

Chapter 16 Effects of Multi-level Environmental Governance in East Asia

East Asian nations have undergone rapid industrialization, urbanization, and poverty reduction during the last two decades. Export-oriented industrialization, coupled with deregulation of foreign direct investment is often referred to as the key factor of rapid economic growth, as it has removed price distortion and taken advantage of their comparative advantage in international trade. Political elites have supported this strategy to keep the legitimacy of the authoritarian regime, recognizing that this can ensure rapid economic growth, and satisfaction of material welfare of the majority of people.

At the same time, rapid industrialization and urbanization have caused serious environmental degradation. While globalization has expanded opportunities to gain economic benefits, it has accelerated the exploitation of natural resources. Victims and civil society organized protests against the causes of the problem, such as industrial location and infrastructure development. However, these protests were sporadic and did not evolve into massive movements under authoritarian regime. States took the environment into account only if environmental degradation risked to become a bottleneck of economic growth. This attitude has allowed the expansion of environmental degradation that had trans-boundary implications, such as acid rain, haze, international water resource depletion and pollution. This calls for regional and global institutions for environmental governance.

In this regard, there are twin challenges of advancing sustainable development in the East Asian region. One is to determine an alternative development strategy that can minimize adverse environmental impacts. The other is to develop an environmental governance regime that can address underlying causes of the problems at local, national, regional and global levels.

This volume focuses on the latter aspects and raises a set of questions as follows.

- (a) How has multi-level environmental governance evolved in the East Asian region?
- (b) To what extent has the evolved multi-level environmental governance in the East Asian region effectively addressed local, regional and global environmental problems? What is the future perspective on it?
- (c) To what extent can the evolved multi-level environmental governance push East Asian nations towards changing the prevailing course or mode of development in the East Asian region? And in what governing process?

1. Evolving Multi-level Environmental Governance

As examined in chapter 1, the participation of major actors involved in environmental

governance has changed considerably amid democratization and globalization. By the late 1980s when authoritarian states had sought development and the principle of sovereignty prevailed, international environmental conferences and international donors had exerted increasing influence on norms and interests of political elites. As authoritarian states placed priority on economic development to keep their legitimacy, they accepted international assistance as long as they could obtain financial and intellectual capital they needed for fighting against environmental degradation, and as far as the assistance would not disturb internal affairs. Democratization and subsequent environmental protests made political and economic elites recognize that the state should have environmental institutions, although the extent varied among nations.

During the Asian economic crisis in the late 1990s, political and economic elites perceived the sense of vulnerability in economic and ecological terms, and sought for regional cooperation as a form of crisis management. However, regional environmental initiatives and frameworks did not work effectively to change recognition and interests of major emitters, such as China and Indonesia. Perceiving huge compliance costs that accrued to a large number of heterogeneous emitters, these two nations capitalized on their upstream location to exercise de facto veto power, refusing legally binding commitment.

The global climate regime is taking over the regional environmental regime in changing both the principles and interests. It provides global environmental norm that is based on the principle of common but differentiated responsibility. This norm prompted Japan as an Annex I nation to adopt a long-term ambitious carbon reduction target, and consider implementing carbon-energy tax to attain the target. It also convinced many East Asian developing nations to commit to an emission reduction, though it is not legally binding. New financial mechanisms, such as the Clean Development Mechanism (CDM) and the Reducing Emissions from Deforestation and Forest Degradation in developing countries (REDD), offer opportunities for heterogeneous emitters and landholders to obtain economic gains from emission reduction, reducing risk of incompliance with the international commitment.

Private sector and civil society increasingly command a significant place as both transnational channels of communication and driving forces of more stringent and effective environmental policy. Product-based standard and regulation has given private sectors incentives to manage the environment beyond company level, convincing their suppliers to change materials and production process. Multilateral environmental negotiations have offered environmental NGOs opportunities to collaborate each other, to be a transnational channel of communication, and to help East Asian counterparts to increase credibility and legitimacy in their society and to be a major player in the environmental governance.

2. Effect on Environmental Problem Solving

Democratization has increased domestic pressure for better environmental governance. In South Korea, Taiwan, Thailand and Indonesia, people are free to organize massive protest against projects that may cause serious social and environmental impacts. South Korea and Taiwan went further, involving people and nongovernmental organizations (NGOs) in the decision making process of the Local Agenda 21 under the Democrats governments. In Thailand and Indonesia, massive protests forced state and/or private companies to give up locations of power generation and industrial plants.

However, democratization has empowered economic elites much more than civil society. When and where economic elites get the power, the democratic state shows a similar behavior as the authoritarian state: it takes social and environmental implications into account only as long as this does not compromise economic growth and takes a top-down, administrative approach in implementing environmental policies. In South Korea, while democratic presidents attempted to institutionalize participatory approaches through the process of a sustainable development strategy, the Lee Myong-bak government reversed it to the top-down, growth-centered green growth low carbon strategy (chapter 2). In Thailand, stronger political influence of business and political elites has blocked further enhancement of institutional capacity, making the state leaving the root causes of its environmental problems unsolved wherever they clashed with their interests (chapter 3). Japan saw a similar backlash as South Korea in the 1980s, but increasing fiscal deficit, losses in the court over air pollution alongside the national road and frequent protests against state-supported development projects forced political and economic elites to agree revising appraisal criteria for state-supported road development projects that take environmental impacts into account. However, this revision requires considering environmental benefits from congestion reduction, while not requiring taking environmental costs fully into account, intensifying justification of the state-proposed projects (chapter 4).

International donors provided financial and intellectual capital that was needed for political elites in East Asian nations to take countermeasures against both environmental degradation and protests. They also helped to keep providing development aid that had been criticized as environmentally disruptive. However, their roles have declined as its comparative advantage diminished. After the international community had agreed on formulating millennium development goals, they have shifted focus on pro-poor environmental programs and projects, allocated an increasing amount of funds to civil society and NGOs to enhance effectiveness of community-based projects.

Two chapters (chapter 6 and 7) in this volume find that community-based, pro-poor environmental projects have not always been effective in empowering local communities and

conserving the environment. Study results further suggest that villagers change their behavior to take environmentally benign actions when they share a sense of ownership of the development project and perceive visible and short-term economic gains. Positive outcomes can only be expected where communities have stronger environmental norms, embedded in rules over resource use.

Regional initiatives and frameworks emerged as a response to deepening economic and environmental interdependence. When checked in detail, interdependence is uneven. In terms of trade, Japan, South Korea and ASEAN increased dependence of its exports to China and ASEAN while China *decreased* export dependence to Japan and South Korea. In terms of environmental pollution, China and Indonesia are recognized as emitters while Japan, South Korea, downstream nations in Mekong river basin and neighboring nations to Indonesia are considered as victims. In addition, there is no clear link between regional trade regime and environmental regime, because the primary drivers of region environmental protection stem from the perceived severity of environmental problems rather than concerns about the effects of differences in environmental standards on national competitiveness and market access. This typically appears in the South Korean bilateral free trade agreements (FTAs) that contain no environmental provisions, their exclusive aim being to attract trade and investment as an Asian hub (chapter 9).

A three-party FTA among China, South Korea and Japan could generate the largest environmental as well as economic gains among the prominent multilateral FTAs even without environmental provisions, given large inefficiency in energy and resource consumption in China (chapter 10). An East Asian carbon emission trading system, if created, will increase efficiency and generate both economic and carbon reduction gains on the same grounds, although some adjustments in the reduction target would be required to make it acceptable to China (chapter 11). It is not until East Asian nations mitigate the principle of sovereignty, non-intervention and non-interference and change the emitters' perceived cost and benefit of environmental protection, that these agreements and schemes will come into effect. The regional environmental regime in East Asia has not effectively changed both the principles and interest, failing to address the underlying cause of the problems (chapter 12). This happened because adversely affected nations have gone too far in emphasizing equal responsibility while emitters have capitalized on their upstream location by exercising a de facto veto power.

The global climate regime is changing both the principles and interests, thus increasing the effectiveness of environmental governance. Nonetheless, it is still questionable whether CDM and REDD projects will actually solve the underlying causes of the problems to realize sustainable agriculture and forest management. The small amount of certified emission reduction gained from CDM projects, coupled with the lack of collaboration among farmers prevents methane gas

recovery from livestock from being widely adopted by farmers in China (chapter 8). REDD and REDD⁺ may not offer larger economic gains to migrants and loggers who have already capitalized on unclear land entitlements to legally occupy land for timber and oil palm plantation in Indonesia.

Private sector and civil society have increased their contribution to better environmental governance, and complemented lack of state capacity. However, their contribution has proved to limit impacts to date. EESL has gained limited energy saving effects due to a lack of legally binding arrangements (in Vietnam) or weak enforcement (in China) (chapter 13). Transnational and export-oriented corporations have become active in implementing green supply chain management (GSCM) to manage environmental impacts in the whole product lifecycle, but state environmental policies exert higher influence to firms' behavior both in Japan and China (chapter 14). The state does not react to the pressure from environmental NGOs that are empowered by their transnational network, so far as it does not perceive any political and economic benefits (chapter 15).

To summarize, global climate regime, increased domestic pressure and capacity, and global product-based standard and regulations have become indispensable constituents in the multi-level environmental governance in the East Asian region. Their increased contributions have changed recognition, norms and interests of political and economic elites. This has brought better policy outcomes, although stringency and variety of policy contents, and strictness and effectiveness of enforcement vary significantly by nations.

3. Effect on Mode and Course of Economic Development

The evolution of the environmental governance regime has pushed states to implement proven "innovative" policies: that is, policies that had demonstrated proven effects in other nations, in terms of reducing the risk of investment, increasing the confidence of the investors in the government decision over the long-run, and making it easy for environmental innovation happen. These policies can gradually change the distribution of economic gains in the society, open the door for a wider range of actors to seek economic gains, create networks to increase pressure and support for further policy reform, as seen in the German feed-in-tariff system for renewable energy (Mori, 2012). Combination of these incremental changes will lead to a new political paradigm (Mitchell, 2010).

"Innovative" policy, which bears some similarities with the discourse of ecological modernization and green growth, may be consistent with East Asian nations' preference to corporative approach between state and private sector. It is also consistent with their export-oriented growth strategy. Hit by the Asian economic crisis in the late 1990s and threatened by their economic vulnerability, East Asian nations have intensified their export-oriented growth strategy, diversified direction of export to reduce risk of concentration, and increased foreign

exchanges. “Innovative policy provides them an opportunity to increase environmentally friendly products that have international competitiveness by reducing production cost of proven technologies and products.

It remains to be seen whether such an “innovative” policy pushes East Asian nations to change their policy goals or hierarchy of policy goals. They have learned to catch up with advanced nations in terms of policy and technology only in the limited fields of pollution control, energy and material flows. While the Chinese government, for example, set a binding target for the reduction of energy consumption, this target is defined as *per GDP*, allowing an increase in absolute terms. This implies that it keeps the presumption of increasing demand intact, showing little intention to reorder the hierarchy of economic and environmental policy goals.

One of the underlying factors is the widening income gap amid rapid economic growth. The Gini index has risen in several East Asian nations. In 2009, it has gone up to reach 0.536 in Thailand, 0.47 in China and 0.462 in South Korea (World Bank, 2011). This causes an increasing social divide, which makes it difficult for people to perceive environmental issue as being of general interest, to enhance collaboration for a better environment. This also makes it difficult for a state to enhance environmental institutions amid strong oppositions from vested interests.

4. Future

This volume has shown that the global climate regime, increased domestic pressure and capacity, and global product-based standards and regulations have increased the diversity of contributions to the environmental governance regime in the East Asian region. Considering the fact that global climate regime and global product-based standards and regulations have been initiated, supported, and intensified by European Union (EU), the future composition of the environmental governance regime in the East Asian region depends critically on (a) whether and how the EU keeps the position of main driver of global environmental governance, and (b) how widely and deeply East Asian nations share environmental norms and interests so that they turn from transnational learners to innovators of policy and technology development.

The recent European debt crisis that started in the early 2010s casts a shadow on the innovative role of the EU as a driver of global climate regime. Prior to the crisis, the EU took the lead in setting long-term ambitious GHG emissions reduction targets and proposed new financial mechanisms to involve many developing nations in the regime. Although the United States, Canada, Russia and Japan made no commitment, EU agreed to submit an ambitious reduction target for the second commitment period and led the discussions about the rules. However, the European debt crisis deprives the EU member states of financial capital for new financial mechanisms. This makes it difficult for developing nations to initiate climate actions and change their behaviors.

The European debt crisis also affects the export-led growth strategy in East Asian nations. China and South Korea are likely to face export slumps, bringing serious impacts on the production of renewable energy technologies. This may force them to choose among several options: expand domestic demand for environmental benign technologies and products, to cut throat competitions with their rivals or reverse their policies to disregard environmental impacts. If they choose the first one, the door will be kept open for a number of actors joining in to seek economic gains, which may generate technological innovation and call for policy innovation and system change. Once they choose the latter options, however, economic opportunities will be narrowed down to be confined to specific firms in specific nations, resulting in incremental improvement of the existing technologies at best, and calling for subsidies for wider diffusion.

The discourse of green growth is right in pointing out the essential role of innovation in changing the quality of economic growth. However, it does not clearly describe how developing nations enhance their national capacity for innovation. It remains a future challenge how East Asian nations capitalize on the adopted proven “innovative” policies to expand positive innovative strategies that will lead to the change in policy goals or hierarchy of policy goals. They have to do this under the decreasing contribution to global environmental governance by the EU member states.

References

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