

The Fragility of Hatoyama's 25% Reduction Initiative: The Risks of Losing International Leadership

Original Japanese version released on September 14, 2009

Akihiro Sawa

The 21st Century Public Policy Institute

Two illusory premises

At a symposium held on September 7, Mr. Yukio Hatoyama, President of the Democratic Party of Japan (DPJ), declared a mid-term target to reduce greenhouse gases (GHGs) by 25% from 1990 levels by 2020. This raised concerns among the industry that 25% was too high a target to achieve, along with questions regarding the lack of transparency in the decision-making process of the target and the ambiguity of implementation measures to achieve it. Labor unions representing various industries expressed their anxiety regarding the target's impact on employment. In addition, the wide public and media have criticized the target's inconsistency with the DPJ's other policies, including expressway tolls discounts and abolishing the provisional gasoline tax, and have voiced their fear towards increased public burden that could run as high as 3.6 thousand Yen (about 4,000 US dollar) annually. So far, the European Union (EU) is among the very few countries that have reacted to Mr. Hatoyama's speech; no word has been heard from developing countries.

Having evaluated the manifesto of the Democratic Party of Japan in the previous paper, this time, I will make an assessment of their initiative to reduce GHGs by 25% from 1990 levels in 2020 (hereinafter referred to as the "25% reduction initiative") along with an explanation provided in a television program in the evening of September 8, by DPJ House of Councillors lawmaker, Tetsuro Fukuyama, who presumably had great influence on Mr. Hatoyama's speech.

The 25% reduction initiative appears to be founded on two premises, both of which have been founded on no clear grounds. Firstly, the DPJ believes that Japan can take international leadership with the 25% reduction initiative. Secondly, it assumes that a stringent GHG reduction target will invite positive effects on the national economy (or is confident that this will prove to be true.) This paper will focus on debating the first premise regarding international leadership, leaving the latter for discussion in a paper to follow.

To be frank, with the 25% reduction target, Japan cannot gain international leadership, but in fact can risk losing leadership as a result of triggering a sense of disappointment with Japan among developing countries and provoking escalated demands for larger reductions in developed countries. Furthermore, it could arouse skepticism in the US government that Japan may be undermining diplomatic ties with the US.

The consequences of heightening expectations among developing countries

The DPJ has forgotten (or perhaps, are not aware?) that many major developing countries appreciated Prime Minister Taro Aso's genuine "clear water" target of reducing 15% compared with 2005 levels (which would be achieved solely by domestic efforts, not employing overseas credits, or offsets), and that these countries have also criticized the EU for including offsets and other developed countries such as Australia for "cheating." Councilor Fukushima mentioned the possibility that "the 25% target may not be a 'clear water' target." If this is true, Japan may have disappointed South Africa and Bangladesh, which were supportive of Japan's "clear water target" as a criterion proving the sincerity of its reduction efforts, and government authorities of China and India, which have been critical of the excessive use of offsets by developed economies. We would hope that a leader of government charged with severe international negotiations would be more prudent of what he says, as any statement he makes, even domestically, is bound to eventually reach all governments via their embassies.

Perhaps the DPJ's intention was to impress developing countries by setting out the 25% reduction initiative as a sign of Japan's enthusiasm towards large reductions. However, at the current global negotiation table, developing countries led by China and India are not ready to give up their demands for reductions in developed economies by 40-80% - far beyond 25%. Although Councilor Fukuyama mentioned that reduction efforts are meaningless without the participation of China and India, saying that the government would "strongly urge" their involvement, it is hard to conceive that two countries which have maintained a hard-line stance so far in global negotiations, which are not always based on good intentions, would be so easily "urged" to assume a reduction target.

They are, however, very likely to escalate their demands, applauding Japan's competence - its unprecedented declaration of a high reduction target exceeding the capacity of all other countries and its positive outlook that the more stringent the target is, the more innovation is promoted, and hence a stronger economy. They would suggest

that in order to accelerate economic recovery, Japan might seek an even higher target which would fulfill their demands of reductions by 40% or more. Would the DPJ be ready to accommodate such demands? Or, would they respond that 40% would be impossible even in their best efforts? If so, what makes 25% a viable figure, and 40%, not? If in turn, China and India should insist on a 40% reduction target as a nonnegotiable condition for their involvement, would the DPJ assent to the 40% reduction target alone, regardless of US and EU resistance? If not, the DPJ would leave developing countries in great despair

The major problem with the 25% reduction initiative is that it was announced without any diplomatic strategies to convince developing countries to abandon their severe demands and has unnecessarily raised their expectations. Turning to Mr. Hatoyama's speech, we find the passage: "We also seek to establish an equitable and effective international framework involving all major economies of the world. Japan's pledge to the international community will be based on a "precondition" that an accord on ambitious targets has been reached among all major economies." This was perhaps the minimum requirement set out by knowledgeable diplomatic experts in the course of preparing the speech. We find hints of divided debate in the wording; his inclusion of the word "also" is a good example.

No legally binding commitments for the United States

Another issue is US relations. Major developing economies are likely to contend that Japan, having played a key role in formulating the Kyoto Protocol, should ask the US and EU to explore higher goals. Even in the absence of such demands, Japan should press the US and EU based on its own judgment. According to Councilor Fukuyama, "The US's target is 0% from 1990 levels. Not having ratified the Kyoto Protocol, its emissions have increased by 14% compared to 1990 levels, which means that 0% from 1990 levels actually represents an ambitious reduction target of 14%, accompanied by a Green New Deal worth 15 trillion Yen."

However, there is not a single country in the world that considers the US target to be ambitious. The world only respects President Obama's enthusiasm – in comparison to former President Bush - towards climate negotiations. If President Obama were truly keen on promoting global warming-related measures, he would already have proposed a bill to ratify the Kyoto Protocol, which the former Democratic administration signed. If the US is really ambitious, as Councilor Fukushima believes, he could advise new Prime Minister Hatoyama to request, in the upcoming Japan-US top level meeting: "Having ratified the Kyoto Protocol and having decided on a mid-term reductions target of 25%

for the next period, we want the US to join us again at the Kyoto Protocol negotiation table. We ask you to reconsider ratifying the Protocol and to take your current mid-term target further up to a level that would require efforts involving costs comparable to those of Japan.” If the Hatoyama administration can display such diplomatic initiative, then major developing economies would doubtlessly respect Japanese diplomacy.

Before I go on, I would like to warn readers against misleading remarks that the United States has already made an international commitment to a mid-term emissions reductions target. Councilor Fukuyama is among others in Japan who are interested in commending the US, by introducing the 17% reduction target to be achieved by 2020 compared with 2005 levels mentioned in President Obama’s Budget Message and the target to cut emissions by 20% incorporated in the Waxman-Markey bill, both of which are actually no more than declarations or aspirational goals, as if they were legally-binding formal pledges to the world. However, the truth is that the US has yet to make an international commitment to a legally-binding mid-term target. The US proposal for a post-Kyoto framework submitted to the United Nations Framework Convention on Climate Change (UNFCCC) states that reduction targets of developed economies should be determined in conformity with domestic law and does not identify any concrete figures.

Understanding the US diplomatic strategy on climate change

The Waxman-Markey bill has not yet passed the Senate and thus has yet to be enacted as law. With the health care bill running through rough waters, the Waxman-Markey bill is also bound to have a tough road ahead, especially with some Democratic Party Senates representing states which will be economically affected by the bill. Furthermore, even if the bill does become law, the economy-wide numerical target will be no more than an aspirational target and cannot constitute a national pledge. Therefore, the popular perception in the United States is that the economy-wide target will only, in effect, introduce legally-binding measures within the boundaries of the cap-and-trade scheme, and that it cannot serve as grounds to legally bind the US government to a post-Kyoto framework. In other words, the general view is that the US will not ratify any international agreements, as it did not, the Kyoto Protocol.

Particularly in the Senate, where the final decision on ratification is made, Republicans, who are extremely averse to having national choices narrowed by international commitments, retain the number of seats required to block ratification. Taking careful note of such delicate circumstances, the Obama administration, in desperate pursuit of international leadership, took an aggressive approach towards

determining a long-term target for 2050 but cautiously avoided making any commitments to specific numerical targets regarding the more viable mid-term target for 2020. Furthermore, it at long last succeeded in justifying the comparison of emissions with those in 2005, thus dismissing the 1990 benchmark which would work in favor of the EU (The Reality of EU Global Warming Measures: Studying its Tough Diplomatic Strategies), at the L'Aquila summit meeting.

The United States' diplomatic strategies on global warming can be summarized as follows: The US will create an impression on world opinion that the Obama Administration is willing to push climate measures forward, thereby dispelling the negative attitude taken by the Bush Administration towards global warming measures. Therefore, in the long-term – which does not require any concrete measures to be implemented in the immediate future - it will propose a bold reduction target of 80% by 2050, but in contrast will avoid committing itself to a specific numerical mid-term target, a viable target. Its clarification of domestic targets will be hinged on the commitment of major developing economies including China and India, at least, to implement emissions reductions policy measures comparable to those in developed countries. With even EU considering reduction targets of 40-80% impossible to achieve, Japan and other developed economies must withstand the unreasonable demands made by developing countries. Also, in order to make developing countries seriously involved, the US should technically oppose their demands but advance bilateral diplomatic negotiations first with China, using the trade restriction provision in the Waxman-Markey bill as leverage. If developing countries should strongly demand financial and technological assistance, it should not be offered by the US alone, but equally burdened by Japan and EU as well.

The United States: silence after Hatoyama speech

With this strategy in mind, we can only imagine the US's dismay over the sudden announcement of a new 25% reduction initiative benchmarking 1990, instead of 2005, coming from Japan, with which it had kept close ties, after its painstaking efforts to make EU consent to the new baseline year. Just when an integrated diplomatic strategy was about to be maintained among developed countries including the EU, against unreasonable demands from developing countries, Japan's introduction of its 25% reduction initiative could break ranks. EU acclaimed the 25% reduction initiative, not to anyone's surprise; Japan has in effect become the first to offer to be a buyer of excess credits generated in a sectoral crediting mechanism (a scheme in which developing economies that have committed to a intensity-based target or other numerical target

are issued credits for achieving their goal but suffer no penalties in non-compliance), EU's dole out scheme for developing country involvement. For scrambling players of the money game, who will enjoying large profits from transactions in a crediting (emissions trading) scheme, any country that sets out targets that are absolutely impossible to achieve are not only valued clients who will purchase emission allowances but also an important source of market information on price forecasts.

The US government has remained silent after the Hatoyama speech. After all, Mr. Hatoyama is still the Prime Minister in waiting; it may well have refrained from extending any comments before the dawn of a new administration. However, in light of the comments already conveyed by EU and other countries, the US's silence regarding the speech is noticeable. Diplomatic silence rarely represents an affirmative response but is more often a modest implication of disapproval. We have no way of knowing how the 25% reduction initiative has been evaluated in the US administration, but we can at least imagine that it has not been welcomed with open arms. The US stance may be that it will not interfere with Japan's decision but will not tolerate any requests for the US to explore larger reductions. The DPJ's coalition with the Social Democratic Party (SDP) embraces many elements of conflict, including global warming issues. We can only hope that climate issues will not become another pending issue in US-Japan relations.

2010 Davos Meeting: chance for new proposals

Having understood that the 25% reduction initiative may trigger very serious problems in Japan's relationship both with the US and with developing countries, we should now consider what Japan should do to gain genuine international leadership.

Firstly, the DPJ should abandon anachronistic notions from the Kyoto era of competing over numerical figures. Japan must not only work on its own reduction targets but also make a comprehensive proposal for a post-Kyoto framework that will build a bridge over gaps between developed and developing economies. Japan will need to at least present its basic stance regarding reductions and actions to be demanded of developing countries and offer a concrete design identifying the scale and source of required financial cooperation and the methods and rules for technological cooperation, in order to lead the debate in diplomatic negotiations.

This means that Japan can only assume global leadership by proposing an original post-Kyoto framework, using it to conclude negotiations between the US and China, the two major emitters without binding reduction commitments, and making EU and major developing economies accept their conditions for agreement. If Japan cannot actually take its leadership this far, then it should strive to make important contributions in the

predictable negotiation process by making the key proposals for agreement and providing substantive financial and technological assistance schemes.

A second round of opportunities for Japan to take on a global leadership role will come around, ironically, when international negotiations on a post-Kyoto framework fail or become deadlocked. If Japan can offer light to the prevailing gloomy atmosphere by presenting a completely novel idea that can reactivate negotiations and debate, then Japan will be able to gain global initiative. Fortunately, or unfortunately, with the current domestic situation in the US, it is unlikely that final agreement will be reached in Copenhagen, in which case the Davos meeting to be held in January next year will be the opportunity for Japan to propose such a new framework. The Davos meeting will celebrate its 40th anniversary next year; a commemorative meeting will attract extensive global attention. A proposal for a new framework will be discussed in the next paper.

Therefore, in the series of international conferences to follow the birth of the Hatoyama Administration, the 25% reduction initiative should be left aside until its details are determined and it can be submitted as a formal proposal. Instead, the “Hatoyama Initiative” mentioned in Mr. Hatoyama’s speech and the new proposal to be made after Copenhagen should be the immediate issues on the agenda.

President Obama’s diplomatic position also deviates from his campaign pledges. After election, he has scrupulously analyzed the national circumstances of each country based upon which he entered into adroit negotiations. The DPJ has begun carefully review from financial dimensions the many short-term policies contained in their manifesto. Compared with these measures, global warming measures have a larger economy-wide impact and require measures in the long-term and thus require more careful and comprehensive consideration.

Speech by Mr. Yukio Hatoyama, President of the Democratic Party of Japan
(September 7, Asahi Environmental Forum)
Summary of relative passages

“To begin with, we will aim to reduce emissions by 25% compared with 1990 levels, based on levels called for scientifically to hinder global warming. We also seek to establish an equitable and effective international framework involving all major economies of the world. Japan's pledge to the international community will be based on a “precondition” that an accord on ambitious targets has been reached among all major economies.

I believe that what is needed now in international negotiations is for politicians around the world to meet their responsibilities in securely preventing climate change and maintaining global security and peace. We will strongly urge all major economies of the world to establish ambitious targets.

I believe that developed countries should provide financial and technological assistance to developing countries that are striving to reduce emissions by establishing Nationally Appropriate Mitigation Action (NAMA), for example. Similar assistance should be offered as an adaptation measure for especially vulnerable developing countries.

As soon as our new administration is launched, I will identify specific assistance measures in a “Hatoyama Initiative” to present to the international community.

The establishment of a society not reliant on carbon poses a major opportunity for Japan.

Even without mention of President Obama’s Green New Deal initiative, aggressive efforts to address climate change issues will give Japan a new frontier in clean energy, including electric cars and photovoltaic generation, and will create employment in these areas. Despite conservative views that active engagement will aggravate the economic situation and people’s lives, I believe it will induce an economic turn for the better and improve the livelihood of the Japanese public. ----One generation ago, Japan actively engaged itself in technological innovation to achieve better energy efficiency in order to

overcome the oil shock. These efforts eventually supported the international competitiveness of Japanese enterprises. Today, as we pave our way in the 21st century, we should also address new challenges.

I have great confidence in the capacity of Japanese companies and our citizens....

Summary of comments
made on “Hodo Station” (Asahi TV new program) September 8
by Tetsuro Fukuyama,
member, House of Councillors (Democratic Party of Japan)

1. Prime Minister Aso’s mid-term target is not as ambitious as those of other countries. The US’s target is 0% from 1990 levels. Not having ratified the Kyoto Protocol, its emissions have increased by 14% compared to 1990 levels, which means that 0% from 1990 levels actually represents an ambitious reduction target of 14% accompanied by a Green New Deal worth 15 trillion Yen. Japan is the only country with a low target.
2. Prime Minister Aso’s mid-term target will be satisfactory enough for China and India to be motivated to become involved. In the Japan-China environmental minister meeting in June or July, China said that Japan’s mid-term target was insufficient for China to join. It is meaningless without the involvement of China and India. President Hatoyama also said in a speech that he would strongly urge major emitters to commit to an ambitious target and that such an accord among all major economies is the “precondition” for Japan’s 25% reduction target. The DPJ has not identified the breakdown of the 25% reduction target – how much will be achieved by forest sequestration, CDM, etc. This should be determined in diplomatic negotiations.
3. The government’s economic impact estimate is an irresponsible figure. It is based on a business as usual scenario that forecasts an economic growth rate of 1.3%. In these times, it is difficult to imagine that economic growth would be possible without aggressive environmental investments. Another model developed by the National Institute for Environmental Studies (NIES) estimates that 1.1% economic growth could be achieved even if emission were to be reduced by 25%, accompanied by increased disposable income and slightly higher energy bills. Once the DPJ has taken over government, we will conduct estimates based on new models and exhibit to the public that environmental investments can have a positive impact on the economy.
4. Considerations will of course be made for the iron and steel industries and other

industries exposed to international competition. With that in mind, there is a need to advance multinational negotiations to our advantage, which is the reason for our 25% reduction target. If Japan's highly energy efficient manufacturing industry were to lose international competitiveness, it would be detrimental to our national interest. The 25% reduction target is not opposed by all of industry; many companies see it as opportunity.