against green protectionism
- Contribution to international debate on green economies

(1) Creation of a green economy model compatible with environmental carrying capacity of the Earth

Along with advancing various policies on the 3Rs, Japan has pioneered policy for realising a sound material-cycle society that takes into account controls on resource use, such as the application of resource productivity indicators as policy objectives. Furthermore, revision of energy policy greatly dependent on nuclear power is unavoidable following the critical accident at the Fukushima Daiichi Nuclear Power Plant, and the need to control the volume of resource use according to environmental carrying capacity of the Earth, including energy consumption, has become widely recognised. The shift to a socioeconomic system that is compatible with environmental carrying capacity of the Earth is an extremely difficult issue. It will sometimes require industrial restructuring which may make considerable and painful reductions in scale in some industrial sectors. The majority of debate on green economy makes allowances for affected industries and tends to be limited to discussion on improvement of productivity and efficiency that does not require extensive adjustments to the scale of activity. However, it has become widely recognised that the socioeconomic activities of developed countries at present are in excess of environmental carrying capacity of the Earth. If all people in the world realised a standard of living on par with developed countries, the Earth would suffer too heavy a burden to withstand. Developed countries are strongly called upon to make earnest efforts to realise genuine green economies that are compatible with environmental carrying capacity of the Earth. It is essential to shift away from values that excessively seek convenience and to rethink lifestyles dependent on mass production and mass consumption.

In two regards, Japan enjoys advantageous conditions for the creation of a green economy model. First, Japan has a record of past achievements in promoting policy aimed at creation of a sound material-cycle society. Moreover, the recent earthquake and nuclear accident have resulted in an opportunity to review the appropriate socioeconomic systems. If we consider the present crisis as a critical turning point for shifting to a green economy compatible with environmental carrying capacity of the Earth, such a shift would not only spur Japan’s sustainable development, but would also facilitate other developed nations to develop their own green economy models. It would further lead to securing the resources required for provision of the fundamental infrastructure essential to the eradication of poverty in developing countries. Such a shift would be a great contribution to international society.
In order to materialise this win-win solution, a detailed matching process that takes into consideration the perspectives of both Japan’s green innovation and the green economy in emerging and developing countries is essential. It is further imperative to immediately draft a detailed plan for international standardisation of technologies, regulations, norms and standards in the environmental field in co-operation with other Asian countries. Utilising the knowledge Japan has accumulated related to policy on the 3Rs, investigation and information provision in areas where potential need for technological and financial support is high (such as creation of sound international systems for cyclic use of resources) could be effective. Additionally, if the economic benefits of the sustainable use of ecosystem services can be reflected in market mechanisms through adoption of green national accounting, technological innovations in the use of ecosystem services (green agriculture technologies and technology to utilise lumber from thinning), which have developed comparatively slowly until now, can be expected. This would further enable international co-operation related to the creation of societies in harmony with nature.

(3) Formation of trade policy that promotes sustainable production while guarding against green protectionism

In order to avoid green protectionism, mechanisms to prevent obstacles to equitable trade must be deliberated based on assessment of the influence of green economic policy on trade and the environment. Efforts are also necessary to venture even further to create mechanisms that allow for policy to promote sustainable production on the part of exporting countries. For instance, if green certification and technology transfer are paired bilaterally, sustainable production methods to meet with green certification are facilitated. Research on sustainable production and border adjustment measures is relatively embryonic. If proposals on such mechanisms are made through new policy research in addition to existing research, further important international contributions can be made.

(4) Contribution to international debate on green economies

Differences in the standpoints of countries within
the international debate on green economies have become evident. While some countries have doubts about the concept of green economy or believe the concept should be loosely defined according to the circumstances of respective countries, some argue that if the definition of a green economy is made overly flexible, the validity of the concept itself will be damaged. A major point of dispute is the fear that the concept of green economy according to developed nations is premised on green technologies and will thus be a constraining factor on development in least developed countries in particular.

In order to address this negative potential and to advance constructive debate that overcomes the different standpoints of countries, it is desirable to allow countries to utilise not only their own green economy policies but also those of others to achieve their priority goals, including poverty eradication, while sharing a common objective: to shift to green economy on a global scale. For instance, realisation of green economies in developed countries could imply a shift to socioeconomic structures that are compatible with environmental capacity and environmental constraints. For emerging and developing countries, realisation of green economies could imply becoming greener (such as improvements in efficiency and advances in productivity in countries eager to improve energy efficiency and resource efficiency). At the same time, it is important to pursue a win-win approach which links these green economy policies to poverty eradication and the promotion of sustainable development in countries apprehensive that the green economy concept will put constraints on development.

Application of such a flexible approach allows for countries with differing standpoints to debate on an equal footing, and paves the way for debate on ways to facilitate co-operation among countries with differing circumstances. As international debate on the green economy concept is furthered in the future (both within the UNCSD process and otherwise), creation of a framework for effective debate that overcomes differences in country standpoints will surely be an important intellectual contribution.