

Summary of the Environment Panel

This year's session on the environment was the fifth of its kind since the 1998 Northeast Asia Economic Conference in Niigata. Based on the issues and major recommendations discussed at the conference in previous years, this year's discussion paid more attention to concrete proposals for encouraging and expanding cooperative action on development and nurturing the environment in the region, aiming at breaking through the tradeoffs between the environment and economic development.

The moderator, Dr. Tsuneyuki Morita, Director of Social and Environmental Systems Division of NIES (National Institute for Environmental Studies), opened the session with an introduction of the main directions of this year's discussion. According to NIES forecasts about future trends in global warming, Northeast Asian region, in particular, is expected to suffer the greatest impact of global warming. As there is a tradeoff between economic development and environmental preservation in Northeast Asia, countermeasures need to be taken and environmental industries activated here in order to achieve the coexistence of both economic development and environmental preservation. The utilization of private sector power is most desirable in achieving this; therefore, the panel focused on such specific proposals.

A brief report on the potential for environmental industry cooperation in the region was made by ERINA. Although each country may differ in terms of economic development and environmental conservation depending on its development stage and industrial structures, the common issue of environmental conservation necessitates extensive cooperation in order to encourage environmental industries in Northeast Asia. Despite the fact that environmental industry markets in Northeast Asia are expected to experience rapid growth in the coming years, broader encouragement and nurturing of the industries are necessary in order to respond to and comply with increasing demand in them. However, each country has limited capacity in terms of its financial and human resources, the extent of the knowledge base on sustainable development, and also access to and availability of adequate information. These shortfalls can be successfully overcome by means of effective international cooperation and there is great potential for this in Northeast Asia.

In the first round of the panel discussion, panelists made presentations about the current status of and further development prospects for the environmental industry in their countries and highlighted concrete policies for international cooperation. The issues of eco-financing and eco-banking had not been addressed in previous sessions. In order to activate private participation and investment in eco-friendly activities, eco-financing or eco-banking has to be nurtured and developed as well. Ms. Mizue Tsukushi, President and CEO of Good Bankers Co., Ltd., discussed this issue, focusing on initiatives in Japan.

Further comprehensive discussions on specific proposals to promote international cooperation and develop eco-friendly industries took place with the participation of both the panelists and the audience. Dr. Zamba Batjargal, Ambassador Extraordinary and Plenipotentiary of

Mongolia to Japan welcomed the important issues discussed here. In his comment, he highlighted the importance of clarifying the mechanism of cooperation among the countries, citing the fact that there still has not been enough action despite a pool of existing international conventions, regional, and bilateral agreements and acts on environmental issues, especially in Northeast Asia. Mr. Nikolay Atanov, Minister of the Economy and External Relations of the Republic of Buryatia, RF, delivered an address from the President-Chairman of the Government of the Republic of Buryatia, Mr. Leonid V. Potapov, in which it was proposed that a joint working group be formed to elaborate a draft program on launching a pilot project entitled "Baikal World Model Territory of Sustainable Development and Civilization Dialogue", to be submitted for consideration for the agenda of the forthcoming WSSD (World Summit on Sustainable Development) RIO+10 in Johannesburg. In connection to this, he announced that a conference on launching a sustainable development project in the Lake Baikal area will be organized this year in the Republic of Buryatia and that active participation by the countries in the region is expected.

The specific proposals made for nurturing the environmental industry can be classified into the following groups: (1) technology development and transfer; (2) finance; (3) human and institutional capacity-building; (4) governmental policy; and (5) other organizational matters. These were:

(1) Environmental technology

- The transfer of technological know-how and management practices has to be addressed simultaneously in transferring environmental equipment and facilities;
- Supporting mechanisms for SMEs need to be developed to secure their compliance with environmental regulations. For example, various waste discharged by SMEs can be treated in a collective manner on a market basis;
- Market mechanisms need to be developed in addition to direct support from governments;
- Cleaner production and technology are necessary in addition to conventional environmental industries, in order that economic development and environmental conservation can coexist at a lesser cost;
- Traditional ethics towards nature need to be taken into account in developing and introducing modern technology as they may help us find ways to minimize its destructive impact on nature and environment;
- Food security issues need to be addressed in considering environmental problems. Research into organic farming practices also needs to be carried out thoroughly.

(2) Environmental finance

- Economic incentives and financial support mechanisms need to be integrated;
- The eco-finance industry should be nurtured and developed;
- Green investment incentives in security markets should be encouraged through developing such financial products as eco-funds and eco-bonds. In this sense, The governments of Niigata Prefecture or

Niigata City could undertake pioneering initiatives in the form of issuing green-bonds;

- The power of individual investors should be utilized broadly and green-investment opportunities need to be extended in order to drive both businesses and investors into eco-minded activities. Pension funds and postal savings hold great potential for investment in green-security markets.

(3) Human and institutional capacity-building

- Sustainable environmental education needs to be developed at all levels in order to build environmental consciousness among the population. Here, the role of NGOs is essential;
- Encourage joint research into common, acute environmental problems;
- Information networking and exchange has to be improved through different forms of communication, such as round-table meetings of experts, web-based information networking and research.
- Technical exchange programs need to be extended to compensate for each other's shortfalls;

(4) Government policy

- Strong governmental regulations and higher fines for emissions need to be imposed for the time being, in order to compel eco-mindedness on the part of businesses;
- Trade and governmental insurance policies and aid allocations need to be eco-minded or environmentally-tied;
- Bilateral and multilateral negotiations and agreements

need to be extended further and fully utilized.

(5) Other organizational matters

- Regular and more frequent round-table meetings of experts, academics and government representatives need to be introduced in order to formulate and perceive actual projects;
- Energy and environmental issues should be discussed within a single panel session at the Northeast Asia Economic Conference in Niigata, and it would be desirable to establish a steering committee or special advisory committee.

Furthermore, the leading roles in encouraging such environmental cooperation on the parts of Japan and China were underlined, while economic and institutional incentives from China are mostly expected. Moreover, Japan has to cooperate with China and developing countries to meet its emission commitments at a lesser cost extensively utilizing the CDM¹. It was recommended that ERINA take a leading role in the next step towards the goal: initiating concrete action aimed at realizing the recommendations and proposals for cooperation discussed at the Conference. So, it is a time for the institute to embark upon materializing the ideas and launching actual actions and projects, for which no room has left for their further delays. Nevertheless, the issues discussed here were food for thought not only for ERINA, but for all the participants.

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¹ Clean Development Mechanism