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Perspectives for the G8 Hokkaido Toyako Summit

***Sharing Values with the World and Showing Responsible Commitment to
Global Issues as One of the World's Leading Nations***

Keizai Doyukai

(Japan Association of Corporate Executives)

I. Introduction: The Current Situation and Expectations for the Japanese Government

- The world is entering a very important phase. With the instability in financial markets sparked by the subprime loan problem, there is a growing sense of crisis with regard to the slowing of the world economy, demanding that countries around the globe stage a prompt and collaborative response. In addition, to ensure the world's stable development and the prosperity of humankind, it is essential for every nation to take it upon itself to rapidly and appropriately address issues that require resolution on a global scale, such as climate change, poverty, terrorism, and the proliferation of weapons of mass destruction. At the Hokkaido Toyako Summit to be hosted by Japan, it is thus incumbent upon the world's leading nations to share a common understanding and sense of crisis regarding these issues and to show the will to collaborate together to address them.

- To fulfill its duties as the world's second-largest economy and also as the chair of the summit, Japan must show deep foresight and responsible commitment and it must adopt a posture that demonstrates that it itself is actively addressing global problems.

- Of particular importance is that Japan makes use of its own experience and expertise for the benefit of the international community. Namely, Japan must utilize its own achievements to date and the lessons it has learned, for example, in overcoming the soaring crude-oil prices in the 1970s (the oil crises); in promoting the conservation and efficient use of energy; in overcoming the collapse of its own economic bubble; and in supporting East Asian development.

- Specifically, we expect Japan to share its values with the international community and to display leadership at the summit, a forum for international policy making, by contributing to the achievement of the desired outcomes set out below.

- This statement places particular emphasis on the problem of climate change and global warming countermeasures, one of the most important issues for the Hokkaido Toyako Summit. We wish to state anew here our expectations for the summit, basing our comments on "Exercising Leadership with Truly Effective Policies: Proposals for Environment Energy Policies including an International Framework for a Post-Kyoto Protocol," proposed by Keizai Doyukai in January this year, and taking into consideration the ongoing trends in international debate and factors such as Prime Minister Fukuda's comments at the World Economic Forum meeting in Davos and the results of the climate talks, held on April 17, by the nations that are the biggest emitters of greenhouse gases. We will also be monitoring changes in the situation with regard to other issues and will be stating our opinions on them once again.

II. Desired Outcomes for the G8 Hokkaido Toyako Summit and Issues for Japan

1. Climate Change and Global Warming Countermeasures

(1) The current situation

- Climate change resulting from global warming is irreversible, and the risks it poses are immeasurable. A sense of impending crisis must be shared globally and without delay. All countries and regions must collaborate to fulfill their "common but differentiated responsibilities" under the Kyoto Protocol.

- From the perspective of achieving both environmental conservation and economic growth on a global scale, it is essential that we seek to resolve this issue by adopting the stance of making an investment from a long-term perspective.

(2) Significance of the Hokkaido Toyako Summit

- Full-scale efforts are now being made in preparation for COP15, which will aim to agree

on a new post-Kyoto Protocol framework following the agreement on the Bali Roadmap reached at COP13 in December 2007. Given this timing of the Hokkaido Toyako Summit, the summit should provide a firm path for ongoing international discussions and negotiations by ensuring that the major emitter countries share a sense of crisis with regard to global warming and a determination to prevent it, and by solidifying their basic agreement to build the next framework.

(3) Desired outcomes for the summit

i. To agree to halve global greenhouse gas emissions by 2050.

- A prerequisite for restraining global warming and achieving climate stabilization is for the major emitter countries to share a long-term vision and goal for reducing greenhouse gas emissions.

- To increase international momentum toward COP15 in 2009, it is essential for this summit to move forward with the Heiligendamm Summit statement that "*we will consider seriously the decisions . . . which include at least a halving of global emissions by 2050.*" First, based on the scientific and technical analysis in the IPCC Fourth Assessment Report, developed countries should together affirm a scenario and goal to strive for on the basis of that report's "stabilization scenario."

- In addition, to gain the understanding and agreement of the major emitter countries, it is essential to use every opportunity to engage in continuing dialogue with them.

ii. To build a consensus on the timing of the downturn in emission volume ("peak-out"), and to link the results to COP15.

- To achieve the long-term goal set for 2050, it must be agreed that peak-out goals for reversing increases in emission volumes should be laid down.

- Given that the United States has voluntarily set out a medium-term goal aimed at 2025 and based on the IPCC Fourth Assessment Report and Prime Minister Fukuda's suggestion at the Davos meeting that it will require emissions to "peak in the next 10 to 20 years," the timing of the peak-out (e.g., 2020) must be discussed and a consensus built, and the result then linked to COP15.

- When carrying out the above, there should also be discussions on the necessity to

reexamine the base year for the next framework, for example, by moving it forward.

- Depending on the timing of the peak-out there will be a major change in the balance between the cost of measures for preventing global warming and damage, on one hand, and economic growth, on the other. This will place under scrutiny the quantity, quality, and urgency of short- and medium-term prevention activities by each country and region.

iii. To affirm that, in order to achieve reduction targets and build an effective framework, it is essential that each major emitter country assume "common but differentiated responsibilities," and lay down goals of some kind.

- To achieve goals such as the halving of emissions of greenhouse gases by 2050 and the "peak-out," we need to create a new framework that is effective. Consequently, it must be affirmed that the participation of all countries and regions and the sharing of goals for restraining climate change are essential.

- To win the understanding and participation of emerging economies, it is of particular importance that the developed countries agree to lay down medium- to long-term targets for the reduction of aggregate emissions for each country and region in line with the principle of "common but differentiated responsibilities" and take upon themselves the obligation to achieve those targets.

- The cooperation of all major emitter countries is a prerequisite for achieving these goals. Therefore, it is essential to reach agreement with emerging economies with respect to the necessity for effective medium-term targets in emerging countries also, for example, the restraining of the pace of increase in emissions.

iv. To agree to hold discussions toward achieving internationally consistent management of policy measures that enhance effectiveness.

- The summit must aim to ensure the implementation of more effective policy measures in ways that are internationally consistent. To achieve this, it must be agreed that diverse policy measures are not excluded from discussions from the start. Such diverse measures include emissions trading, customs agreements to inhibit carbon leakage, domestic carbon taxes, funding mechanisms, development assistance, and a sectoral approach, and they are aimed, for example, at strengthening incentives, at diversifying fund-raising, and at stimulating innovation through maximizing cost effectiveness and

fostering competition. It must be agreed also that such factors will be discussed as the significance, expected impact, and issues affecting the implementation of each of these.

- To make the most of its experience and strengths, Japan must proactively present, at these discussions, its unique contributions and proposals. In particular, the use of a sectoral approach as a basis for computing aggregate targets by country, further improvement of the effectiveness of this approach, and transfer of highly efficient environmental technologies to other countries are important issues for Japan in promoting sustainable efforts for global warming countermeasures.

- Because substantial long-term investment is required to stimulate innovation, the importance of promoting technical innovation and the spread of technologies through the use of the market mechanism and private-sector funds must be affirmed.

v. To affirm the necessity of building an international system for objective scientific research into emission volumes, the formulation of data for target setting, and the management of historical emissions data.

- Agreement must be reached on the necessity of building an international system for the purpose of objective research and validation regarding greenhouse gas emission volumes and the management of historical emissions data that will constitute the basis for future international discussions and negotiations.

(4) Issues for Japan and the responses required

- In discussions within Japan on the problem of global warming, there is inadequate awareness of the data and information upon which international discussions and negotiations are premised. Because of this, there is a marked lack of a sense of impending crisis. If this does not change, it inevitably will be difficult for Japan to display leadership as the summit's host country.

- We hope and expect that the issues set out below will be addressed, and that in doing so Japan will not simply rest on its past efforts and track record, but will address them from the stance of being a member of the international community with shared values with those of other nations, and of contributing to the resolution of global issues.

i. To set high reduction targets for Japan itself and announce this to the

international community.

- Among developed countries, only Japan and the United States have not set explicit voluntary reduction targets for 2050.

- To gain the participation of all major emitter countries, including developing and emerging countries, in the post-Kyoto Protocol framework, it is essential that, at the summit, the developed countries agree among themselves on high targets. To that end, Japan should, based on the statement of intent made by Prime Minister Fukuda at the Davos meeting, voluntarily lay down long-term targets to which it commits itself, and then engage in international discussions and negotiations.

ii. To undertake the development of innovative technologies, such as the development of alternative energy, as investment from a long-term perspective.

- The reduction of greenhouse gases and promotion of the low-/de-carbonizing are irreversible trends that require long-term measures. This new reality should be addressed rapidly, and global warming countermeasures should be designated as an “investment from a long-term perspective” and promoted in a forward-looking manner with a strategy to create competitive advantage.

- It is important for Japan to take up the challenge of high targets and, by such means as creating innovative technologies, developing alternative energy, and promoting nuclear power generation, to raise its presence as a front-runner in the sphere of global environmental issues. Both the public and private sectors should share this orientation, each taking action strategically and vigorously.

- In this field, it is necessary to have long-term, massive investment that is beyond the capacity of any single company or nation. In view of this, it is essential not only to employ domestic policy measures, but also to promote investment by utilizing the market mechanism and financial methods.

iii. To foster national understanding and promote a nationwide movement in which every citizen takes part.

- Global warming poses an acute threat and will require an unprecedented level of change in the economic, social, and industrial fields. Before discussing the merits and demerits of emissions trading, taxation, and other methods to address warming, it is necessary to foster a national understanding of the essential problems on the issue,

such as the diverse risks created by the rise in the earth's atmospheric temperature, and the need for worldwide efforts.

- To attain the high reduction targets and prevent warming, it will be essential for every citizen to accept major changes in their lifestyles as well as to bear economic burdens and greater restrictions on their convenience. In view of this, we would like Prime Minister Fukuda himself to speak to the nation and ensure that information is conveyed to the Japanese people, so as to promote a national movement in which every citizen takes part and which is underpinned by national understanding.

iv. To use Japan's strength as a bridge between developed and developing nations

- Japan is the only Asian member of the G8. With regard to addressing the problem of global warming, it will be expected to play the role of a bridge that can lead developed and developing nations from confrontation to cooperation.

- Consequently, it is essential that Japan make good use of its strengths, including technology, skilled human resources, and funds, to implement measures to assist developing countries, and that it help to encourage cooperation and dialogue between developed and developing nations.

2. Stabilization of International Financial and Capital Markets and the Sustained Growth of the World Economy

(1) The current situation and the significance of the Hokkaido Toyako Summit

- Further deterioration in the economic situation can be expected with the instability in international financial and capital markets sparked by the subprime loan problem and with concerns over a slowing of the world economy. The G7 meeting on April 11 achieved some results but was unable to dispel unease about the future. It is incumbent upon the developed countries to engage in further dialogue and efforts to deal with the situation.

- Given these circumstances, it will be essential at the Hokkaido Toyako Summit for the developed countries to arrive at a shared understanding of the current state of the world economy and the issues affecting it, and to affirm that they have the will to work

together to formulate the necessary countermeasures. In addition, they should contribute to market stability and the sustained growth of the world economy by sending out a positive message of cooperative action.

(2) Desired outcomes and points at issue

i. To thoroughly discuss the current situation and future outlook for the world economy, to achieve a shared awareness of the need for resolute action to avoid a global recession, and to send out a strong message that will help to ensure the sustained growth of the world economy.

ii. To discuss in greater depth the issues and measures needed to calm the international financial and capital market instability sparked by the subprime loan problem.

- The summit should confirm, based on the outcome of the G7 meeting held on April 11, the state of progress on issues that need to be addressed urgently to strengthen the international financial system.

- Additional discussions are required regarding the following issues: Issues that the developed countries should address collaboratively, such as the supply of liquidity and supervision of financial institutions; issues that each country should address, such as the use of public funds; issues that financial institutions must address, such as the strengthening of risk management, and necessary countermeasures.

iii. To discuss in greater depth the significance of and the countermeasures necessary for sovereign wealth funds, which are new players whose presence has been increasing through the injection of massive funds to financial institutions active internationally.

(3) Issues for Japan and the responses required

i. To “normalize” the domestic policy-making process amid the calls for cooperative action by developed countries.

- To ensure that no obstacles arise when implementing international policy measures and cooperative action, urgent steps must be taken to establish a framework for policy making and consensus building with a divided Diet.

ii. To increase confidence in the Japanese economy by showing commitment to the continuation of stable growth through the promotion of structural reform centered on fiscal reconstruction.

- The basic principle for economic policy is to implement structural reform centered on fiscal reconstruction and to ensure that the Japanese economy maintains stable growth. Affirming this and announcing it to the international community at the summit will increase confidence in the Japanese economy.

3. Development Assistance and Support for Africa – Establishing a Commitment to Achieve the Millennium Development Goals

(1) The current situation and the significance of the Hokkaido Toyako Summit

- The year 2008 is the year in which the midterm review of the United Nations Millennium Development Goals (MDGs) is to be conducted at the halfway mark toward the target year. At this point, however, there are doubts as to whether the MDGs can be attained by 2015 in either Africa or Asia.

- Given this, it is necessary to share the "voice of Africa" at the summit, based on the results of TICAD-IV due to be held in May, and also to show renewed resolve to attain the MDGs and to step up the intensity of discussions on matters, such as important future development-related issues and the form of a more effective development-assistance structure.

(2) Desired outcomes and points at issue

i. To reaffirm that the international community will join together to take measures of all kinds to attain the Millennium Development Goals.

ii. To agree on the drafting of a roadmap for the attainment of the Millennium Development Goals, and the sharing of this with the countries and institutions concerned.

- To work toward achieving the MDGs through international collaboration based on the midterm review, a consensus must be built with regard to the necessity of drawing up a concrete roadmap and sharing it with the countries and institutions concerned.

iii. To review the results of African development assistance and to recognize the necessity of raising the effectiveness of the assistance structure.

- The summit should aim for and discuss the implementation of comprehensive, strategic assistance and the building of a structure for the centralized coordination and monitoring of African development in order to maximize the synergistic effects derived from assistance provided by countries (including emerging economies) and international institutions, and from other efforts made under various processes and frameworks.

- The summit should discuss and share perceptions on priority issues relating to future development assistance for Africa (e.g., sanitation, water, and the containment and mitigation of damage resulting from climate change).

(3) Issues for Japan and the responses required

i. To show determination to address global issues by such means as the strategic use of official development assistance.

- Japan should ensure that the level of its official development assistance (ODA) conforms with its international commitments (e.g., under the Gleneagles Agreement) and should strengthen its assessment and monitoring structure to ensure the strategic and efficient use of ODA.

- By such means as ODA, Japan should assist developing countries endeavoring to attain the MDGs and address global issues. In particular, as part of measures to counter global warming, Japan should expand support for relief for countries suffering

from the effects of global warming and for the promotion of action that leads to the reduction of emissions, for example, by means of technology transfers.

ii. To demonstrate commitment with regard to aid and development assistance that makes use of human resources.

- As part of its overseas aid framework, Japan should consider creating a mechanism for the dispatch overseas, in various roles, of people with knowledge of specific countries and regions and with technical expertise and experience, for example, people of post-retirement age.

III. Conclusion

- The Hokkaido Toyako Summit provides a rare opportunity for Japan to demonstrate its commitment, as a responsible member of the international community, to exercising foresight in addressing the resolution of all kinds of issues that affect humankind.

- To make an appropriate contribution as an developed nation to addressing global issues that transcend generations and national borders, it is essential to make political decisions that transcend differences between the governing and opposition parties, doing so from a global and long-term perspective. We would like Toyako to go down in history as a place where, through political leadership, advances were made in the resolution of global issues, and as a place of solidarity among developed nations.

- As private-sector corporate executives, we will support government policies by helping to shape domestic public opinion and through independent endeavors and other means.

- Keizai Doyukai will give its full support to government action in line with the policies set out above. With regard to global warming issues in particular, we will step up discussions on the building of the post-Kyoto Protocol framework, and during the current fiscal year, we will make concrete proposals in preparation for COP15 in 2009.