

Summary for JEF DGAP Symposium

How Germany and Japan Cooperate in Major World Issues?

Berlin, February 16, 2012

Welcome and Introduction

Amb. Paul von Maltzahn

Ambassador von Maltzahn emphasized that the symposium would deal with major global issues. Japan had been shaken by a triple catastrophe: the earthquake, the tsunami as well as the nuclear incident. In this symposium we would deal with the consequences of the crises. In addition, Japan had also started a very active policy of free trade agreements (FTAs). Global climate change was also an important issue. In Europe, this problem had been put on the back burner due to the persisting Euro zone crisis. Now we should try to put the record straight again.

Noboru Hatakeyama

Mr. Hatakeyama introduced a new governance model to reform the existing G8 and G20. At the G8 Heiligendamm summit in 2007, Germany had invited a group of five emerging countries to participate (G5). This outreach had lasted for two years until the summit in Italy where the process had been extended. However, there had been no objective criteria for the G8 plus the G5 and therefore no legitimacy by international standards. Originally, the G7 used to have objective standards for participation which included the largest economies; however this had changed with the decline of Canadian economy since 1995 below the 7th in the world GDP ranking and the inclusion of Russia that had never gone up higher than No.8 since 1998. He therefore proposed a new group of G10 which was to be selected by objective criteria, such as a country's GDP share in relation to the world's as well as a country's population share in relation to the world. Ten countries seemed to be a reasonable size to deal effectively with global governance. Based upon 2008 data, if we select member countries in the G10, it will be comprised of the G7 countries with the exception of Canada (G6) and the four BRIC countries (Brazil, Russia, India and China). 2015 would be a good starting point for the G10. In 2015, Germany would host the G8 meeting and no country seems better suited to take the chair because Germany demonstrated its deep understanding through formulating G5.

Session 1: The FTA between the EU and Japan: Benefits and Risks

Naoyuki Haraoka

Mr. Haraoka stressed three points of reference for the discussion: 1) the current status of the bilateral FTA between the EU and Japan; 2) trade and investment as part of a future growth strategy; and 3) the complementarity of FTAs with WTO articles, in particular GATS plus provisions in some FTA agreements.

Prof. Yorizumi Watanabe

The speaker emphasized that his vision of the world economy comprised three mega-regions: The EU, the Americas (including NAFTA and Mercosur) as well as East Asia (ASEAN+3, ASEAN+6). In addition, there were inter-regional cooperation agreements: APEC between Asia and the American region, ASEM between the EU and Asia as well as the Transatlantic Marketplace and the Transatlantic Economic Council between the EU and the US. As the Doha Round was in a deep freeze, regional agreements now played a major role in liberalization.

In Asia Pacific, competitive liberalization was taking place in three blocks: 1) ASEAN+3 FTA, 2) ASEAN+6 EPA and 3) the Free Trade Area of Asia-Pacific (FTAAP). In addition, the Trans-Pacific Partnership (TPP) was emerging. Within these liberalization initiatives, only the TPP was making major progress. Therefore Japan was interested in joining it. Regional economic integration in East Asia had been a business-driven integration through FDI. The production networking had then turned into a de facto integration.

Japan's FTA strategy focused on the economic partnership agreements (EPA). However, the FTA had always been in the middle of this strategy. Other aspects included investment, bilateral cooperation, competition, and government procurement. So far, Japan had concluded EPAs with 13 countries in the region and elsewhere. It had started negotiations with Korea, the GCC and Australia. How would Japan proceed from now on? Through the completion of bilateral FTAs/EPAs, Japan wanted to expand to a wider East Asian integration (ASEAN+6) with an integration-oriented approach on the one hand, and an Asia Pacific Agreement (TPP) with a rule-oriented approach on the other hand. The symmetry of the two directions would then hopefully lead to a FTAAP.

Japan-EU trade relations had started with the Japan-EC Joint Declaration in 1991. The Action Plan for Japan-EU Cooperation from 2001 had led to a friendly and more cooperative relationship. The decade from 2001 until 2010 had thus been a decade of cooperation. EU and Japan shared the same values of Western democracy. Therefore, the EIA should be more than a mere FTA/EPA: Japan had therefore proposed joint works on innovative society, environmental-friendly society, infrastructure for secure society as well as mutual improvements on trade and investment. Through a FTA with Japan, the nominal GDP for the EU could increase by 5.5 trillion USD. In May 2011, both sides agreed to launch a "scoping exercise". The EU was looking for tangible improvements in NTBs, government procurement, investment possibilities as well as in agriculture while Japan wanted to accelerate the process to fill in the preferential gap with Korea in the EU market. The speaker suggested that the EIA should be more clearly defined, that the entire package should be consistent with WTO rules and that the principle of "single undertaking" should be applied. With respect to the often criticized railway products trade balance of Japan with the EU, Japan only had a trade surplus with the UK.

Concluding, the speaker stressed that the TPP had been gaining momentum, that the Japan-EU EPA/EIA could be a solid platform for the EU to strengthen its ties with East Asia and that the scoping exercise should be defined as an integral part of the entire negotiations.

Hubert Knirsch

Japan and the EU belonged to the most important economies in the world and had a strong political partnership. Both also enjoyed good trade relations, consisting of 110 billion Euros both ways. However, the relationship was still below its potential.

Japan and the EU were both active supporters of the WTO and the Doha Round which was a firm priority of German trade policy. However, the WTO focused on the question of tariffs, while nowadays NTBs were the most important barrier to trade. Therefore, the EU had launched a strategy of bilateral FTAs among others with Korea, South American countries, Mexico, and India. The EU had been unable to conclude an FTA with the ASEAN region; however, there was good progress with individual ASEAN countries like Singapore and Malaysia. The EU Japan FTA was therefore part of a wider picture.

In 2011, the EU and Japan had decided to launch a scoping exercise in order to analyze the risks and opportunities of such a FTA. The danger was that if you failed in the FTA negotiations, you could risk an otherwise good relationship. But the scoping exercise had the same problem. In December 2011, the third round of scoping had taken place, focusing on NTBs. Japan had traditionally low tariffs, but high NTBs. So far, there had been an exchange of lists of areas where the EU wanted progress: among others on open regulations in form of mutual recognition agreements on standards, procedures, and safety regulations. There had been some progress, but success was still not ensured, there was still some work to do. However, this was not a question of time, but a question of good-will and determination. The business community in the EU and Japan had contributed with good-will and determination so that it could happen this year.

Friedolin Strack

Mr. Strack emphasized several points. First, he stressed that the WTO was a very important framework. But the German Chancellor Angela Merkel had said in Davos in January 2012 that the time for the Doha Round was over now. With respect to bilateral negotiations, he stressed that it was no problem to drop them, if there was no progress on the issue. However, he was confident, that if we entered into negotiations with Japan, we would reach a conclusion.

Secondly, regarding the economic situation of the EU and Japan, both countries were strongly interlinked with respect to FDI; however, they were only little interlinked with regard to trade in industrial goods. EU-Japanese trade had positive and negative aspects: From 2009 until 2010 trade had increased strongly: German exports to Japan had increased by 20%, while German imports had increased by 60%. So the trade deficit was remarkable. Germany exported 54 billion Euros to China, but only 13 billion Euros to Japan, little more than to India and Korea. Germany had such a large trade deficit because of the high amount of informal trade barriers. Some examples:

- 1) Within the international automotive standards (OEM), there were 127 standard groups worldwide. Of these, Japan applied only 44 and this was not enough. Therefore the number of European automotive companies was very low in comparison to other open markets.
- 2) Japan had high regulations for the registration of new chemical substances which tended to exclude manufacturers from chemical industries.
- 3) Japan had very specific certification requirements for industrial textiles.

The speaker emphasized that he fully agreed if both sides talked about an economic agreement. It was fine to abolish tariffs. However, German industries had problems particularly with NTBs; therefore progress in this area was also necessary.

Thirdly, the BDI insisted that Japan made commitments in certain areas before the EU entered into negotiations. The implementation of better market access was important to convince German industries that negotiations were worthwhile. So far, there had been no success within the high-level groups who had been negotiating for a long time. If there was no progress in some areas ahead of the negotiations, the German industry would not be interested.

Session I Q&A

The discussion focused on the reservations by German industries and others regarding a possible FTA between the EU and Japan. Why had these reservations persisted for such a long time? One panelist explained that it was very difficult to fight the image of a closed Japanese economy. In contrast, Japan imported many European products into the Japanese market. In addition, he stressed that there should be no preconditions for entering into FTA negotiations. Another panelist mentioned that it was a good sign of progress that it was now possible to bring the respective industry associations together.

A participant stressed that there had to be preconditions for opening FTA negotiations with Japan. Clear signals from Japan to open up its markets (particularly government procurement) were needed. Since 1995 there had been only few successes in the high-level dialogue with Japan. Germany was a pretty open market on NTBs and it needed these preconditions to convince member states and business to enter into negotiations. Another participant added that Japan was not sufficiently integrated into world markets right now. The reservations that were mentioned could be measured: Japanese imports as a share of GDP were 12%, the share of manufactured goods was only 6%. In comparison, the share of German imports to GDP was 32% and the manufacturing imports around 20%. In his view, the main obstacles were not NTBs but the Japanese language. It was a problem for foreigners to integrate successfully into Japanese network societies. As it was very expensive to enter the Japanese market, the European strategy for preconditions was the right way. Another participant explained that not only the Japanese import ratio but also its export ratio was very low.

A panelist pointed out that the FTA between EU and Korea was completely different from the FTA between the EU and Japan. In Korea, the German industries had strong offensive interests, e.g. in machinery.

Another participant replied with respect to the low implementation of international automotive standards in Japan that these had been established by the EU and worked to the European advantage. In addition, these standards were for big companies and a problem for SMEs. A panelist predicted that the very complex road of FTA patterns would bring us eventually back to the table of the WTO in five to six years. By then, the trade world would be too complex for SMEs to cope with global business.

A participant asked how a FTA between the EU and Japan would fit into the Global Europe strategy of the EU. A panelist confirmed that Global Europe put a priority on negotiations with emerging countries. But in practice, it was not always easy to proceed. The negotiations with Mercosur were difficult; there was some progress with India; Russia was more focused on its Eurasian partners; and a FTA with China was very unrealistic. So the

EU was now also looking at established economies such as Japan and the US which did not seem to be so difficult after all. Another panelist stressed that Global Europe had also introduced the concept of shared values, which was the case in the EU Japanese relationship.

A participant asked about the progress of a FTA between the US and the EU. Was there any effort made in this direction? A panelist stressed that he was very interested in a transatlantic FTA. The main problems were also in the area of regulations and NTBs. However, he was optimistic that we would enter into a scoping exercise.

A participant inquired why the EU did not conclude a FTA with ASEAN as a whole, particularly since Myanmar had now changed its policy. A panelist answered that the European Commission had a mandate to negotiate a FTA with ASEAN. In 2009, it had been decided to suspend the negotiations as it had not been possible to make any more progress. First, the political framework agreements of the EU were an obstacle. But he hoped that it was possible to return to a regional basis eventually. Secondly, there were also economic aspects: The ASEAN countries were industrialized to a different degree. It was very difficult to negotiate with such a diverse group of countries. The TPP also included a diverse set of countries. If it was possible to conclude these negotiations, it would be a strong push for a FTA between the EU and ASEAN.

A participant asked why Russia and the Middle East had been left out of the mega-regions. A panelist emphasized that so far both countries/regions were no major players in this aspect.

Luncheon Speech: Amb. Andreas von Stechow

The FTA between the EU and Japan was managed by two big trading nations. Would this bring a deadly blow to multilateralism? Or were FTAs between regions by definition multilateral in the sense of the WTO? A precondition for FTAs was that they had to strictly conform to WTO rules. The Doha Round was dead, so were we approaching a new area? Was bilateralism a panacea to next decade's political and economic interaction of nations?

Japan's rise in world trade after its complete economic and political destruction in WWII was only comparable with that of Germany and the rise of both countries had been spectacular. For both, multilateralism had been the only way. Japan had reverted to multilateralism and was now a like-minded country and multilaterally-oriented like Germany.

Since 2002, the European Commission had started to negotiate bilateral agreements again, thus diverting from the Doha Round. The EU had initiated negotiations with India, Korea and ASEAN. Meanwhile China, Japan, Korea, ASEAN and the US had also started numerous bilateral trade initiatives. The strategies for FTA negotiations between high-price countries such as Japan were different from those with low-price countries. It was therefore important to look at per capita GDP to better understand the trade strategy. For example, Japan had a very expensive luxury car market. The VW Golf cost a lot more in Japan than in Germany, but not because of high tariffs but because it was sold as a luxury car. We also had to consider this aspect when talking about NTBs. The scoping exercise for a FTA between the EU and Japan was a means to understanding each other better and to explaining how the two societies were linked.

The question was whether more bilateralism diverted from multilateralism. SMEs which wanted to grow on a global level had problems because of the "spaghetti bowl" of FTAs and their different rules of origin. Today, there was a downhill trend of multilateralism. The new actors (BRIC countries) did not feel justly represented in the existing global fora. It

was seen as untimely that old super powers had a veto-right in the UN-SC and no proper representation of BRICS was accepted in the Bretton Woods Institutions. There was a risk that the BRIC countries would turn to bilateral ways as a result. Something needed to be done about this. The reforms had to start from within the UN system. The “Blue Ribbon Report” by Anand Panyarachun had been trashed although it contained an important reform proposition of the UN Security Council. We had to bring more justice into the multi-lateral system to prevent a slide downhill a road of bilateralism.

Germany and Japan were natural partners in this multilateral aspect. Both agreed on the values of the multilateral system and on how to conduct trade: both were of the opinion that trade had to be fair, that trade was a win-win situation. This brought both countries closely together. Japan and Germany had to cooperate in all major sectors and they had to motivate especially young people to continue this effort.

Session 2: The Nuclear Incident in Fukushima: Consequences for the Energy Mix in Germany and Japan

Nobuo Tanaka

Mr. Tanaka stressed that we were living in a time of unprecedented uncertainties: Would political unrest in producing regions make the oil market tighter? Would the situation with Iran deteriorate? What were the implications of the Fukushima nuclear accident? These developments had pushed the issue of energy security and sustainability on top of the agenda.

Asian emerging economies continued to drive global energy demand: From 2010 to 2035 global energy demand would increase by one-third, with China, India and other Asia accounting for two thirds of the predicted growth. Renewables and natural gas would become increasingly important and would collectively meet almost two-thirds of the incremental energy demand.

The changing oil import needs were about to shift concerns about oil security: US oil imports would drop due to rising domestic output and improved transport efficiency. As a consequence, EU imports would overtake those of US around 2015. China would then become the largest importer around 2020 and the largest consumer in 2032. With respect to gas, China’s demand had been 97 BCM in 2009, the same as Germany. In 2035, the demand would grow to 502 BCM, the same as Europe as a whole in 2009.

The power investment focused on renewables, but they were costly and capital intensive, representing 60% of investment for 30% of additional generation. Without further action, by 2017 all CO₂ emissions permitted in the 450 scenario would be “locked-in” by existing power plants, factories, etc.

There was a trilemma without nuclear power: It would give a boost to renewables, but it would increase import bills, reduce diversity and make it harder to combat climate change. By 2035 in the “Low Nuclear Case” compared with the “New Policies Scenario” coal and natural gas demand would increase strongly. The biggest implications would be for countries with limited energy resources that planned to rely on nuclear power such as Japan: If all nuclear power stations stopped, Japan needed to import 30 BCM of gas and 50 kbd of oil. Germany in comparison needed much more gas (16 BCM) to phase out its nuclear energy by 2022. Nuclear energy was therefore an important option for countries with limited

indigenous energy resources (low energy sustainability). Nuclear energy would be a very good complement for renewables to achieve energy security.

Did the current IEA system work? When you looked at the IEA stockholding cover of global oil demand, you could see that the growing share of non-OECD oil demand resulted in declining global demand cover from IEA stocks. Such countries as China and India therefore also needed to join the IEA.

Concluding, he stressed that one could not enhance energy security by risking someone else's: EU and Japan needed to work together. Energy security for the 21st century needed to be a "comprehensive electricity supply security" with diversified sources. The EU model of collective security could be applied to growing Asia. Japan also wanted to learn from Germany how to deal with Russia. In addition, Japan also had to work closely with new technologies. It should share the lessons after Fukushima in neighboring Asia: It was important not to give up nuclear power, but to have safe nuclear power. On a global level, nuclear energy was still necessary for energy security. Therefore, Germany should come back as soon as possible.

Prof. Diethard Mager

The speaker stressed that Germany was facing fundamental restructuring due to the "Energiewende", the transformation of our energy system, which had been presented in the fall of 2010, even before the incident in Fukushima. Germany had very ambitious energy policy objectives: In the power generating sector, Germany wanted to have at least 80% out of renewable energies in 2050. To achieve this, Germany needed new power grids, new power plants, more storage technologies, etc.

Germany was at the beginning of the transformation into a new energy system. In order to be successful, we needed to ensure that the energy supply remained secure and affordable for private households and industry. We also needed technology-neutral, market-oriented and cost efficient instruments. In addition, a comprehensive monitoring report by an independent energy commission was necessary. Lastly, also private sector investment was needed to make the "Energiewende" successful.

Germany faced five challenges in this transformation period that it needed to deal with:

- 1) The electricity grid question (new electricity highways): Germany needed a "grid development plan". In order to achieve this, it wanted to shorten its licensing procedures from ten to four years.
- 2) Germany needed more gas and coal-based power stations with high capacity. It was necessary to offset the fluctuations of energy coming from renewables. Gas was very relevant in this aspect.
- 3) Germany was in a good process of expanding the supply of renewable energy. However, the expansion was very expensive: In Germany, consumers paid more than 14 billion Euros on the promotion of renewables. Therefore cost reductions were important, particularly in the area of photovoltaic. Flexible instruments were needed to return to the markets after a period of subsidies.
- 4) Energy efficiency was becoming increasingly relevant. However, in this area Germany relied on support and not on compulsory measures. An "energy efficiency fund" had been set up.

- 5) Energy research was important to look for new storage facilities, new and innovative technologies such as smart cities, new energy wind converters, advanced fuel cells for automobiles, etc.

Germany had made a tremendous effort to restructure its energy supply. Germany and Japan faced similar situations; therefore both should be in close cooperation with public and private sectors as well as with think tanks.

Dr. Eberhard von Rottenburg

It was interesting to analyze how a highly-industrialized country like Germany managed the energy transformation process. The decision of the German government to phase out its nuclear energy until 2022 had been a surprise for German industries. They had not been unaffected by public discussions on this issue. However, the Federation of German Industries (BDI) consisted of a variety of members with different energy interests.

For the BDI, the question of the energy mix depended on the magic triangle of energy: we needed reliable, competitive and environmentally friendly energy. It was always good to have a broad mix of energy. The nuclear phase out in Germany had started before the incident of Fukushima. In September 2010, the German government had presented a radical energy concept: 80% of the energy should come from renewables over the next 40 years. The BDI had supported the German government in this decision.

The accident in Fukushima had cut 8.000 Megawatt of electricity, around 10% of total demand. Prices rose as a consequence, but there had been only a tiny drop-out and the system had been slightly less stable than before. Germany was connected to the European power grid. France received around 80% of its energy from nuclear energy. In the cold weeks of this winter, Germany therefore relied on France for its energy imports.

Concluding, the speaker described the present situation as a “controlled emergency situation” for German industry. At the moment there was no more single reserve in the grid. He mentioned two challenges for German business: 1) the rising costs for renewables posed a severe problem for German industry and it might rise even higher in the future. 2) Extra monitoring and steering was necessary to lead through the energy transformation process. Germany had no energy ministry, but the affected ministries should cooperate and work together more closely.

Session II Q&A

A participant mentioned that despite the fact that Japan’s national energy strategy included nuclear power, not one of the nuclear plants had been restarted after regular checkups in Japan after the incident in Fukushima. How was the Japanese government going to convince the public to restart any new nuclear plant? If this wasn’t changing, Japan would be faster than Germany in the energy transformation process. A panelist answered that the Japanese government should explain to the public what kind of consequences it would face if nuclear power was not used. For example, if Iran went to war, it would be a catastrophe for the Japanese economy at the moment. He was convinced that Japan had learned from Fukushima.

A participant inquired about the investment costs for low-carbon technologies that were mentioned. In his view, nuclear energy was also not a cheap option. We had to consider the life-line costs in these calculations. In addition, we needed to include the economic loss as a

result of the Fukushima incident. Then, nuclear energy would no longer be competitive. Both Germany and Japan now had a historic opportunity to work together on renewable energies. They should both start a joint project on renewables. A panelist answered that the door to the sustainable scenario was closing: CCS was not really working; renewable energies were costly, even when the costs were coming down. Therefore we needed a backup: Nuclear energy was still relatively competitive in this aspect and it was also a stable option which we should not give up. Even if we included the figures of Fukushima, nuclear energy remained competitive. One had to bear in mind the low frequency of these occurrences.

A participant asked whether the loss of jobs in the area of nuclear energy was an overall job loss or whether it was compensated by new jobs created in the renewable energy sector. A panelist answered that many jobs had been lost in the nuclear energy sector, and that jobs had been created in the area of renewables. However, renewables so far could only live on public support. Therefore they were not market-based jobs which could survive without subsidies.

A participant stressed that 90% of the gas and oil imports to Japan had to pass the Strait of Hormuz. Maybe Japan should focus more on Russian and Chinese gas pipelines as an alternative. A panelist explained that a gas pipeline to Russia had been planned, but that it had not materialized. Japanese gas price at the moment was four times higher than in the US and 50% higher than in the EU. This needed to change; one way would be through gas pipelines from Russia.

A participant inquired about the next steps of the German government with respect to energy efficiency. There was a huge potential for energy efficiency in the building sector. A panelist emphasized that the government wanted to reduce the energy consumption by half. This was a serious challenge, particularly in the building sector. There was an enormous potential for energy efficiency which was a central part of the energy transformation process in Germany.

A participant asked the panelists to elaborate on the idea of power to gas. This idea was seen as an interesting possibility by one of the panelists. Germany had an existing pipeline system for gas which might be used. It would be possible to store a certain amount of hydrogen.

A participant wondered if a time would come when energy price per hour was the decisive factor for investment in Asia, the US or the EU. A panelist answered that energy price per hour was only one aspect besides education, infrastructure, etc. Germany wanted to keep the costs for energy at certain level. We needed to keep Germany as an industrial country.

A participant mentioned that energy intensity had changed. We needed to look at the per capita costs. A panelist answered that Germany and Japan should work together bilaterally on “green growth”. If the emerging economies did not change their way of life, we would all be in deep trouble. It had to be a common concern to engage China and India into the global framework (WTO, G10). He also hoped that Japan would get the support of Germany to involve China and India in the framework of the IEA. We all needed a more multi-layered approach to energy security and Germany and Japan could work together on this issue.

Session 3: How Japan and Germany Can Cooperate to Build Up a Common Framework to Address the Issue of Global Climate Change?

Amb. Mutsuyoshi Nishimura

Ambassador Nishimura pointed out that it had been decided at the climate conference in Durban to create a new agreement starting by 2015. What could negotiators achieve through this? The Kyoto Protocol aimed at a 5% reduction for industrial countries which was barely fitting the efforts needed for targets like the 2°C goal. The Kyoto Protocol was ambition driven, but not science driven. It also threw responsibility to governments while it let the true polluters stay idle and pollute free of charge. This was the reality. Nick Stern had said that climate change was the greatest example of market failure, because there was no market. If China and India were to join the Kyoto Protocol, they would demand that everyone cut even more deeply and pay more.

The world will be different by 2020, 2030, 2050 from 1960s. Without sure solutions people would get bored, tired and deserted and breed denialism. Without easy and cheap solutions, Americans would not come on board and the EU and Japan neither. Without taking aim at the polluters and making them pay, there would be no durable solutions. Half solutions (bottom-up attitude) would result in huge investments and yet would not achieve the desired targets.

He was proposing to change the paradigm from reduction to emissions-within-global-cap paradigm. There should be a global carbon cap rather than national abatement systems. The global emissions should be contained within the carbon budget for temperature target like 2 °C. The hope was that the next round of negotiations would achieve cheap, easy and effective solutions to prevent climate change.

Dr. Karsten Sach

Mr. Sach emphasized that the climate conference in Durban could be seen as a success because success was relative: Compared to where we needed to go, it had been only a small step. However, we were able to achieve all the goals we had set out for Durban. In Durban, countries had agreed on the following main points:

- 1) There had been an agreement that all countries should go together in a legally binding system to reduce emissions. This agreement should cover all member states. There was a window for this agreement until 2015. This allowed for a second commitment period of the Kyoto Protocol.
- 2) There was an acknowledgment of all countries that the steps that were taken were not enough. Everyone agreed that there was the need for raising ambition levels within the framework and outside.
- 3) Countries had agreed on a number of operational steps as building blocks for a future agreement. Among others, countries had agreed to start building the infrastructure for a Green Climate Fund. In addition, countries had committed to creating technology and transfer networks.

How to move forward? It was difficult to create a high level of ambition with 196 countries. We needed a global treaty, a framework, and clear targets. But in politics, we also needed transformation agendas within the individual countries and a learning process. National action needed to be combined with leadership cooperation.

What could Japan and Germany do to move things forward?

- 1) There was a standing offer from the EU to Japan to link its carbon pricing mechanism to the EU emission trading system (ETS). So far, the EU had been quite successful in developing this linkage with Australia.
- 2) German and Japanese think tanks could develop possible future scenarios together.
- 3) Japan always had a “sketching meeting” early in the year about what would happen in the upcoming year. An exchange on these issues was always intellectually inspiring.
- 4) There should be a much more formal setting of dialogue between Germany and Japan on climate change issues.

Daniel Klingsfeld

Mr. Klingsfeld emphasized that countries had agreed on a 2°C target, but according to the pledges so far, we were heading for a 3.5°C world. This included even the non-binding pledges that were made. So there was a large gap between the offers that were on the table and the necessity of the 2°C target. There was a growing consumption-based CO₂ footprint. In many emerging countries, particularly in China, emissions had gone up. For an effective solution it was therefore necessary to integrate all major emitters, including the emerging countries.

One major outcome of the Durban climate conference had been a roadmap to craft a comprehensive agreement until 2015, taking into effect in 2020. So far, the legal status had not been decided and the choice of instruments remained open. This needed to be decided by 2015. What could be called a success in 2015? The speaker proposed three benchmarks: 1) an agreement that would bind the largest emitters, especially the fastest-growing ones like India and China; 2) an effective framework that would bring about the global emissions peak by 2020 the latest; 3) a long-term structure that would reduce global emissions in line with the 2°C guard rail.

Germany and Japan could strengthen their leadership in renewable energy deployment and energy efficiency strategies. This could be a role model for other countries to follow suit. Even though this was important, it was not enough. We needed solutions to motivate others. This was about fairness and effort-sharing on a global level. In order to integrate the largest emitters and to bring about absolute global emission reductions you needed to find more creative solutions.

Session III Q&A

A participant pointed out that the issue of technology and development had not been mentioned in the presentations. There was a possibility that the climate problem could be solved through a technological breakthrough. A panelist agreed that technology development was indeed crucial. However, there was a problem to invest in technology without regarding the price of the investment. Therefore, there must be a price on emissions before an investment was made. Another panelist also subscribed to the view that in order to achieve the climate targets, technological development was important. In Durban, countries had committed to technology networks outside the framework. This was a signal that the development was moving in the right direction. Another panelist stressed that technology development could be a means to lower costs. Through this, progress was possible

without any global consensus. However, this could only be seen as a second-best strategy because it was necessary to “lock in” the progress that had been made so far.

A participant supported the idea that China and India should be bound to cut their emission levels. However, he argued that many critics would regard this as an unrealistic idea. A panelist agreed that he was not very optimistic about this. Both countries continued to use the argument about their difference (they came late; advanced countries had already polluted so much). Even if both countries came forward, they would do only little. This was also why the national abatement systems would not achieve the temperature goal. He would therefore propose to put a cap on global emissions if we really wanted to achieve the 2°C target. A participant reiterated that China and India had to be included. The G7 should request a commitment for every country including emerging and developing countries to observe a binding quantified obligation to reduce GHG emission. The G7 could restrict investment e.g. into countries which were not willing to commit. A panelist agreed that China and India should be on board but not on the same footing: China had more emissions per capita than France so we needed to get China on board. India however, had less than 2 t per capita and was as such in a totally different category. Nonetheless, he was optimistic about China which wanted to become more energy efficient in order to prevent any negative impact on its growth.

A participant inquired about the EU’s offer to Japan to link the different carbon pricing mechanisms. What was Japan’s reaction to this? A panelist argued that we needed to do something effective quickly and that we would lose time through this bilateral approach. Another panelist stressed that Germany and Japan should try to form a coalition. It would send a strong signal to the markets if Japan accepted this offer. On the other hand, if we did not manage to deal with Japan, which was a very similar country to Germany, it could be seen as a bad sign for future cooperation.

A participant asked how foolproof the idea of a global emissions market could be implemented. In Germany there had been a misuse of the carbon market. A panelist answered that he would propose an effective monitoring system for the future. The EU ETS had several problems: the targets were not ambitious enough and the price was too low. However, the misuse had been a criminal offense and as such would not speak against the system but against the security precautions.

A participant wanted to know whether the ETS could be operated to include certain areas, e.g. the EU and Japan. A panelist replied that a price on carbon was the best way to mitigate emissions. It was better to put a price on carbon on several countries than to put the price on a national level. But the best way was still a global carbon market. We had to cap globally to achieve our temperature objectives. However, we should not divide the global cap to different countries as this was going to give a sense of managed economy. Another panelist added that you could find out through a global emission trading system for which companies and people it would be most easy to reduce.

A participant asked what would happen if we reached above the 2°C target. If we missed this goal, it could be worthwhile to think of adaptation programs. A panelist pointed out that we did not have a complete picture about the risk analysis and risk evaluation so far. We needed to discuss what type of risks we were willing to take. Adaptation programs were very important, even if we achieved the 2°C target. This temperature was just an average worldwide, so in some regions the temperature rise would be even higher.

Closing Ceremony

Amb. Paul von Maltzahn

Ambassador von Maltzahn emphasized that he had learned from the first session of the symposium that the FTA between Germany and Japan was not a question of time but a question of good-will and determination. Regarding the energy strategy (second session), Germany had changed its energy mix away from nuclear energy towards the use of renewable energies. He had learned from the discussion that after the incident in Fukushima, there could now be an opportunity for a joint German Japanese initiative on renewable energies. In the area of climate change (third session), the participants had all agreed on the need for a global cap on carbon emissions. So at the end of the conference, a lot of synergies between Germany and Japan had emerged.

Noboru Hatakeyama

Mr. Hatakeyama mentioned that he wanted to stress some points he was most impressed by: German side statement that Japan still had NTBs. Nonetheless he was quite optimistic about the scoping exercise. It was an encouraging sign that a German told that the FTA between the EU and Japan might not be more difficult than other FTAs between the EU and India or the US. It was also vital to stress the role of SMEs in this context. In the field of energy, he was mostly impressed by the statement that if Japanese nuclear power plants were shut down one after another on the occasion of regular inspection and would not start again due to the oppositions from local communities, Japan would have completed the energy transformation from partly nuclear dependent to non nuclear dependent much earlier than Germany. At this stage, this is not the intention of Japanese Government, he said.

End of Symposium