

Find ways to better lives in developing world

People in emerging and developing countries certainly have a desire to attain the standard of living enjoyed by developed countries. Nobody should dismiss their desire. In reality, it is not feasible for them to realize their desire in any short space of time. Nor is it easy to initiate and transfer financial and technical assistance for that purpose. Nonetheless, if emerging and developing countries, also known as recipient countries, were told by developed ones to give up on their aspirations for better lives after reaching a certain point, almost none of them would likely give a nod of assent.

The international community has been discussing for years how to extend financial resources, technical assistance and know-how to those countries so that they will be able to catch up with developed ones regarding standards of living. Such assistance, of course, is absolutely contingent upon recipient countries' endeavors to proceed toward such a goal in a sincere and efficient manner.

Motives behind cooperation solutions provided by developed countries vary. Nonetheless, following the end of World War II, countries shared a view that the extreme inequality that existed at the time should not be left unattended. To embody international cooperation, developed countries began offering economic development assistance to developing ones through multilateral organizations or financial assistance on a bilateral basis.

In 1945, the United States boasted overwhelming economic strength coupled with abundant capabilities to give financial support to countries in need. However, its power subsequently started to decline gradually. Then, to complement the U.S. efforts, Japan and then West Germany, both having completed postwar reconstruction, began increasing their financial assistance to developing countries. Indeed, Japan temporarily emerged as the world's largest provider of economic assistance.

Since the closing years of the 20th century, China has changed itself from a recipient of financial assistance to a donor largely for political reasons, launching a considerable array of out-bound financial support initiatives.

As such, there was a recent time when many countries stepped up financial assistance efforts to raise the overall amount of money to help recipient countries shape their economic development programs.

Impact of climate change

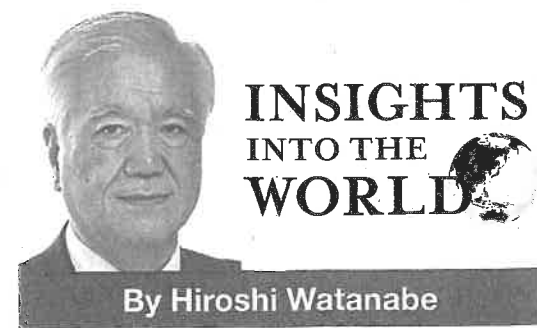
However, the circumstances surrounding de-

velopment finance have changed since efforts to prevent global warming surfaced as a decisively important challenge for mankind.

With the world's focus increasingly shifting to the reduction of carbon dioxide emissions all over Earth, the method of promoting recipient countries' economic development through financial assistance no longer works in its traditional form.

Production activities entail carbon dioxide emissions. Assuming that countries comply with the international agreement on climate change even while still aiming to accomplish a certain level of economic development, they will have to secure "quality investment" that will be highly costly, owing to the inclusion of costs for environmental measures. This means that if developed countries' financial support initiatives fail to meet the abovementioned assistance criteria, recipient countries will have to inevitably scale down their economic development goals, deferring their target years for completing relevant projects.

The focal point of discussion from now on is how developed countries and emerging and developing ones should share responsibilities and roles in striking a balance between envir-



INSIGHTS INTO THE WORLD

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onmental sustainability and economic development.

The accumulated amount of carbon dioxide emitted thus far by all countries is a burden on Earth's environment. When retrospectively aggregating such emissions on a country-by-country basis, the combined amount for the developed world exceeds that for the developing world. Against this background, the latter group insists that it is natural for developed countries to take much greater responsibility for reducing greenhouse gas emissions. Should the developed world be indifferent to this point, the issue of

global warming would get no closer to a solution with the same arguments being repeated over and over again.

It is understandable that people in emerging and developing countries desire to attain the standard of living enjoyed by developed ones. Yet, it is unlikely that the incomes of all people living on Earth will be equalized anytime soon. Income equalization should first be pursued by certain individual countries, with other countries gradually accepting it as a norm.

Once the European Union chooses to implement fiscal unification on top of monetary and currency integration, it will likely prioritize income equalization for all residents of its member countries.

But such a development in the EU will unavoidably lead to a "north-south" problem within the bloc, reflecting the gaps between the developed north and the less developed south. Any decision to redistribute funds from the northern area to people of various walks of life in the south would be strongly resisted by not only wealthy people but also people with average incomes in the north. Formidable hurdles thus exist to accomplishing income equalization.

For that matter, when compared with the EU, which groups countries in the same region, it is obvious that income equalization is a more difficult challenge for the Group of Seven leading developed economies and the Organization for Economic Cooperation and Development, for instance. The reason is that their members are from various parts of the world. It is hard to expect the G7 and the OECD to have their member countries in an inclusive mindset to be on the same page.

In the meantime, the world today is seeing wide-area, dispersed cooperation gain momentum for a variety of reasons in many parts of the world. If the preference for "production for local consumption" grows within each geographically dispersed cooperation framework to the extent that economic integration progresses in each region, a serious debate may start on equalizing incomes for all people living in every member state.

Equalizing incomes on a global level may not be attainable under a paradigm of requiring "wealthy" residents in developed countries alone to provide funds to be simply redistributed to people in emerging and developing countries. It is imperative for each of them to strive to raise income levels of their population on their own.

Reconcile dual tasks

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Countries need to reconcile two parallel tasks of exerting themselves to improve income levels and curbing carbon dioxide emissions.

tasks of exerting themselves to improve income levels and curbing carbon dioxide emissions. To enable them to succeed in these dual tasks, it is essential to exactly understand that industrial structures differ from country to country.

When the 26th U.N. Climate Change Conference of the Parties (COP26) was held in the United Kingdom last year, the host country faced the criticism that it is inappropriate to compare the yardstick for emissions control in a country specializing in the financial and real estate sectors with that in countries continuously supplying manufactured goods.

This narrative constitutes part of the aforementioned opinion that the difference between, or among, industrial structures in the countries concerned should be taken into consideration.

It is inconceivable that we will have a situation in which all countries in the world will opt to get rid of industrial production. Unless some people somewhere continue to engage in production activity, global consumption demand will not be met.

Moreover, there are voices demanding that measures for reducing carbon dioxide emissions be formulated only after taking into account trade structures that differ from country to country. The theory goes that domestic consumption in countries with trade deficits can be somewhat sustainable thanks to the presence of countries with trade surpluses earned while emitting carbon dioxide.

Countries with trade surpluses, of course, receive export proceeds. But we need to question

whether those proceeds are set at a "fair" level by reflecting various factors. This issue is expected to be at the heart of discussion once countries begin serious negotiations on how to shape the so-called carbon border adjustment mechanism — carbon taxes levied on imports on the border — to ensure a proportionate administrative burden for businesses and so on.

What should Japan specifically do in connection with this issue while highly complicated discussions about it are underway among various countries?

The developed world now enjoys a high standard of living, an achievement it needed a few centuries to realize after the Industrial Revolution. Over the course of those centuries, an unprecedentedly phenomenal amount of energy was used especially because only low-level technologies were available. If sophisticated technologies of today had already been available from the very beginning of the Industrial Revolution, humans could have attained a decent level of living while still using a far less amount of energy.

Japanese industry is still capable of accelerating the development of technologies for energy-saving and for reducing carbon dioxide emissions. It also has expertise to promote technologies for miniaturization and for reducing weight. With these beliefs in mind, it is advisable for Japan to put more resources and energy into these particular fields so that it will be able to enhance its ability to deal with environmental challenges.

When the international community goes on seeking to attain economic development worldwide in a balanced way, disputes and friction do occur among nations and peoples. But it can be possible to lessen them. Once developed countries opt to shift the focus of economic activity from manufacturing to services, they will be able to reduce energy consumption. Still, the world will need places that engage in manufacturing.

The more manufacturers pursue the development trend toward lighter, thinner, shorter and smaller products in a positive sense, the more they will be able to contribute to solving environmental problems. I am sure that Japan can increase its contribution to the world by stepping up technological development and inexpensively providing other countries with the fruits of such endeavors.

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