

'Hatoyama Initiative' on Global Warming

Vowing 25% Cut in Japan's CO₂ Emissions

By Hiroshi OKABE

Photo: Kyodo News



Prime Minister Yukio Hatoyama speaks at a U.N. climate change summit in New York on Sept. 22, vowing to cut Japan's greenhouse gas emissions 25% from their 1990 level by 2020.

The dramatic change of power in Japan has led to a major shift in the country's role on the stage of international negotiations on climate change. Addressing the United Nations Summit on Climate Change in New York on Sept. 22, Prime Minister Yukio Hatoyama set out Japan's mid-term goal of sharply reducing emissions of CO₂ and other greenhouse gases on condition that all major gas-emitting nations, including the United States and China, join an international framework to be negotiated. "Japan will aim to reduce its emissions by 25% by 2020, if compared to the 1990 level," he said, going far beyond the previous government's reduction target of 8% by the same standard.

On support for developing countries, the new Japanese leader proposed a "Hatoyama Initiative" outlining Japan's financial aid and transfer of energy-saving technologies to help them reduce greenhouse gas emissions. Hatoyama thus clearly showed Japan's readiness to take the lead in international talks toward the U.N. Climate Change Conference in Copenhagen in December. The conference is intended to build a new framework succeeding the 1997 Kyoto Protocol.

"I am resolved to exercise the political will required to deliver on this promise by mobilizing all available policy tools,"

major economies participate. The commitment of Japan to the world is premised on agreement on ambitious targets by all the major economies." He thus urged the United States, China, India and other major gas emitters to join the Japanese initiative.

Concerning the focal point of support for developing nations, the Hatoyama Initiative laid down a four-point policy package. It calls for (1) developed countries, including Japan, to help developing countries "through substantial, new and additional public and private financing"; (2) developing rules that will facilitate international recognition of developing countries' emission reductions, in particular those achieved through financial assistance, "in a measurable, reportable and verifiable manner"; (3) establishing an international system to "facilitate one-stop provision of information on and matching of available bilateral and multilateral financing"; and (4) setting up a framework to promote the transfer of low-carbon technologies in a manner ensuring the protection of intellectual property rights. The fourth point was included in the initiative as many Japanese businesses are worried that the transfer of energy-saving technologies to developing countries could lead to an outflow of their intellectu-

al property rights. By incorporating this issue, Hatoyama sought to encourage the private sector to expand investment.

Hatoyama revised sharply upward the 8% target laid down by the administration under his predecessor Taro Aso, making the new, ambitious goal Japan's international pledge. Hatoyama, who showed Japan's new role to the international community, faces a tough challenge of how to achieve the 25% reduction target in the years ahead. The domestic business community, on the other hand, is worried that Japanese corporations might be left behind in international competition due to higher costs if they are to realize the 25% cut when they have already achieved a higher energy-saving structure than US and European firms. Large gas-emitting industries such as steel are concerned that they could no longer maintain production in Japan. The high-level target could also impose a heavy burden on individual households which would be required to introduce ecologically friendly motor vehicles and solar power generation equipment. Hatoyama would need to clear high hurdles to forge domestic consensus in achieving the mid-term goal.

Fortunately, Japan has an experience of surviving two oil crises in the 1970s by developing energy-saving technologies to lay the groundwork for economic growth later. Some say Japan's high-level emission-cutting target might slow economic growth in the short term. But from a longer point of view, Japanese corporations would be able to achieve one of the world's top levels of international competitiveness in the environmental field if they could advance their technologies to achieve the reduction target. "I have full confidence in the abilities of the Japanese people and our companies," Hatoyama told the U.N. climate change summit. "Political leaders at this time also have a responsibility to future generations to create a sustainable society by transforming the social structure that we have known since the Industrial Revolution."

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Spurring Consumer Spending by Direct Funding

Hatoyama Gov't Makes Economic Policy Shift

The economic policy of Prime Minister Yukio Hatoyama's administration is characterized by its attempt to revive the economy by rerouting fund flows to households from the state through such measures as creation of child-care allowances and abolition of expressway tolls. The Hatoyama government regards these policies very important to raise wages and invigorate consumer spending.

As his Democratic Party of Japan pledged in its policy platform to increase the disposal income of households and change Japan's economic growth pattern to one led by domestic demand, the Hatoyama administration aims to stimulate stagnant consumption by directly funneling cash into consumer pockets. To be more precise, the government plans to squeeze out 16.8 trillion yen in fiscal 2013 by boldly overhauling the 207 trillion yen budget set aside for both general and special accounts, and use the funds made available to finance child-

care allowances of 26,000 yen a month per child under 15 and abolish expressway tolls.

The government aims to transform Japan's economic structure under which wages failed to increase while firms generated record profits as export-driven growth continued. This is based on a strategy to transform the Japanese economy into a domestic demand-led one by fostering new businesses in low-profile sectors such as agriculture, healthcare and nursing care.

The problem is that it takes time for those "structural reforms" to begin having economic recovery effects. Although the Japanese economy has managed to get out of the economic crisis following the shock of Lehman Brothers' collapse, the pace of recovery remains slow. Economists are concerned that it may



slow down even more as early as the end of the year when the effects of stimulus measures such as public works projects and tax cuts for the purchase of eco-friendly cars are expected to wane. How to strike a balance between economic recovery and structural reforms holds the key to successful economic management by the Hatoyama administration.

Land Prices Plunge across Japan

Some Optimists Foresee Rebound in Fall

Japan's real estate market – an important indicator foreshadowing economic activity – is accelerating its downtrend, but some economists see a possible change of tide in the offing. According to a survey by the Land, Infrastructure, Transport and Tourism Ministry, land prices as of July 1 dropped from a year before in almost 99% of 150 major commercial and residential areas. On the national average, prices of commercial land declined 5.9% for the second straight annual drop and those of residential land went down 4.0% for 18 years of fall in a row. Both declines were the largest in the past five years.

Out of 23,000 locations surveyed nationwide, including industrial areas, only three spots saw their land prices rise, the fewest since 1975 when the

survey began.

Tokyo topped the list of declines in commercial land prices in the three largest metropolitan areas with 8.9%, followed by Nagoya with 7.3% and Osaka with 7.1%. All the three areas logged the first land price fall in four years. Other major cities also saw prices sag markedly. "The global economic slump forced more offices and stores to be closed or downsized. Housing demand also shrank," a ministry official said.

In sharp contrast with the survey, however, optimistic sentiment is spreading among some real estate people, if not all. "Although the market will remain sluggish in local cities, land prices may rise again in Tokyo," a real estate analyst said. An industry leader, Hiromichi

Iwasa, head of the Japan Real Estate Association and also president of Mitsui Fudosan Co., said, "Property rental fees have declined as well, making it easier for tenants to rent out office or store space. I feel office demand improving since last April."

With the effect of a tax incentive for home buyers and other policy measures, demand for condominiums has begun to show a sign of improvement. Some long-term foreign investment money is returning to the Japanese property market. An economist said "upward momentum in land prices will become much clearer" if the economy pulls out of the slump.

Hiroshi Okabe is a senior business news editor at Kyodo News.