

Regional Environmental Cooperation in East Asia : A New Perspective

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Abstract

The termination of Japan's ODA loan to China caused sharp decline in the financial flow to environmental conservation efforts in East Asia. It is an urgent task to restore the loss of green financial flow of annually 1 billion US dollars. This paper proposes to launch a regional environment facility by the contribution of regional members particularly China and Japan. The expected effects include not only restoring regional green financial flow but also enhancing regional trust building through common agenda approach.

Keywords

Japan's ODA loans to China, green financial flow, regional environment facility, common agenda, trust building

1. Purpose of this paper

This paper attempts to call attention to the sharp decline in the financial flow to environmental conservation efforts in East Asia after 2008, and proposes a regional environmental facility, in order to overcome the negative effects of the sharp decline in "green aid flow".

2. How the "environmental vacuum" occurred?

The sharp decline in the financial flow to environmental conservation attempts occurred as a result of the termination of Japan's ODA loan to China, which had financed China's various environmental projects. Governments of China and Japan agreed not to renew the relevant agreement after 2008.

Japan's ODA loan to China was started in 1979 in the attempt to support China's reform and modernization. The accumulated loan amount is more than 3.3 trillion yen (around 33 billion US dollars). In the early years, a wide variety of infrastructure, such as ports, railways, power plants etc. were constructed under the loans. These infrastructure projects formed the foundation of China's rapid economic growth. After the mid 1990s, the share of environment projects increased remarkably. After 2000, total amount of 6.7 billion US

dollars (annually around 950 million US dollars) had been directed to environmental conservation in China. In the last three years, the share of environment projects exceeded 90% of total ODA loan amount to China. Japan's green aid to China were allocated for afforestation, air pollution management, ecosystem management, environmental model city construction, thermal efficiency improvement, waste disposal, water quality conservation, and so on.

This large green aid flow was lost in 2008.

3. **How to tackle the loss of green aid flow**

East Asia suffers from various environmental threats, such as watershed degradation, rapidly increasing CO₂ emission, deforestation, biodiversity loss and so on; China is at the center of the problem. Under the circumstance, the loss of green aid flow of almost 1 billion US dollars annually is a serious blow to the regional environment. In the attempt to restore the loss, this paper proposes the establishment of a regional environment facility by the contribution of regional members particularly China and Japan. The purpose of the facility is to tackle common agenda through financing environmental projects in East Asia, giving priority to cross-border issues. It is desirable to focus the attention on less commercially viable projects like afforestation, watershed management, and biodiversity agenda.

Under this facility, the role of China changes significantly. While, in the past, China was a recipient of environment aid, it would be a co-founder of environment facility. While, in the past, China dealt with domestic environmental agenda, it would tackle regional efforts of environmental conservation.

4. **Positive-sum games in the region of conflicts**

The proposed environment facility is expected to enhance trust building in the region. Put differently, the objective is to explore a positive-sum game. The value of such a common agenda approach is clear when we consider the fact that East Asia has a wide variety of disputes and conflicts, particularly between China and other regional members. It is not easy to find effective solution of such conflicts. But it is possible to ease tension through enhancing mutual cooperation. Joint activities to tackle common agenda would contribute to conflict management or hopefully peace building. Needless to say, it is expected to restore the loss of green aid flow from Japan to China.

In East Asia, several scheme of mutual cooperation have been developed in financial area; the Chiang Mai Initiative among ASEAN+3 is a representative case. It is the time for East Asia to extend the endeavor to wider area, particularly to regional environment. Through the effort, challenges of the termination of Japan's environment aid could be turned into the opportunity of regional trust building.