

# Strengthening Japan's Environmental Cooperation Strategy as a Leader to Promote Green Markets in East Asia

IGES Policy Report

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# Strengthening Japan's Environmental Cooperation Strategy as a Leader to Promote Green Markets in East Asia

An IGES Strategic Policy Report

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## ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AICHR	ASEAN Intergovernmental Commission on Human Rights
ASEAN	Association of Southeast Asian Nations
CASBEE	Comprehensive Assessment System for Built Environment Efficiency
CEC	China Environmental United Certification Center Co., Ltd.
CGPN	Green Purchasing Network in China
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DTIE	Division of Technology, Industry and Economics (UNEP)
EDP	Environmental Declaration of Products (MOEK)
GEN	Global Eco-labelling Network
GENICES	GEN Internationally Coordinated Eco-labelling System
GPN-J	Green Purchasing Network Japan
GPP	Green Public Procurement
IGES	Institute for Global Environmental Strategies
IGPN	International Green Purchasing Network
ISO	International Organization for Standardization
JBPA	Japan BioPlastics Association
JEA	Japan Environment Association
JICA	Japan International Cooperation Agency
KAT S	Korean Agency for Technology and Standards
KEITI	Korea Environmental Industry and Technology Institute
KELA	Korea Environmental Labelling Association
KEMCO	Korea Energy Management Corporation
KeTTHA	Ministry of Energy, Green Technology and Water (Malaysia)

KOECO	Korea Eco-Products Institute
KIEST	Korea Institute of Environmental Science and Technology
KGPN	Korea Green Purchasing Network
LCA	Life Cycle Assessment
MEPS	Minimum Energy Performance Standards (Korea)
METI	Ministry of Economy, Trade and Industry (Japan)
MEXT	Ministry of Education, Culture, Sports, Science, and Technologies (Japan)
MEP	Ministry of Environmental Protection (China)
MKE	Ministry of Knowledge Economy (Korea)
MLIT	Ministry of Land, Infrastructure, Transport, and Tourism (Japan)
MOCIE	Ministry of Commerce, Industry and Energy (Korea) (in 2008 became MKE)
MOE	Ministry of the Environment (Japan)
MOEK	Ministry of Environment (Korea)
MRA	Mutual Recognition Agreement
RTM	Round Table Meeting
SEPA	State Environmental Protection Administration (China) (in 2008 became MEP)
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprises
SPP	Sustainable Public Procurement
TEMM	Tripartite Environmental Ministers Meeting
UNEP	United Nation Environmental Program
UNECA	United Nations Economic Commission for Africa



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## DISCLAIMER

Although this work provides recommendations aimed at improving Japan's international environmental cooperation strategy, the views and opinions contained within are those of the authors alone, and in no way does it imply the endorsement or acquiescence of the Ministry of the Environment or any other government agency in Japan.



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## EXECUTIVE SUMMARY

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The main purpose of this study is to provide strategic recommendations for the Government of Japan to increase the effectiveness of their international environmental cooperation efforts specifically aimed at improving the quantity and quality of green markets across East Asia. The information provided in this study is based on a series of primary interviews with relevant government officers, practitioners, industry specialists and academics; analysis of government policy documents and reports; and from secondary literature review.

This report begins with an analysis of Japan's history of developing tools/policies for promoting green markets domestically and the dissemination of the country's good practice as part of its international environmental cooperation. Reviewing the successful history of Japan's activities to promote and develop a green market, three main activities are highlighted as the good practice model that secured this success:

- 1) Eco Mark Programme: Type I environmental labelling – established in 1989 by Japan Environmental Association and supported by the Ministry of the Environment Japan;
- 2) Green Purchasing Network of Japan (GPN-J): established in 1996 as a collaboration between government, businesses, consumer associations and academia;
- 3) Green Purchasing Law: enacted in 2000 to promote greener purchasing by the public sector, led by the Ministry of the Environment Japan.

These three approaches have allowed Japan to become a leading nation in promoting green markets domestically and to provide support and leadership for other countries in Asia-Pacific to follow a similar path.

The study also reviews the status of green markets including tools/policies for their promotion across East Asia. It is that across East Asia there is a wide variation in terms the development of green markets. Several countries now have very well established practices often based on replicating the good practice model established in Japan. While many other countries are taking good steps towards initiating green markets but are facing limitations due to knowledge and resource constraints, and finally there are a handful of countries with smaller economies who have yet to take on any initiatives for promoting green markets. Following this, an analysis of the economic impacts of these mechanisms for green markets and their effects on international trade flows, specifically between Japan and ASEAN countries, is conducted. A further review is made of existing international cooperation efforts on green markets.

The report highlights three key messages that can guide the development of future international cooperation strategies, specifically on green market promotion, for Japan:

- 1) Japan should continue to work strongly with the areas of **Eco-Labeling, Green Purchasing Networks, and Green Public Procurement** as this is the country's existing strengths, however Japan should also develop new areas in which to work and establish progressive niches in for their international environmental cooperation. Three areas are identified: **Greening of Supply Chain, Education for Sustainable Consumption, and Corporate Social Responsibility**.
- 2) Two parallel approaches must be accounted for. First, to identify Japan's specific strengths that will allow it to provide strong, substantive support in its cooperation efforts on green market promotion. Second, to consider the specific context and unique needs of the individual countries Japan intends to cooperate with.
- 3) Substantial benefits can be achieved if this process integrates a multi-stakeholder approach during the preparatory process. Both better inter-ministerial and better public-private-civil society cooperation are needed to effectively synergize the international promotion of green markets.

The report concludes with a series of strategic recommendations and a working framework based on six detailed action plans corresponding to the areas highlighted above. These action plans outline project objectives in each priority area and identify action points for practical implementation that can frame a project schedule (in total 32 objectives and over 100 action points). Furthermore, the main relevant actors for participation in each area are identified. Consideration is also given to how Japan may relate this overall strategy to the individual specifics of each ASEAN member country and the separate approaches they could take in each country.



## I. INTRODUCTION

This report is the product of study conducted during fiscal year 2010 on the development of green markets in East Asia over the past two decades and the contributions that Japan has made to this process. The main purpose of this report is to provide strategic recommendations regarding what are the best options for the Government of Japan to take in order to increase the effectiveness of their international environmental cooperation efforts specifically aimed at improving the quantity and quality of green markets across East Asia. Promotion of green markets is an important focus for international environmental cooperation, and there are three primary reasons for this. First, green market measures are widely believed to be effective in promoting environmental conservation and sustainable development. Second, as budget resources become scarce, measures to promote green markets may be much less costly than traditional project based cooperation. Third, many green market mechanisms are advanced in developed countries, but not in developing countries, so international cooperation is an effective way to promote these mechanisms.

The research process was developed in regards to three main objectives. First, the research was aimed to provide an assessment of the current situation of green markets in East Asia and especially on how they developed in Japan. Second, it was proposed to identifying the most promising mechanisms and policy instruments for strengthening the development of green markets in East Asia by analysing the major advantages and disadvantages of these various mechanisms and by prioritizing the most promising aspects. Third, a target was set to develop relevant policy recommendations that can provide meaningful inputs to Japan's strategy on international environmental cooperation as it moves to develop the country's fourth Basic Environment Plan. The current, third Basic Environment Plan launched in 2006 includes a policy direction on "stronger global strategic initiatives" (Japan for Sustainability, 2006). The information provided in this study is based on a series of primary interviews with relevant government officers, practitioners, industry specialists and academics; analysis of government policy documents and reports; and from secondary literature review.

Eco-labels have now existed and been developed as a market mechanism for consumer information provision for over three decades. However, it is recognised that little quantified research has addressed the influence eco-labels have had, and furthermore the evidence that is utilised in support of eco-labels is most often anecdotal. There is a need for improved and expanded research on eco-labelling that directly distinguishes and analyses the differences in criteria between various labels and the resulting environmental impacts this leads to. There also exists a clear lack of research on how consumers are properly educated about the general significance of eco-labels and their connection with sustainable consumption and production. "The absence of independent, quantified data on the effectiveness and impacts of ecolabelling is not an exception in the field of policy analysis... [T]here currently appears to be a disconnect between the relative importance ascribed to ecolabelling as an environmental policy tool and the amount of investigation and analysis being carried out in regard to its design" (UNEP-DTIE, 2005: 2). The cited authors also call for the enhancement of a clear classification framework for understanding eco-labels and their differing criteria. Further research on eco-labels should have three aims. First, provide a better understanding of why some types of eco-labels work and others fail. Second, develop effective incentives for

relevant actors along the value chain to encourage eco-label adoption. Third, produce assessment tools for monitoring the effectiveness of achieving objectives for eco-labels (UNEP-DTIE, 2005: 39).

It is also necessary to investigate how eco-labelling programmes may be strengthened and secured out-with the market system. A study by OECD identified the following four factors in the success of the Blue Angel programme:

- campaigns by consumer organizations and the media, particularly local media and specialized press;
- targeting some product category labels at professional purchasers;
- public procurement policies that support the Blue Angel programme; and
- anticipated consumer preferences (OECD, 1997).

Governments may also provide incentives and subsidies to eco-label programmes and the consumption of eco-labelled products through a variety of means that allow eco-label programmes a certain amount of protectionism when they first enter the competitive market. On the opposite side of the production-consumption continuum, producers may also be supported to make the transition to the production techniques and processes that are required to receive an eco-label. This approach is of significant importance in regards to improving production in low income and middle income countries for products that are consumed in high income countries because there are substantial opportunities for high income countries to provide financial, technological and training support. Examples for this come from the work of the EU Ecolabel Marketing for Products team, especially regarding the increase of textile products from China and Indonesia that are produced in a manner that meets the criteria for the EU Ecolabel (Scherlofskyst, 2008).

The following sections of this report begin by providing an analysis of Japan's history of developing tools and policies for promoting green markets domestically and the subsequent efforts to disseminate the country's good practice as part of its current efforts on international environmental cooperation. The study also reviews the status of green markets and the implementation tools and policies for their promotion across East Asian countries. Following this, an analysis of the economic impacts of these mechanisms for green markets and the effects this has on international trade flows, specifically between Japan and ASEAN member countries, is conducted. A further review is made of existing international cooperation efforts on green markets.

This is followed by a series of recommendations regarding Japan's future efforts to promote green markets in East Asia and to establish a strategy for future cooperation in its plan for international environmental cooperation. In addition to the main text, supporting documents for the recommendation strategy are presented following the main body of this report. These documents provide an overall working framework for the recommendations and a series of six detailed action plans. These action plans outline project objectives in each priority area and highlight several action points for practical implementation that can be used to develop a project schedule. Furthermore, the main relevant actors for participation in each area are identified.

The review of Japan's history of promoting green markets found that the three approaches of Eco-Labelling, Green Purchasing Networks, and Green Public Procurement have established a model of international best practice. These three approaches have allowed Japan not only to become a leading nation in promoting green markets domestically but also to provide substantial support and leadership to advance other countries in Asia-Pacific to follow a similar path. Japan should continue



to work strongly in the areas of Eco-Labeling, Green Purchasing Networks, and Green Public Procurement as this is the country's existing strengths both domestically and internationally, and several recommendations are provided for improving the overall functioning of these systems. In part due to Japan's leadership, several other countries in East Asia now show promising efforts in developing their own green markets.

However, if Japan intends to maintain its position as a strong leader in the promotion of green markets across Asia-Pacific, it is necessary to also consider developing new areas in which to work and establish progressive niches in for their international environmental cooperation. This study highlights three areas in which Japan already has significant domestic strengths in and would provide substantial opportunities for establishing innovative and influential leadership in promoting green markets across the region. These are Greening of Supply Chain, Education for Sustainable Consumption and Corporate Social Responsibility. Finally, two separate approaches to developing cooperation approaches are explained. The first approach is to identify Japan's specific strengths that will allow it to provide strong, substantive support in its cooperation efforts on green market promotion. The second approach is to consider the specific context and unique needs of the individual countries Japan intends to cooperate with. In this manner, the needs of a specific country can be linked with the relevant strengths of the Japanese actors.

## **II. REVIEW OF DOMESTIC POLICIES FOR GREEN MARKET PROMOTION IN EAST ASIA**

### **1) JAPAN'S HISTORY OF PROMOTING GREEN MARKETS**

Reviewing the successful history of Japan's activities to promote and develop a green market, three main activities are highlighted as the good practice model that secured this success:

- 1) Eco Mark Programme: Type I environmental labelling – established in 1989 by Japan Environmental Association and supported by the Ministry of the Environment;
- 2) Green Purchasing Network of Japan (GPN-J): established in 1996 as a collaboration between government, businesses, consumer associations and academia;
- 3) Green Purchasing Law: enacted in 2000 to promote greener purchasing by the public sector at the lead of the Ministry of the Environment.

These three activities are each linked to a different target. The Eco Mark Programme targets producers and works to steadily improve the environmental quality of production standards. The Green Purchasing Network targets consumers by providing voluntary guidelines for practicing environmentally responsible consumption. The Green Purchasing Law targets government and aims to establish the public sector as a leader of best practice.

The Ministry of the Environment has been the leading agency working to advance green markets in Japan. At the same time, MOE often cooperates with the Ministry of Economy, Trade, and Infrastructure in establishing the standards for environmental criteria that are applied. Other ministries have also made an effort to establish certain environmental criteria in regards to their specific sector of work including for agriculture, transport, and building. Furthermore, all government agencies are subject to the standards set under the Green Purchasing Law and must

take these into account for their procurement activities. MOE has also established strong linkages with NGO and civil society sector to support in the long-term implementation and management of these green market mechanisms.

### *1a) Eco Mark and environmental labelling:*

The Eco Mark label in Japan was introduced in 1989 and can be viewed as the first tool launched in Japan for promoting green markets. When it was first launched, this eco-label was applied only to household commodities as the target products for raising consumer awareness for environmental issues. Over its twenty-plus year history, Eco Mark has expanded its target fields to include stationery, textiles, building products, electronic devices and furniture. In its first year of operation, only 265 labelled products were available. As of 2010, almost five thousand products carry the Eco Mark in Japan, and criteria are established for forty-seven product categories.

The Eco Mark program was initially promoted by the Ministry of the Environment in Japan, but was established as a non-governmental initiative under the management of the Japan Environment Association (JEA). The Ministry of the Environment provides endorsement for Eco Mark and negotiates agreement on product standards with the Ministry of Economy, Trade and Industry (METI). This eco-label program follows the principles and standards for environmental information declarations established by the International Organization for Standardization (ISO): ISO 14020 – covering the principles for environmental labelling schemes & ISO 14024 – detailing the specific procedures for Type I multi-attribute labels certified by a third party. Japan has also taken a leading role in the founding of the Global Eco-labelling Network (GEN) as one of the six founding countries and through the locating of the general affairs office for GEN alongside the Eco Mark office at JEA. GEN provides opportunities for international cooperation regarding Type I environmental labelling and allows a platform to establish mutual recognition of standards between national labels.

The auditing process to check if producers meet the standards set in Eco Mark product criteria is to have the producers complete the application forms and self-declare their production practices. The Eco Mark product certification committee will review the documents completed by the producers to assess if their product meets the set standards for Eco Mark certification. The Eco Mark standards are set to include those producers who are considered “Top Earners” – around the top 30% best performing product options on the market. Some of the standards set for the Eco Mark remain static (such as printing paper), while other standards are reassessed and improved at times. The limited number of resources, both human and financial, is an obstacle to more regular updating of their product standards.

There are several other notable environmental labels in Japan, but very few others receive the same high level of market recognition that the Eco Mark has achieved. The Ministry of Economy, Trade and Industry (METI) introduced the Energy Saving Labelling Program in Japan in 2000 and the Eco-Leaf label in 2002 to present product information based on life cycle assessment (LCA). Both labels managed by METI are Type III environmental labels. The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) launched the “Comprehensive Assessment System for Built Environment Efficiency” (CASBEE) in 2001 to provide a certified standard for the environmental performance of buildings. MLIT also initiated the Eco-Rail Mark in 2005 to identify products that were transported with fewer environmental burdens. The Ministry of Agriculture, Forestry and Fisheries established the Japanese

Agricultural Organic Standard in 2000. Finally, the Japan BioPlastics Association (JBPA) was founded in 1989 and established the GreenPla(stics) label to encourage the use of biodegradable plastics and plastics from biomass sources. Since 2008, METI has also been working to develop a Carbon Footprint label, and though they have released guidelines for carbon footprinting they are still working to find a way to translate this in to relevant consumer information.

### **1b) Green Purchasing Network:**

Japan's Green Purchasing Network (GPN-J) was founded in 1996 at the recommendation of the Ministry of the Environment. GPN-J is a non-governmental, membership organisation that includes businesses, local governments, consumer groups, environmental NGOs, and cooperative associations. GPN-J's budget comes from the membership fees paid by the multi-stakeholder members. The organisation was founded both to promote green purchasing and to provide purchasing guidelines for more sustainable consumption. During the organisation's first five years, it managed to bring together a wide range of businesses, public and NGO sectors. Innovative and pioneering activities were identified (through an award scheme) and promoted through GPN-J. Furthermore, many companies and businesses began to take significant efforts to develop eco-products and services during this period.

One of the main activities of GPN-J is to develop green purchasing guidelines that companies, organisations and even individuals can voluntarily apply to improve their environmental practices in regards to procurement activities. GPN-J has developed purchasing guidelines for sixteen product categories that may be utilised by consumers and corporate procurement officers to provide for greener consumption. For example, under the product category for toilet paper there are five factors for green purchasing:

- 1) Made with raw materials from 100% recycled paper,
- 2) Narrow width (preferably 105mm),
- 3) Single-ply,
- 4) Core-less type,
- 5) Meets levels of unexcessive brightness.

GPN-J has also developed a data base on products' environmental information, thus making it much easier to know such information and identify the most appropriate products. GPN-J does not approve or certify individual products though; on one side they provide green purchasing guidelines and on the other side they provide environmental information for individual products so that they can be compared with the guidelines.

GPN-J also played a leading role in the formation of the International Green Purchasing Network (IGPN), which has its secretariat based at the same office as GPN-J. IGPN was launched in 2005 based on the Sendai Declaration formed in October 2004. IGPN works to "promote the development of environmentally friendly products and services and Green Purchasing activities around the world", to share information and good practice on green purchasing, and to harmonize green purchasing activities between countries (IGPN, 2008). Furthermore, in efforts to encourage the establishment of green purchasing networks in other countries, IGPN promotes the working model of GPN-J as an example of best practice though it is expected that both the structure and the purchasing guidelines will need to be adapted to the unique circumstances of each country.

### **1c) Green Public Procurement law:**

The Japanese government enacted the Law Concerning the Promotion on Procurement of Eco-friendly Goods and Services by the State and Other Entities (more familiarly known as the “Law on Promoting Green Purchasing”) in 2000 mandating all state ministries and agencies to implement green procurement policies and to purchase designated procurement items. The Basic Policy on Promoting Green Purchasing, which is updated on an annual basis, details the actual procedures and standards for the procurement of eco-friendly goods and services. Under this mandate, green public procurement has become standard practice with full implementation across national and prefectural levels and in three quarters of all towns and villages.

Green Public Procurement is the priority area for the Environment and Economy Division of the Environmental Policy Bureau in the Ministry of the Environment, and they work on developing the Basic Policy on Promoting Green Purchasing each year corresponding with the Law on Promoting Green Purchasing. The division also promotes other market mechanisms for strengthening green markets including the Green Contract Law and establishing guidelines for the voluntary provision of environmental-related product information (in conjunction with ISO Type II eco-label guidelines).

As a tool for promoting green markets, the green public procurement law has been highly influential due to the total government procurement expenditure equivalent to 17.6% of Japan’s GDP or roughly ¥58 trillion/year (¥14 trillion from national government and ¥44 trillion from local governments). Green Public Procurement is seen as an effective tool for promoting green markets and stimulating producers to develop eco-product options because of the significant amount of money it secures for eco-product purchasing as public procurement is estimated to account for up to 15% of all global output (Mulgan and Salem, 2008: 9). In developing countries, public procurement can contribute over 20% of the GDP.

## **2) CHINA’S HISTORY OF PROMOTING GREEN MARKETS**

The Environmental Protection Administration (SEPA) (now the Ministry of Environmental Protection) launched, in 1993, the China Environmental Labelling Programme (CEC Label) which is a Type I environmental label. The China Environmental United Certification Centre Co., Ltd (CEC) is a state owned enterprise founded by SEPA in 2003 and has since managed the operation of the eco-label. The CEC Label now covers seventy-two product groups and more than 40,000 products.

The Chinese government mandated the compulsory use of the China Energy Label, a Type III environmental label providing information on the energy efficiency of appliances, in 2005 for air conditioners and household refrigerators, and in 2007 extended this label to include clothes washers and unitary air conditioners. This label is managed by the Chinese National Institute of Standards and follows on from more than a decade of work in establishing the mandatory minimum energy efficiency standards for China (Zhou, 2008:2-3). Other labels existing in China are the Organic Food China label by the Organic Food Development Center, the Safe Agri-Food Product label by the Center for Agri-Food Quality and Safety, the China Organic Food Certification by the China Organic Food Certification Center, the China Energy Conservation Program certificate and the China Water Conservation certificate both by the China Standard Certification Center.

SEPA and the Ministry of Finance jointly issued The Suggestions on the Implementation of Government Procurement of Eco-labelled Products in 2006. This was comprehensively carried out across China from 2008. In conjunction with issuing of the suggestions, an inventory of eco-labelled products in China was also prepared. Since this first document, several more product categories have now been identified for mandatory procurement by governmental organisations and state-owned enterprises. The Green Purchasing Network in China (CGPN) was launched in 2006 as the first green purchasing network to receive implementation support from the then newly-founded International Green Purchasing Network. CGPN was founded at the lead of SEPA.

One of the most interesting differences between the Chinese and Japanese GPP systems is the fact that while Japan has established new criteria for their GPP system, China has used its national (Type I) eco-label as the criteria for GPP thus creating an enhanced synergy between the two systems. When establishing the procurement criteria for Japan, it was decided that using to the Eco Mark as the sole purchasing criteria could be judged as a form of “branding” which is not allowed public procurement criteria as set by the World Trade Organization. However, because the text actually states that when lacking “sufficiently precise or intelligible way of describing the procurement requirements and provided that words such as ‘or equivalent’ are included in the tender documentation” than it is acceptable to highlight a specific performance based trademark such as an eco-label (WTO, 1994: Article 6.3), it creates a grey area in which actual acceptability of this practice or the recognition of an eco-label as a trademark is unclear. For this reason, the Chinese government decided to utilise the product criteria ‘or equivalent of’ set for their eco-label categories as the same for their GPP system, and this resulted in a substantial benefit for the CEC Label by creating a large, secure market that would be purchasing eco-labeled products. This motivation for producers led to a rapid increase in the number of companies with registered products from 81 just before China’s Green Purchasing Law and 444 companies a year after (Chen and Guo, 2009: 71).

### **3) REPUBLIC OF KOREA’S HISTORY OF PROMOTING GREEN MARKETS**

The Korean Ministry of Environment (MOEK) implemented the Korea Eco-labelling Program in 1992 and the Type I *KoEco* label to identify products of excellent eco-quality and performance. The label was originally managed by the Korea Environmental Labelling Association (KELA). Since 2005, the Korea Eco-Products Institute (KOEKO) manages the criteria setting and certification for the eco-labelling program. In 2009, KOECO and the Korea Institute of Environmental Science and Technology (KIEST) were merged to form the Korea Environmental Industry and Technology Institute (KEITI) which is a semi-governmental entity. There are now over six thousand certified products across 136 product categories.

There are several other environmental labels that are applied to products in Korea. In 1992, the Ministry of Commerce, Industry and Energy (MOCIE; now the Ministry of Knowledge Economy since 2008) passed the Mandatory Indication of Energy Efficiency Label and Applying MEPS (minimum energy performance standards). The energy efficiency label is a Type III information reporting label that grades energy efficiency on a scale of 1 to 5. This label is managed by the Korea Energy Management Corporation (KEMCO). MOCIE also initiated a Type I label in 1996 as a High Efficiency Appliance certification program which is also managed by KEMCO. The Korean Agency for Technology and Standards (KATS) introduced the Good Recycled mark in 1997 to certify good quality

products made of recycled materials. MOEK introduced a further Type III label to certify the reliability of environmental declaration of products (EDP) based on lifecycle assessment in 2001.

The first policy efforts that were made to promote green public procurement in Korea were in 1998 with MOEK's promotion of the Preferential Purchasing of Green Products. Following this, Korea Green Purchasing Network (KGPN) was launched in 1999 under the management of KOECO. It was not until 2004 though that national policy was enacted in Korea mandating green public procurement. The Green Purchasing Law sets four parallel criteria for products to meet to be eligible for green public procurement: 1) the product must have the KoEco label, 2) the product must have the Good Recycled mark, 3) the product must be authorized by the Ministry of Environment, or 4) the product must be authorized by the Ministry of Knowledge Economy. The influence that the Green Purchasing Law has as a tool for promoting green market transitions is apparent in the upsurge of products becoming licensed for the KoEco label following its enactment. During the first ten years of the eco-labels, its annual growth rate for licensed products averaged 29%, but during the first three years of the mandate for public procurement to include KoEco labelled products the growth rate averaged 84%. There were 757 licensed products the year before the Green Purchasing Law was enacted in Korea, three years later 4,639 products were licensed (KEITI: website).

**Table 1: Green Market Mechanisms in TEMM member countries**

		<u>Environmental Labelling</u>		<u>Green Public Procurement</u>		
		<b>Eco Labels and other Type I labels</b>	<b>Type III Labels</b>	<b>National System/Law on Public Procurement</b>	<b>Green Purchasing Network</b>	<b>Other Green Market Mechanisms</b>
<b>TEMM Member Countries</b>	<b>CHINA</b>	<p>✓CEC label since 1993; Managed by China Environmental Certification Center, a state-owned enterprise.</p> <p>Other labels include: Organic, Safe Agri-food, Water Conservation.</p>	<p>China Energy Label is a compulsory scheme; Managed by China National Institute of Standardization, an NPO.</p>	<p>✓National policy (since 2006) with good national-level implementation, but limited decentralisation.</p> <p>Jointly implemented by Environmental Protection Agency (SEPA) and Ministry of Finance.</p>	<p>China Green Purchasing Network (CGPN) was established in 2006.</p>	<p>MOEJ and IGPN provide support/capacity building for the development of China’s GPP system.</p> <p>Switch-Asia projects is supporting GPP expansion in urban administrations.</p>
	<b>JAPAN</b>	<p>✓Eco-Mark since 1989; Managed by Japan Environment Association (JEA), an NGO.</p> <p>Other labels include: Organic, CASBEE, Eco-Rail, &amp; Green Pla(stics).</p>	<p>Eco-Leaf labelling on energy consumption based on LCA; Managed by JEMAI (state agency under METI).</p> <p>Energy Saving Label; Managed by Energy Conservation Center Japan (state agency under METI).</p>	<p>✓ National policy (since 2000) with full implementation across national and prefectural level; implemented in 73% of local towns/villages.</p> <p>Managed by the Environment and Economy Division of MOEJ.</p>	<p>The Green Purchasing Network-Japan was founded in 1996.</p> <p>Japan Environment Association serves as GPN-J secretariat.</p>	<p>GPN-J was a main actor in the Sendai conference in 2004 that led to the founding of the International GPN.</p>
	<b>REPUBLIC OF KOREA</b>	<p>✓ Korea Eco-Label (KoEco) since 1992; Managed by Korea Eco-Products Institute, now part of Korea Environmental Industry &amp; Technology Institute (KEITI), a semi-governmental entity.</p>	<p>Energy Efficient Labelling; managed by Korea Energy Management Corporation (KEMCO), a non-profit governmental agency.</p>	<p>✓National policy (since 2004) and implementation.</p>	<p>Korea Green Purchasing Network (KGPN) was established in 1999.</p>	

#### 4) HISTORY OF PROMOTING GREEN MARKETS IN ASEAN MEMBER COUNTRIES

There is of course no possible way to make one generalized statement that will accurately explain the histories of the ten ASEAN member countries' promotion of green markets as each country has a unique experience and differing context. However, for the sake of simplifying the discussion on the ASEAN member countries and for the fact that it was beyond the scope of this study to conduct systematic reviews on all ten countries, it is proposed that the countries can be distinguished into three distinct groupings and that general strategies can be developed towards each separate group. At the same time, for any cooperation strategy that is specifically prepared for Japan's efforts towards a single, identified country, it is necessary to respond directly to the specific context, needs and development priorities of that given country.

The three divisions of countries are: *tier 1* – countries that have developed green market tools and have already secured good implementation, *tier 2* – countries that have recently begun to implement green market tools, and *tier 3* – countries that have no substantial practice in promoting green markets. The *tier 1 countries* are identified as Thailand, Malaysia and Singapore. Thailand has strongly developed green market tools, however it is important to point out that the green standards and criteria are still not equal to those used in TEMM member countries. Malaysia has a short history of promoting green markets; however they have made significant achievements over that short period. A point of significant interest is the newly launched – in April 2009 – Ministry of Energy, Green Technology and Water (KeTTHA) in Malaysia which strongly aims to promote green technologies and eco-products in the country. Singapore has developed green market tools that aim at voluntary consumer participation. Under the efforts of the National Environment Agency, the country has also established many activities for consumer awareness raising and environmental education, however the country has not passed any legislation on green public procurement.

Indonesia, the Philippines, and VietNam are identified as the *tier 2 countries*. Indonesia has been taking substantial efforts over the past five years to promote green markets, and though the appropriate policies are now in place it will most likely take several years to secure a good level of implementation. The development of these green market tools in Indonesia were facilitated by Japanese cooperation efforts as managed by JICA. The Philippines is at the early stage of developing their efforts to promote green markets and implement these efforts. Vietnam has just recently made commitments to promote green markets, and has been taking the initial steps to develop good policy and tools with the support of UNEP.

The *tier 3 countries* include Brunei Darussalam, Cambodia, Laos P.D.R., and Myanmar. None of these countries have yet to take any substantial efforts to promote green markets in their countries. It should be recognized though that the current economies of these countries, except for Brunei Darussalam, are relatively limited and also that all four countries have very small levels of trade with Japan in comparison to the other ASEAN member countries.



**Table 2: Green Market Mechanisms in ASEAN member countries**

		<u>Environmental Labelling</u>		<u>Green Public Procurement</u>		
		Eco Labels and other Type I labels	Type III Labels	National System/Law on Public Procurement	Green Purchasing Network	Other Green Market Mechanisms
<b>ASEAN Member Countries</b>	<b>BRUNEI DARUSSALAM</b>					
	<b>CAMBODIA</b>					
	<b>INDONESIA</b>	<p>✓Ramah Lingkungan Eco-label (by MOE) piloted 2004, launched 2006; received support from JICA to develop the label and criteria.</p> <p>Also have Organic Label and Lembaga Ekolabel for forest products.</p>		<p>Currently being developed and is in pilot stage (has received support through ADB from the Japan Fund for Poverty Reduction = \$1.4M USD).</p>	<p>Indonesia Green Purchasing Network established.</p>	
	<b>LAO PDR</b>	<p>Organic Label</p>				
	<b>MALAYSIA</b>	<p>✓Sirim Ecolabel of Malaysia was launched in 2005 by Sirim Berhad, a state owned enterprise in Malaysia specializing in a range of production and green standards. Joined GEN in 2010.</p>		<p>✓Recently developed (with support from JICA and MOEJ).</p>	<p>Green Purchasing Network Malaysia (GPNM) established in 2003.</p>	<p>Sirim Green Label Schemes include: Type I &amp; III labels, Forest certification, eco footprint, environmental management systems, environmental technology verification, CDM verifier, and Sustainable Palm Oil.</p>

<b>MYANMAR</b>					
<b>PHILIPPINES</b>	<p>✓ Green Choice; launched in 2008, managed by Philippine Center for Environmental Protection and Sustainable Development, Inc. (PCEPSDI); supported by both the Department of Trade and Industry and the Department of Environment and Natural Resources.</p>		Green Public Procurement passed as Presidential decree and system currently being developed.	Indonesia Green Purchasing Network established.	Currently the Green Choice Eco Label has only 14 products with active licenses, but they have developed criteria for 32 product categories.
<b>SINGAPORE</b>	<p>✓ Singapore Green Label Scheme; launched in 1992 by MOE, managed by Singapore Environment Council since 1999; have labeling criteria for 52 product categories.</p>	Mandatory energy labelling for air conditioners, refrigerators, and tumble dryers.		Green Purchasing Network Singapore (GPNS) established	
<b>THAILAND</b>	<p>✓ Thai Green Label Scheme; launched in 1994 by Thailand Business Council for Sustainable Development, and managed by Thailand Environment Institute (TEI).</p>		✓ National policy on green public procurement approved in 2008.	The Thai Green Purchasing Network (TGPN) was founded in 2004.	Have a National Strategy for Sustainable Consumption and Production.
<b>VIETNAM</b>	<p>Suppose to be launched by Ministry of Science and Technology in 2009 – still being developed.</p>		Currently being developed (with support from UNEP).	There is a Green Purchasing Network managed by the Vietnam Productivity Centre.	

### III. THE ECONOMICS OF GREEN MARKETS AND THEIR TRADE IMPACTS

#### 1) GREEN MARKET AS DEMAND SIDE APPROACH

Green markets are designated to provide a shift towards greener technologies and sustainable consumption and production using both market and non-market mechanisms, rather than environmental regulations. Law and regulations prohibit the processes of production which cause environmental degradation. In other words, these traditional tools controlling environmental quality affect the supply side such as production processes, technologies, costs, and quantities to be supplied. Eco-labels and public procurement are not traditional types of tools since they aim to change demand for greener products and the overall market structure. The need for these green market tools come from the complexity of production systems. In traditional consumer theory, consumers see price and quality as the primary index for purchasing; nonetheless, in modern society some consumers also consider the process of production, e.g. environmental or even ethical conducts in the production process. In the market, various products (both green products and non-green products) exist and the quality of these products can be equivalent. If the number of consumers who base purchasing choices on concerns for appropriate production standards increase, relatively expensive green products can survive in the market; nevertheless, if a major part of consumers are insensitive to the production process, the greener products lose the share in the market.

Now, let us review how mechanisms of green market influence demand of green products and how green markets enhance promotions of greener technologies.

1) Public procurement establishes standards for public sector purchases based on green products and can enhance domestic production which is less competitive since the green products are costly. It means that public sector's purchase shifts create demands for products using greener technologies. Although many consumers currently do base purchasing decision on environmental performance criteria, greener products will survive since the public sector is the biggest consumer in the market.

2) Eco-labels provides a certification mark to show that products use environmentally friendly technologies in the production process. If many consumers are concerned with environmental effects of production process, demand for products with eco-labels increase without public procurement of these products. Matto and Singh (1994) described how the market segmented after the introduction of eco-labels in the market. Since the costs of products using greener technologies are higher, it is important for the products that eco-friendly consumers can pay price premium of the products (price difference between green and non-green products). Still, eco-label products also segment the market into green product and non-green product and it helps to stimulate concerned consumers' demand on products using greener processes.

#### 2) TRADE IMPACTS OF GREEN MARKET PROMOTION

In developed countries, more consumers have become concerned with production process that use technologies with less environmental stress. The preference is not only for domestic products but also imported goods. Hence, many trade specialists apprehend environmental concern

in the developed countries as an instrument of non-tariff trade barriers. On the other hand, developing countries have comparative advantage on certain products, mostly natural resources and labor intensive products, and these products are attractive for developed countries. Consequently, what we can observe is dissemination of greener technologies and processes into developing countries. In other words, green markets are not used as an instrument of a trade barrier; nevertheless, developed countries try to implement green practices which are accepted in their countries, into developing countries. For producers in developing countries, using green technologies and process cost more, but they realise the potential for more profit by exporting greener products to environmentally conscious markets in developed countries. It is a good sign for all of the countries, since export demand enhances demand of green production in the developing countries where environmental awareness is low in general. In developing countries, it is difficult to introduce green markets since governments do not have enough budget or capacity to introduce public procurement and the majority of consumers do not purchase eco-labeled products. Nevertheless, through international trade, green production process diffuse into developing countries to meet developed countries' demand for green products. The dissemination of this practice is expected to influence consumer behavior in the developing countries over a long-term period to consume more products using green technologies.

In this case, green markets in developing countries are not responding to foreign demand as it is the production side that is influenced by this export demand, thus it is supposed that the problem is not on demand side but on the supply side. Producers in developing countries face growing demands for green product export; nonetheless, the supply chain cannot shift environmentally friendly production process instantly since the technology change may be too expensive and capacity building takes a long time to adjust.

### **3) JAPANESE INDUSTRIES' VIEW ON CSR ACTIVITIES IN DEVELOPING COUNTRIES & INTERNATIONAL ENVIRONMENTAL COOPERATION**

In developing countries, the supply chain cannot respond to the environmental requirements quickly enough since they do not have enough capital and knowledge for environmentally friendly production processes. Meanwhile, it is observed that Japanese businesses are becoming more involved with environmental CSR activities in developing countries. According to recent statistics, Japanese industries rely on one third of their sales from international markets. Japanese companies are increasingly regarding markets in the rapidly expanding economies of developing countries as important sales outlets and expect the dependency on these markets for continued expansion to grow substantially (JICA, 2009). Consequently, Japanese firms' CSR activities can be helpful to solve difficulties to conduct green market promotion in developing countries. In fact, a Japan Association of Corporate Executives' report (2006) found that Japanese businesses are becoming more concerned with CSR activities such as "human rights", "social contribution", "local development", and "environmental preservation". These growing CSR practices of the Japanese business sector is based on the recognition that low-income households (the so-called 'Bottom of Pyramid (BOP)') are a large group of potential future consumers, and that CSR activities can help poor people to be more economically self-reliant in the near future.

“Doing business with the world’s 4 billion poorest people – two-thirds of the world’s population – will require radical innovations in technology and business models” (Prahalad and Hart, 2002: 2). With the majority of the world’s population growth occurring among the population at the bottom of the pyramid, even with limited spending power, the vast size of this grouping will mean that it is still a multitrillion-dollar market. However, if companies want access to this market, then they will need to shift their approach away from high profit margins towards a model driven on volume and capital efficiency (ibid.).

Although CSR in developing countries can be strategically necessary, operating CSR activities in the countries is difficult for most Japanese businesses. For instance, survey data shows that the four biggest factors to prevent CSR activities in developing countries are: 1) the firm has no knowledge accumulations for the activities, 2) little available information on firms and organisations as partner, 3) absence of in-house support on the CSR activities, and 4) lack of information on business practice, social and cultural difference, and specific manners (JICA, 2009). These factors show that Japanese firms need assistance for CSR in developing countries and that greater coordinated supported for international CSR activities could substantially increase its effectiveness. In the same survey study, Japanese firms identified their main targets as supporting technology transfer, process management (assistance to obtain ISO standards), and improving working environment along with other major issues such as providing funds, various training packages, and developing new products for local consumers. In the table below, the positive and negatives that Japanese firms face while conducting CSR activities in developing countries are summarised. By analysing these factors, it is found that the success of Japanese firms’ CSR activities in developing countries relies heavily on good communication with locals and the existence of local partnerships in order to reduce overall uncertainty.

**Table 3: Opinions of Japanese firms about CSR activities on Supply Chain in developing countries**

Strength	Weakness
<ul style="list-style-type: none"> <li>➤ Long lasting, close business partnership</li> <li>➤ Knowledge of quality management from experience of Green Purchasing program</li> </ul>	<ul style="list-style-type: none"> <li>➤ Late start of the activity comparing the foreign counterparts</li> <li>➤ Poor ability to communicate with various stakeholders</li> </ul>
Opportunity	Threat
<ul style="list-style-type: none"> <li>➤ Raising concerns on CSR activities among business owners/managers in developing countries</li> <li>➤ Dissemination of CSR purchasing /procurement</li> </ul>	<ul style="list-style-type: none"> <li>➤ Rapid changes in CSR related laws and frameworks outside of Japan</li> <li>➤ High liquidity of human resource in partner companies</li> </ul>

Source: Takashi Ikuta, *Research Report #308*, Fujitsu Research Institute, Jan 2008

## IV. CURRENT INTERNATIONAL COOPERATION EFFORTS FOR PROMOTING GREEN MARKETS

In ASEAN's *Roadmap for an ASEAN Community: 2009-2015* (2009), in section A.1. Free Flow of Goods – under point 19 actions concerning standards and technical barriers to trade. One suggested action is harmonizing standards between countries and in alignment with international practices. A second action is efforts to enhance capacity and technical infrastructure for certification and accreditation systems “based on regionally/internationally accepted procedures” (2009: 25). A further action is to develop Mutual Recognition Arrangements (MRAs) on conformity to these standards. Though point 19 of this document does not specifically refer to environmental labelling, in-line with the actions being referenced eco-labelling could provide one effective way for improving production standards with respect to environmental performance. Furthermore, there is a slightly less explicit opportunity possible for considering not only mutual recognition of national eco-labels across the ASEAN member countries but also the harmonization of environmental labelling with a single ASEAN managed eco-label.

### 1) INTERNATIONAL COOPERATION ON ECO-LABELS

#### 1a) TEMM Round Table Meeting for Environmental Industry Cooperation:

The Tripartite Environment Ministers Meeting (TEMM) initiated a Round Table Meeting (RTM) on Environmental Industry Cooperation in 2001 with the goal of promoting information exchange and cooperation in environmental industry and technology development. In 2003, the RTM discussed eco-labelling for the first time and in 2004 discussed measures to enhance environmental labelling and the purchasing of environmentally friendly goods. Starting in 2005, a special Working Group (WG) on Common Standards for Environmental Labels was initiated with members of China Environment United Certification Center, Korea Eco-Products Institute and Japan Environment Association representing the three respective national eco-labels.

This WG has since held annual meetings to discuss both green procurement and eco-labelling. In 2006, the three countries reached agreements on five areas: 1) intensifying information exchange, 2) the recommendation of green products by each countries' GPN in order to reach standards set by the other countries, 3) the development of common standards (water-based paints for China, stationery for Japan, personal computers and plastics for Korea) 4) the expansion of the RTM through the addition of a new theme, such as medical waste management, and 5) fixing the main themes for Environmental Industry Cooperation under TEMM as green procurement and eco-labelling. The 6<sup>th</sup> TEMM RTM on Environmental Industry Cooperation was held in September 2006 in China and addressed mutual recognition of eco-labelling schemes, green procurement, environmental management for small and medium-sized enterprises (SMEs), and environmental information exchange (TEMM website; accessed 10 September 2010).

**Table 4: Main International Actors promoting green markets in ASEAN member countries**

	Brunei Darussalam	Cambodia	Indonesia	Laos P.D.R.	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	Association of Southeast Asian Nations (ASEAN)
European Union (EU)			E						E		
Asian Development Bank (ADB)			P								
Ministry of the Environment, Japan (MOEJ)											E, P
Asian Productivity Organization (APO) – Hosts Eco-Products International Fair			N		N		N	N	N	N	
Global Ecolabelling Network (GEN)			E				E	E	E		
International Green Purchasing Network (IGPN)					N		N	N	N	N	
Japan International Cooperation Agency (JICA)			E		N						
Japan Environment Association (JEA) – EcoMark									E		
United Nations Environment Programme (UNEP)										E	

**KEY: E = Eco Label (Type I), N = Green Purchasing Network, P = Green Public Procurement (law)**

The WG helped to initiate efforts between the three eco-labelling organizations in Japan, China and Korea to move towards more international cooperation on their activities. The first formal process was to sign mutual recognition agreements between each labelling organization and the other two. The mutual recognition agreement is a formal agreement expressing that each organization recognizes the other organization's institutions and systems for eco-labelling as being of an equal quality to its own. The second formal process that has been undertaken is to work towards harmonizing standards for specific products between the three different labels. This is a more complicated process under which it must be determined that parallel product standards lead to comparable levels of environmental performance. When the harmonization of a product's standards is agreed, then it becomes much easier for a product that has already achieved an eco-label in its domestic market to be certified for a label in an international market. The main products categories that have been a focus for this harmonization process are mainly electronic appliances with a high level of international distribution, such as computers, printers, and photocopiers. The lessons learned from the efforts of RTM and the WG to harmonize eco-label standards can provide significant insight into how best to proceed with similar activities between Japan and ASEAN member countries.

#### ***1b) Global Eco-labelling Network (GEN):***

The Global Eco-labelling Network was founded in 1994, and currently includes members representing twenty-seven different eco-labels internationally. GEN's main activity towards international cooperation is to provide networking opportunities for the different existing eco-label organizations internationally and to provide them a platform to cooperate with one another. GEN has provided small financial support to developing countries to cover travel costs to attend GEN meetings and to support product verification. GEN has also cooperated with UNEP's efforts to strengthen eco-label activities in Africa by providing knowledge sharing and capacity building. They are also now developing their GENICES guidelines to provide support for both the development of new eco-label programs and cooperation between existing programs.

GEN Internationally Coordinated Eco-labelling System (GENICES) aims to share the practices and procedures of existing eco-labelling systems and product criteria in order to facilitate more rapid uptake for new eco-label systems. A further aim of this project is to simplify and make improve the cost-effectiveness of the process for companies to get their products certified across multiple eco-labels. GEN also views this project as a clear way of addressing any potential concerns regarding eco-labels acting as trade barriers (GEN: 2-3).

#### ***1c) UNEP's efforts on Eco-Labels:***

The Division of Technology, Industry and Economics (DTIE) at UNEP has been working on a four-year project since 2007 on "Enabling Developing Countries to seize Eco-Label opportunities". Initially six main countries and four specific products were selected for this project to focus on, as follows:

- Footwear: Mexico, Kenya and the South East African Region;
- Paper: Brazil;
- Textiles: India and South Africa;
- Televisions: China.



The main effort of this project is to provide technical assistance and capacity building for industry and government stakeholders in these countries to achieve the standards required to be awarded the EU Eco-Flower label. UNEP also provides support to streamline the certification process for producers in these developing countries. As this project is being funded by the EU and the German government, it is possible to identify the expected direct benefits for their green markets by focusing primarily on key export products of each country (UNEP-DTIE website; accessed 10 September 2010). UNEP-DTIE has expressed interest to implement a second round of this project based on the success of this first round and to specifically work with countries in Southeast Asia.

UNEP has also been working with the Marrakech Task Force on Cooperation with Africa (led by Germany) to develop an African eco-labelling mechanism. This effort is an included activity in the development of the African 10-Year Framework of Programmes on SCP. Following the discussion at the first Regional Expert Meeting on African Eco-labelling Scheme, held in June 2007 in Addis Ababa, it was decided that this project should aim to develop an African (regional) Eco-labelling scheme. It was acknowledged that many of the existing eco-labels in Africa are limited by lack of capacity and technical expertise, and it was concluded that an African Eco-labelling Scheme would provide a significant means for overcoming these barriers. An African Working Group was proposed to bring together relevant eco-labelling institutions, and it was suggested that the African Union should provide the main strategic leadership with UNEP and United Nations Economic Commission for Africa (UNECA) providing expertise and technical assistance (UNEP and ARSCP, 2007: 30-33). Following this meeting and the consultation process, a draft report was prepared outlining the "Structure and Function of an African Eco-labelling Mechanism" (UNEP, 2007).

## **2) INTERNATIONAL COOPERATION ON GREEN PUBLIC PROCUREMENT**

### ***2a) International Green Purchasing Network (IGPN):***

The International Green Purchasing Network (IGPN) was founded in 2005. Its formation was agreed in the Sendai Declaration in 2004 which was the outcome of Japan hosting an international meeting on green public procurement. This international meeting was in part stimulated by the success of the Green Purchasing Network in Japan (GPN-J) founded in 1996 as a collaboration between businesses, governments, consumers and academics and also the activities of the few other countries that had existing GPNs at this point. IGPN was founded with four goals: 1) to help implement Green Public Procurement, 2) to develop a green product's database, 3) set up national Green Purchasing Networks, and 4) help establish national green procurement laws. It was also agreed that IGPN would be hosted at GPN-J's office for the first five years.

IGPN promotes the model established by GPN-J as an example of best practice, however they also expect each GPN to adapt to unique national/local scenarios and contexts. GPN-J is happy to have other countries replicate or adapt the guidelines they have already produced. For example, the GPN of Malaysia is adapting GPN-J's guidelines to prepare purchasing guidelines for their country. The various national approaches to green public procurement and the national GPNs can differ from one country to another quite substantially based on the local context of each country. In their cooperation with these countries, IGPN lets the national GPN take the leading role in deciding what is appropriate for their country's context.

In 2005 when IGPN was founded, there were only four existing national GPNs (in Japan, Korea, Malaysia and Thailand). Five years later, there are currently twelve existing national GPNs with four new GPNs established in Southeast Asia (Singapore, Philippines, Indonesia and Vietnam), three in East Asia (China, Hong Kong and Taiwan), and one in South Asia (India). In Southeast Asia, the establishment of GPNs has been followed by the adoption of Green Public Procurement systems in Thailand, Malaysia and Indonesia, and now VietNam and the Philippines are planning similar systems.

### ***2b) European Union's Efforts on Sustainable Public Procurement and the Marrakech Task Force:***

Several European countries have existing criteria on green public procurement, and the United Kingdom has stated that it intends to take the lead in developing standards for sustainable public procurement (SPP) which would incorporate social criteria along with environmental criteria. The European Union is currently undertaking consultations on developing a more standardized system for all of Europe that will allow for greater compatibility between different countries' public procurement systems. However, although twenty-one EU member countries have National action Plans on green public procurement, only three countries (Portugal, Germany, and Czech Republic) have set any type of legally binding requirements (European Commission – Environment website; updated 29 September 2010). Under the UN's Marrakech Process, a taskforce on Sustainable Public Procurement was initiated at the lead of Swiss Government.

Connected with these various activities on sustainable public procurement, there have been direct efforts to encourage the participation of East Asian countries in these processes. The Marrakech Taskforce on SPP cooperated with partners in China, Philippines, and Indonesia to work on initiating relevant pilot projects. The European Union funded SWITCH ASIA project has also been working in China to improve the implementation SPP at the municipal level in three Chinese cities (Centre for Sustainable Consumption and Production website; 2009). While the United Kingdom has been working with China in regards to developing carbon footprint standards. It can be assumed, much like the approach of UNEP's efforts on eco-labels in Africa, that one recognized benefit for European countries working to pilot projects in East Asia is to create greener supply chains and facilitate the easier movement of green products from Asia to European markets.

## **3) ASEAN'S EFFORTS TO PROMOTE CORPORATE SOCIAL RESPONSIBILITY**

ASEAN has recently demonstrated significant interest in developing a network to promote corporate social responsibility (CSR) across its member countries. This is highlighted as a promising opportunity that Japan could consider direct involvement with as part of its international environmental cooperation efforts (which is further explained in the final section of this report). The ASEAN CSR network was officially launched at the Singapore CSR summit in October 2010. The summit was held by the Singapore Compact for CSR which is a multi-stakeholder platform that has been working to promote domestic CSR efforts in Singapore since 2005 (Singapore Compact website; accessed 12 January 2011). This links directly with the efforts of the UN Global Compact, initiated in 2000, to encourage business to align their practices with socially responsible and sustainable principles. The UN Economic and Social Commission for Asia and the Pacific (UN-ESCAP) manages a

regional support center for the Global Compact in Asia-Pacific (Global Compact Asia-Pacific website; accessed 12 January 2011). The ASEAN CSR network was launched with six objectives:

1. Establish a comprehensive database of corporate foundations, corporations and other organizations with CSR initiatives in the region;
2. Identify gaps among CSR programs in different ASEAN countries;
3. Share and document best practices, new and emerging frameworks and strategies in CSR in the region;
4. Promote the integration of CSR into the core business and operation;
5. Promote exchange of learning and experiences and replication of successful programs in the region; and
6. Develop cooperation and partnerships with similar networks in other regions such as CSR Europe and the like (ASEAN Foundation website: accessed 12 January 2011).

The ASEAN Intergovernmental Commission on Human Rights (AICHR) has been given a mandate to conduct a study on CSR in 2011 to identify the options for establishing a binding regional instrument (ASEAN Secretariat, 13 February 2011).

## V. ANALYSIS OF JAPAN'S INTERNATIONAL COOPERATION FOR GREEN MARKETS

The review of Japan's history of promoting green markets is filled with many examples of international best practice. Japan has been developing its tools to domestically promote green markets for over the past two decades. In fact, the country is both a forefront leader in Asia-Pacific and an innovator of new procedures for green market promotion internationally. For most of the past decade, Japan has also taken a leading role in supporting other countries' efforts to establish green markets in Asia-Pacific as part of its international environmental cooperation. This cooperation is based almost entirely on disseminating the experiences and practices of Japan's three-pronged strategy for green market promotion: Eco-Labeling, Green Purchasing Networks, and Green Public Procurement. It is important to recognize these three approaches as the overall strategy that has allowed Japan not only to be a leading nation in promoting green markets domestically but has also allowed the country to provide substantial support and leadership to advance other countries in Asia-Pacific to follow a similar path.

The review of other East Asian countries' efforts to promote green markets demonstrates the effectiveness of the leadership Japan has provided over the past decade as part of its international environmental cooperation. Many countries have learned from the good practice models in Japan and have adapted them to the specific context of their countries. Direct support from the Japanese government and from Japanese-based NGOs have allowed other countries to achieve a similarly impressive level of implementation in regards to these three approaches for promoting green markets. However, it must also be recognized that as many of these countries have achieved a high level of domestic good practice, they too have begun to take actions to provide leadership on promoting green markets across the region. This is not to say that Japan is falling behind or quantitatively losing ground, but as other countries do catch up by emulating the Japanese best practice model Japan is losing some of its niche as the only country that has important lessons to share with the region on green market promotion. Furthermore, with countries like Korea, China and Malaysia all recently highlighting new strategies to enhance their own international environmental cooperation, the competition for being the environmental leader in the region is becoming more robust.

*Following this understanding, this study highlights three key messages that can guide the development of future international cooperation strategies, specifically on green market promotion, for Japan:*

First, Japan should continue to work strongly with the areas of Eco-Labeling, Green Purchasing Networks, and Green Public Procurement as this is the country's existing strengths both domestically and internationally. There are several incremental improvements (highlighted in the next section) that can be easily streamlined into current processes and used to improve international implementation. However, if Japan intends to maintain its position as a strong leader in the promotion of green markets across Asia-Pacific, it is necessary to also consider developing new areas in which to work and establish progressive niches in for their international environmental cooperation. This study highlights three areas in which Japan already has significant domestic strengths in and would provide substantial opportunities for establishing innovative and influential leadership in promoting green markets across the region. These are Greening of Supply Chain, Education for Sustainable Consumption (and consumer awareness raising), and Corporate Social Responsibility (all three will be explained further in the following section).

Second, in considering Japan's strategy for international environmental cooperation in regards to promoting green markets (especially in East Asia), two parallel approaches must be accounted for. The first approach is to identify what are Japan's specific strengths that will allow it to provide strong, substantive support in its cooperation efforts on green market promotion. The second approach is to consider the specific context and unique needs of the individual countries Japan intends to cooperate with. Once these two approaches are completed, the focus of the strategy becomes matching the established expertise (from the first approach) with the identified country needs (from the second approach). As it was not in the scope of this study to analyze the specific context and needs of all countries in East Asia, the recommendations provided in the following section are mainly based on the first approach to identify what are the main areas in which Japan already has specific strengths and expertise that can allow the country to provide meaningful support and leadership on promoting green markets across the region. Thus, it must be noted, that any future efforts to develop a cooperation strategy for a specific country must begin with some efforts to appropriately identify specific context and unique needs of that county, nonetheless based on the division of ASEAN member countries into three tiers suggestions for basic approaches are made in the following section.

Three, in developing a strategy for Japan's international environmental cooperation, substantial benefits can be achieved if this process integrates a multi-stakeholder approach during the preparatory process. Along with the government, both businesses and civil-society organizations (CSOs) in Japan have expressed a strong desire to play a closer role in the development and implementation of Japan's international environmental cooperation strategy. Both better inter-ministerial cooperation and better public-private-civil society cooperation are needed to effectively synergize the international promotion of green markets. Japan's businesses especially expressed concern over the lack of strategic coordination between sectors and thus a weakening of Japan's position in East Asian markets. Domestic businesses/corporations and CSOs/NGOs can bring unique expertise to the implementation of Japan's international cooperation strategy, and they are dedicated to the continued promotion of Japan as an environmental leader both domestically and abroad. It is important to note though that one of the identified barriers the Japanese government

faces for effective multi-stakeholder and multi-lateral cooperation is the regular rotation of government officers through the relevant positions for environmental cooperation. This makes it very difficult for potential partners to establish long-term cooperative relationships with MOEJ when the officer they communicate with changes between every one to two years. For example, the change of relevant officers from MOEJ was cited as one of the significant obstacles for the progress of the Environmental Industry Cooperation Round Table under TEMM and the multi-lateral harmonization of eco-labels.

Finally, in addition, it is important to note the growing desire of development organizations in Europe to directly cooperate with Asian-based development partners when working in the region. As international development organizations begin to shift their strategies away from project funding and towards more programmatic funding, they are also looking to establish more long-term partnerships with development partners based in the region. For example, the Swedish International Cooperation Development Agency (SIDA) explained that while they aim to lessen their direct cooperation with individual countries in Asia, at the same time they intend to increase their cooperation activities at the regional level with a specific focus on Southeast Asia. As part of this new strategy, SIDA will aim to increase their bilateral cooperation with Asian partners and also aim to promote more activities on CSR and cooperation with the business sector. This includes continued work with ADB and a desire to increase cooperation with ASEAN, but there was also specific welcoming of potential cooperation with Japanese agencies such as JICA especially once the relocation of SIDA's Regional Team for Asia from Stockholm to Bangkok is completed in early 2011 (Interview with Jorgen Eriksson, SIDA: 13 July 2010). Another interesting example is the European Union funded SWITCH ASIA project which requires specific partnership with in-country and regional experts for the management of project implementation.

## VI. STRATEGIC RECOMMENDATIONS FOR JAPAN'S PROMOTION OF GREEN MARKETS IN EAST ASIA

This final section will outline the strategy of recommendations being made as part of this study. An overall mapping of these recommendations is presented in Appendix 1 of this document, and detailed action plans have been prepared for the six main recommended priority areas of focus and are presented in Appendixes 2 through 7. The recommendations contain three levels of increasingly detailed responses; from 8 overall **priority areas** (though the two regarding channels for multi-lateral cooperation do not have subsequent action plans) – down to **strategic approaches** with each priority area having 5 to 6 identified approaches – and finally under each strategic approach there are 3 to 4 **specific actions** for practical implementation that are detailed. The action plans highlight the action goal for the priority areas, provides a brief justification for the specific strategic approaches, and identifies the relevant actors to support the specific actions (please see the action plans in the appendix for relevant details on specific proposed actions to be taken under each priority area).

The mapping of the recommendation strategy provides an overview of the first approach mentioned in the previous section for developing Japan's cooperation strategy – i.e., to identify what are Japan's specific strengths that will allow it to provide strong, substantive support in its cooperation

efforts on green market promotion. In this manner, the eight priority areas can be divided into three categories:

- 1) **Existing Priority Areas for Japan's Environmental Cooperation** (based on Japan's domestic good practice):
  - a. *Eco-Labeling;*
  - b. *Green Purchasing Networks;*
  - c. *Green Public Procurement;*
- 2) **Proposals for New Priority Areas** (based on creating new niches to Japan's cooperative actions and responding to specific context of ASEAN countries):
  - a. *Greening of Supply Chain and Dependency on Export of Raw Material;*
  - b. *Education for Sustainable Consumption & Consumer Awareness Raising;*
  - c. *Establishing a Platform for CSR Activities* (for promoting CSR activities of Japanese companies conducting CSR actions outside of Japan);
- 3) **Existing Channels for Multi-Lateral Cooperation** (based on improving procedures and structures for international cooperation):
  - a. **Strengthening ASEAN as a Platform;**
  - b. **Utilizing TEMM for cooperation with SE Asia.**

The eight priority areas identified above are those that are recommended for Japan to focus their international promotion of green markets on and to develop their capacity towards. As already noted, the first category are priority areas that Japan has already taken significant efforts on over the last two decades at the domestic level and nearly a decade in international cooperation – Eco-Labeling, Green Purchasing Network, and Green Public Procurement. The suggestions for strategic approaches and specific actions under these three priority areas mainly provide opportunities for incremental improvements to these existing systems and to strengthen current practice. Most of the suggested actions can be easily mainstreamed into current systems, and very little dramatic change to existing practice would be required. All three of these areas have proven records of success in promoting green markets and Japan has well-established capacity and expertise to provide leadership in these areas. In general, the main actions that are required across all three priority areas is to maintain current activities, to slightly strengthen and improve capacity for implementation, and to spread activities to new countries.

The second category is based on identifying areas in which Japan already has demonstrated strengths at the level of domestic practice and which could also provide Japan with new niche areas as a leader in international environmental cooperation in Asia-Pacific. The first two priority areas in this category, Greening of Supply Chain and Education for Sustainable Consumption, are purposely highlighted as efforts that would significantly respond to the specific needs of ASEAN member countries. The third area, Establishing a Platform for CSR Activities, is proposed as an innovative opportunity that Japan could develop global leadership in by demonstrating a way in which businesses and private companies can strengthen and coordinate with Japan's international environmental cooperation strategy. Due to the fact that these are proposals for new priorities areas within Japan's international environmental cooperation strategy, the efforts that will be required to initiate the corresponding actions will be much more significant than with the previous category. In fact, several of the approaches in these areas will require further research and development to initiate cooperative efforts in these areas. Due to the fact that these three priority areas are new proposals, they deserve some additional attention in this text, please see the following three boxes.

Production Oriented

**Greening of Supply Chain and Dependency on Export of Raw Material**

**Greening of Supply Chain and Dependency on Export of Raw Material**

The purpose of this proposal is to support a movement towards greener supply chains by promoting environmental performance and cleaner production for primary producers in SE Asia and to strengthen the responsible relationships between parent companies in Japan with suppliers in SE Asia. A secondary objective of this proposal is to aid the development of value-added production in ASEAN member countries and to move away from economies solely dependent on the export of raw material.

The pressures from export markets can provide a major stimulus for increased environmental performance in developing countries. Couple this with direct support from Japan to improve efficiency and performance in these countries, and this can be a very powerful mechanism for delivering sustainable production. Japan would benefit directly from the greening of the supply chain that Japanese producers depend on as this will allow for more accountability across the whole lifecycle of the production process. Currently many value-added producers and retailers in developed countries promoting the environmental benefits of their products are challenged by the lack of accountability for materials and components sourced from developing countries. This is a clear challenge for better monitoring and assurance measures on primary production activities and the sale of natural resources for which the stimulus for change from export markets is more influential than from the domestic market.

The role of auditing and monitoring could be managed by a new department of ASEAN which would provide an additional benefit of strengthening ASEAN's overall functions. Such a project would require the support of more established agencies in environmental standards such as JEA, GEN, and IGPN. This proposal can also provide strong linkages with the proposed activities on CSR and encourage parent companies to build stronger relationships with their primary suppliers.

Training Program on Performance Standards for factory/production managers on environmental and social performance requirements

Type III Labels: Energy Performance, Carbon Footprint, Water Footprint & Single Category Labels: FSC (Forest Stewardship) & MSC (Marine Stewardship)

Establishing In-Country Auditing for International Labels

ASEAN Export Label and/or Management of Eco-Label Auditing body

Parent Company Capacity Building for Primary Producers

Consumption Oriented

**Education for Sustainable Consumption & Consumer Awareness Raising**

**Education for Sustainable Consumption & Consumer Awareness Raising**

The purpose of this proposal is to develop strong mechanisms to help promote sustainable consumption and consumer responsibility in East Asian countries. Education for Sustainable Consumption is a relatively new topic that many ASEAN member countries currently have very limited capacity to implement. However, awareness raising for sustainable consumption is an urgent need if citizens' engagement and adaptation to lifestyle patterns are desired and expected.

Much of the delay in implementing Education for Sustainable Consumption in SE Asia comes from the lack of knowledge, capacity and resources for implementing such teaching and awareness programs. As many unique ESC programs already exist, substantial benefits can be achieved through the wider dissemination of these good practices.

Japan has developed many innovative projects for promoting sustainable consumption that could be shared with government officers in other countries. Thus, it is suggested that a sustainable consumption leadership program be established to provide training for government officers from ASEAN member countries as an effective way to expand capacity and good practice on SC policy and project implementation. Also, Education for Sustainable Consumption has been identified by officers from all three TEMM member countries as a potential area for cooperation since each country can offer a unique perspective and approach on this subject. One possible course of action would be to develop a cooperation project on Education for Sustainable Consumption under the TEMM framework but that aims to work between TEMM partners and ASEAN member countries as a form of multi-lateral development support.

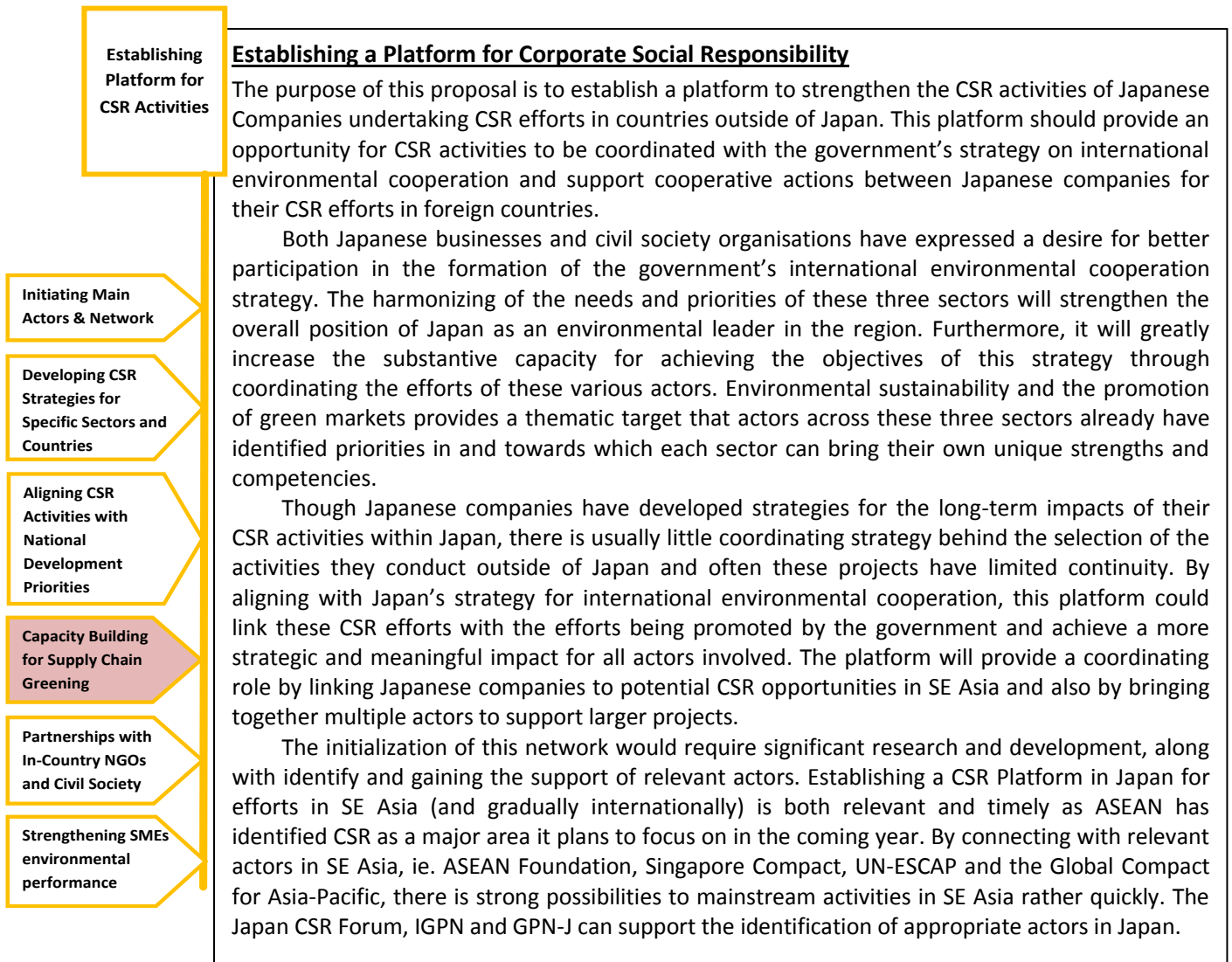
Formal Education School Program on ESC

Sustainable Consumption Leadership Programme

Availability and Dissemination of Relevant Information

Consumer Awareness Raising and Marketing

Conduct Case Studies on good practice in ESC in TEMM and ASEAN member countries



The third category addresses the two main channels for multi-lateral cooperation in East Asia that Japan can utilize to promote activities for greener markets through – the Association of Southeast Asian Nations (ASEAN) and the Tripartite Environmental Ministers Meeting (TEMM). In cooperating with ASEAN, Japan should work to help strengthen the overall capacity and efforts of association as an important platform for multi-lateral cooperation. Six strategies for Japan’s cooperation with ASEAN are identified, of which the first three aim to clarify Japan’s role in working with ASEAN and the second three aim to develop specific new mandates for the association. These are:

- 1) Strengthen domestic linkages between Japanese government-industry/businesses and government-civil society in preparing and implementing environmental cooperation with ASEAN and ASEAN member countries;
- 2) Clarify the expected benefits for Japan of international environmental cooperation with ASEAN and ASEAN member countries;
- 3) Promote the continuity and capacity building of Japanese human resources and government officers involved in international environmental cooperation;
- 4) Support ASEAN project development on harmonization of eco-label standards in SE Asia;
- 5) Support ASEAN project development on harmonization of public procurement systems in SE Asia; and
- 6) Promote ASEAN management of a potential ASEAN Export Label or management of Eco-Label auditing for SE Asia.



The Japanese government already utilizes TEMM as an effective multi-lateral cooperation channel, and many efforts are specifically taken to support efforts on promoting green markets between the three countries. In terms of these recommendations, what should be considered is how TEMM can be used to synergize the common activities of all three countries – China, Republic of Korea, and Japan – in their cooperation with SE Asian countries on green market promotion. To take this further, there is a real potential for a cooperative approach on international environmental cooperation from these three countries to demonstrate a clear and resounding statement of leadership across both the region and globally, and this opportunity goes much further than any one country alone could achieve. There are five highlighted activities for actions with TEMM for cooperation with SE Asia, as follows:

- 1) Identify and clarify what are Japan's unique and niche expertise in terms of promoting green markets, and detail how Japan can use these expertise to support international environmental cooperation;
- 2) Promote cooperative actions on Education for Sustainable Consumption;
- 3) Extend the activities of the Environmental Industry Cooperation Roundtable to include components on TEMM cooperation with ASEAN and ASEAN member countries;
- 4) Continue actions in NE Asia for eco-label harmonization and work with ASEAN harmonization of eco-label standards in SE Asia; and
- 5) Continue actions in NE Asia for public procurement harmonization and work with ASEAN harmonization of public procurement systems in SE Asia.

The overall recommendations for the development of Japan's international environmental cooperation strategy on promoting green markets in East Asia identifies a total of eight priority areas and nearly one hundred action points for consideration. It is recognized that this is an extremely detailed list of recommendations, and thus it will not be possible to implement all actions at the same time. In this case, it will be necessary for the government of Japan to choose priority rankings and schedule for the areas that it plans to work with and develop. However, by acknowledging the differences of the three categories of recommendations it may be possible to cover more areas simultaneously than initially assumed. In regards to category 1 areas, as the main suggestions here are for incremental improvements many of these could be implemented over a very short time period. Furthermore, since these areas are already supported by several civil-society actors and NGOs, it will be possible to distribute the burden for the implementation of these actions outside of the government. For these first three priority areas, the appropriate approach could be to consult with the relevant actors and agencies and develop a specific timeline for the mainstreaming of the various approaches and action points identified in the action plans. These timelines could cover a five-year period and set out a course of cooperation between the government and the relevant NGOs over this period to strengthen the current systems of international environmental cooperation already established under each of these frameworks.

The category 2 areas require more intensive development efforts, and thus it may be necessary to implement one of these areas at a time. The initial implementation of each area could require around three years of substantial support from the government to stimulate these new cooperation areas, and so all three areas could be developed over a ten-year timeline. In selecting which of these areas should gain first priority, the establishment of a CSR platform stands out as an activity that Japan could take global leadership in and also an activity that ASEAN has demonstrated significant interest in. The area of Education for Sustainable Consumption is one that could also be brought online sooner by initiating this project first as a cooperation project between TEMM member

countries and then later disseminating and sharing good practices with ASEAN member countries. All three TEMM member countries have taken action to develop domestic programs for raising consumer awareness and promoting sustainable consumption, and government officers in each country have expressed interest in developing this as a cooperative project under the TEMM process. Finally, regarding the area on greening the supply chain, this action could be scheduled to follow the establishment of a CSR platform and be mainstreamed into the activities of this platform once it is operational rather than developing it as a separate project.

The category 3 areas refer to two existing channels for multi-lateral cooperation. The strategic approaches highlighted under each of these areas generally concern the orientation and structure of how Japan utilizes these cooperation channels. In these cases, the recommendations may be viewed as guiding directions for Japan's future efforts with these cooperation channels rather than specific projects that have to be planned for implementation. As both ASEAN and TEMM depend on multi-lateral cooperation, the suggestions for these areas must be communicated with other countries and their support must be garnered.

It has been explained previously, that the recommendations made here follow the approach of identifying what are Japan's strengths in promoting green markets that can be used to support other countries in their efforts on green market promotion. As Japan chooses to work with a specific country, it is necessary that the specific context and needs of that country are clearly defined. Across the ten ASEAN member countries, it is only logical to expect ten different sets of needs. In each case though, Japan will be able to align its support for that country by matching that country's identified needs with the specific strengths that Japan has in green market promotion.

The section on ASEAN member countries provides a division of these countries into three separate tiers. It is possible based on these three divisions to provide some precursory recommendations for how to approach the different ASEAN member countries. Thailand, Malaysia and Singapore are categorized as Tier 1 countries due to their established tools and policies for green market promotion and their increasingly high level of implementation. Due to this recognition, it is suggested that the implementation of the category 2 recommendations – greening the supply chain, education for sustainable consumption, and corporate social responsibility – would provide more meaningful impact in these countries as they already have relatively strong practice in relation to the category 1 recommendations. The Tier 2 countries are Indonesia, Philippines, and VietNam and are grouped based on their recent development of tools and policies for green market promotion but still limited levels of implementation. As these three countries are actively interested in strengthening their systems for eco-labelling, green purchasing networks, and green public procurement but are challenged with lack of knowledge and capacity, it is suggested that the implementation of the category 1 recommendations would provide significant benefit for these countries' current efforts to promote the tools for green markets. The Tier 3 countries – Brunei Darussalam, Cambodia, Lao P.D.R., and Myanmar – are all distinguished by their inactive status in promoting green markets and also by the recognition of the limited status of their economies (except for Brunei Darussalam). The first approach for these countries that is suggested is to work with them in regards to the category 3 recommendations, specifically in cooperation with ASEAN, as a means to more generally improve the situations of governance in these countries. As the governments in these countries show willingness and their markets show maturity, it will then be possible to consider activities based in either the category 1 or category 2 recommendations.

**Table 5: Three Divisions of Green Market Promotion among ASEAN Member Countries**

		Eco-Label (Type I environmental label)	Green Purchasing Network (GPN)	Green Public Procurement (Law)
<b>TIER 1 COUNTRIES: Developed &amp; Good Implementation</b>	<b>Thailand</b>	○ 1994	○ 2004 (TGPN)	○ 2008
	<b>Malaysia</b>	○ 2005	○ 2003 (GPNM)	○ recent
	<b>Singapore</b>	○ 1992	○ 20?? (GPNS)	
<b>TIER 2 COUNTRIES: Recently Develop</b>	<b>Indonesia</b>	○ 2006	○ 2010 (IGPN)	○ Pilot stage
	<b>Philippines</b>	○ 2008	○ 2009 (GPAMP)	Planning
	<b>VietNam</b>	Planning/Pilot	○ 2010 (VNGPN)	Planning
<b>TIER 3 COUNTRIES: No Existing Practice</b>	<b>Brunei Darussalam</b>			
	<b>Cambodia</b>			
	<b>Lao PDR</b>			
	<b>Myanmar</b>			

## VII. CONCLUSION

The Japanese government has previously identified International Environmental Cooperation as a priority target of their Basic Environment Plan. As a country that has established a good practice model in promoting and developing green markets that has been emulated by countries across the globe, green market promotion is a theme that can guide the country's international environmental cooperation and that Japan can provide value-added expertise in. At the same time, innovation is required in that cooperation strategy if Japan intends to stay as forefront leader in green market promotion across the Asia-Pacific region.

This work to strengthen green markets across the region is not only a benevolent activity rewarding the recipients of Japan's support, but it is a targeted approach that works to improve environmental performance across the entire region and in turn provides direct benefits for Japan. On one hand, Japanese companies will benefit in domestic markets as they establish better accountability across the full life-cycle of their production processes. On the other hand, these efforts will help to open and establish a wider export demand for green products of which many Japanese companies are already niche producers. As the Japanese economy moves towards a scenario dependent on an aging population, Japanese firms will be increasingly dependent on export markets to secure their sales. As these same companies also face a diminishing workforce within Japan, they must continue to look abroad to strengthen their supply chain. By taking a strong position as regional leader in securing both environmental quality and sustainable development, the Government of Japan can help to bolster these regional relationships and secure a continued position for Japan's value-added production sector.

The nature of the political environment in the region is shifting though, and no longer can one country lead in isolation from its neighbours. In aspects of international environmental cooperation, the Government of Japan is already taking substantive strides to develop the types of cooperative relationships that this emerging dynamic requires. Across a region that contains almost two-thirds of world's population, changing relationships have become the norm. The Asia-Pacific region has experienced the most rapid growth in the size of its consumer class and is now the largest regional consumer class in the world. The consumer class in this region now accounts for 29% of the world total, and it contributes 21.4% of global private consumption. Ironically, unlike the next two highest consumer regions of Western Europe and USA/Canada, the Asia-Pacific consumer class only accounts for just over a quarter (27%) of the regions entire population. Compare this to the consumer class in Western Europe being 89% of the region's total population and 85% in USA/Canada (Gardner, et.al. 2004: 7-8). This means that in the Asia-Pacific region there is a much higher level of discrepancy that occurs between the high levels of consumption and the number of people with real purchasing power, and though the region is home to the largest consumer class in the world the majority of the people in this region still have little opportunity to participate in this newly realised consumer class.

The rapidly growing consumer class of Asia-Pacific demands the attention of the governments of this region as there is potential for this to lead to disastrous and environmental damaging impacts as greater constraints are placed on natural systems and resources throughout the region. Japan's proactive attempts to advance green markets in the region and to promote sustainable consumption are timely and well calculated measures. By promoting regional cooperation towards market greening, it is possible to lay the foundations for a low-carbon, sustainable Asia-Pacific that not only addresses the needs for shifting patterns of consumption but also directly responds to the needs for egalitarian attainment of human development needs.

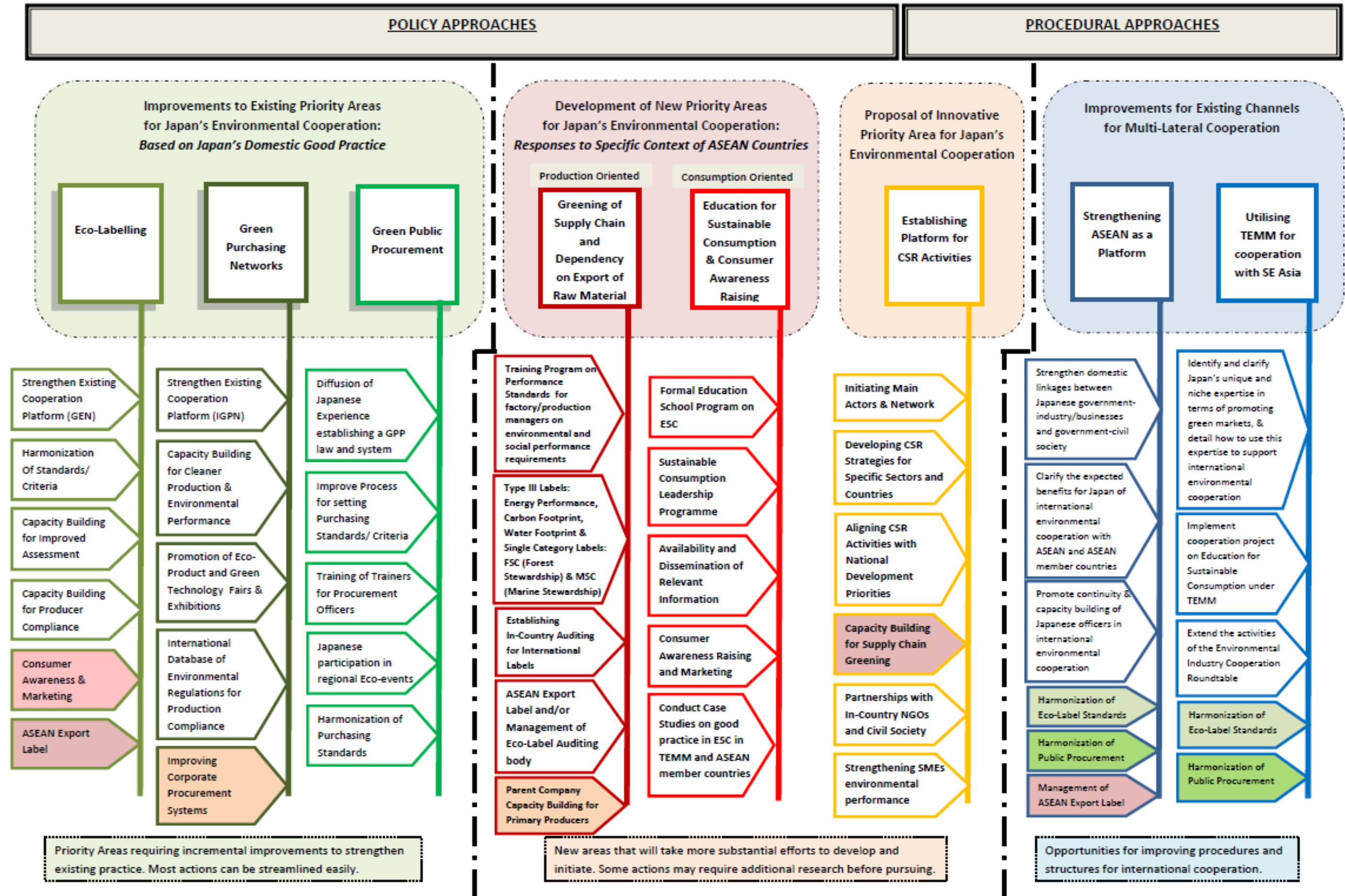




## DETAILED RECOMMENDATION STRATEGY AND ACTION PLANS

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**Appendix 1: Mapping of Recommendation Strategy for Japan's International Cooperation on Promoting Green Markets**





## Appendix 2: Action Plan for Primary Objective on Eco-Labeling

<b>Action Goal</b>	<i>To strengthen the application of type I environmental labelling as a means to promote greener production and consumption, and to utilize international environmental cooperation to improve cross-boundary actions on Eco-Labeling.</i>	
<b>Strategic Approach</b>	<b>Specific Actions</b>	<b>Actors</b>
<p>Strengthen Existing Cooperation Platform (GEN)</p>	<p><i>Justification: The Global Ecolabelling Network (GEN) is already engaged in productive international cooperation on eco-labelling.</i></p> <ol style="list-style-type: none"> <li>1) Strengthen Core Funding for both GEN and EcoMark.</li> <li>2) Develop a strong marketing capacity in GEN to promote consumer awareness of member ecolabels.</li> <li>3) Develop officer capacity of GEN to provide training for ecolabel implementation</li> </ol>	<p>Japan Environment Agency manages the Eco-Mark label and serves as the secretariat for the Global Ecolabelling Network (GEN)</p> <p>The Environment and Economy Division of MOEJ works closely with EcoMark.</p>
<p>Harmonization Of Standards/ Criteria</p>	<p><i>Justification: Harmonizing standards is an easy means to insure that domestic ecolabels do not act as trade barriers.</i></p> <ol style="list-style-type: none"> <li>1) Prepare clear guidelines for harmonizing standards, including identification of necessary features/criteria.</li> <li>2) Establish a database of the diversity of criteria used to establish product standards -&gt; aiming at the goal of proliferating a common set of criteria (though initially not a common required standard).</li> <li>3) Ease process for the triangulation of bilateral harmonization between secondary partners.</li> </ol>	<p>GEN already supports this type of activity.</p> <p>The Environmental Industry Roundtable of TEMM has been working on harmonization of standards.</p> <p>Businesses interested in trading products in international markets also actively support harmonization.</p>
<p>Capacity Building for Improved Assessment</p>	<p><i>Justification: One of the key difficulties to the effective implementation of a new ecolabel system is establishing a rigorous and efficient assessment system.</i></p> <ol style="list-style-type: none"> <li>1) Provide training on detailed and effective methods for product assessment.</li> <li>2) Develop assessment tools that are easy to implement and are universal to a wide variety of products.</li> <li>3) Reduce the overall costs for product assessment.</li> <li>4) Establish nationally-funded centers that can complete technical assessments regarding the environmental performance of products.</li> </ol>	<p>GEN and JEA could support actions 1.</p> <p>Action 2 could be addressed by Japanese academia.</p> <p>Action 3 and 4 could be supported as part of Japanese ODA or as a special Japanese fund administrated through ADB.</p>

<p>Capacity Building for Producer Compliance</p>	<p><i>Justification: Removing the barriers faced by producers to comply with eco-label standards could greatly increase sustainable production practices in SE Asia.</i></p> <ol style="list-style-type: none"> <li>1) Standards must be formulated in a straight forward, and the clear dissemination of these standards must be implemented.</li> <li>2) Run training programs, by industrial sectors, for disseminating standards and raising awareness of compliance needs,</li> <li>3) Identify major technical barriers to compliance, and develop a capacity building and technology transfer program to achieve producer compliance.</li> </ol>	<p>APO could take an active role in actions 1 and 2.</p> <p>JICA , METI and JEMAI are potential actors for action 3.</p> <p><i>*This area could also provide a CSR opportunity for Japanese companies.</i></p>
<p>Consumer Awareness &amp; Marketing</p>	<p><i>Justification: For an ecolabel to be a successful green market measures, consumers must be both aware of the need for sustainable consumption and of the specific benefits of purchasing products with a “trustworthy” ecolabel.</i></p> <ol style="list-style-type: none"> <li>1) Provide consumer education on the importance of practicing sustainable consumption.</li> <li>2) Develop the credibility of ecolabel by raising the awareness on the programs commitment to designating the best performing products available on the market.</li> <li>3) Establish a strong vehicle for public relations and marketing that can be seen by producers as a valuable means for raising their product’s profile.</li> </ol>	<p>MEXT and MOEJ could cooperate on this area.</p> <p>MOEJ’s Office of Environmental Education has experience in this area.</p>
<p>ASEAN Export Label</p>	<p><i>This is a more innovative idea that needs to be considered in more detail, but would aim at specifically addressing the fact that many countries in SE Asia are dependent on exporting primary goods, while most ecolabels address domestic market value-added products.</i></p> <ol style="list-style-type: none"> <li>1) Develop a systems of standards that will comply with the standards for entry into the green markets (and the public procurement systems) of Japan, the EU and the USA.</li> <li>2) Establish a transparent assessment and reporting process.</li> <li>3) Gain the support of the governments in the importing countries for this project.</li> </ol>	<p>ASEAN could become the lead agency managing the label; and licensing agencies could be identified or established in each country.</p> <p>JICA, JEMAI and APO could provide support for these actions.</p>

**Green Purchasing Networks**

**Appendix 3: Action Plan for Green Purchasing Networks**

<p><b>Action Goal</b></p>	<p><i>To strengthen the advancement of green purchasing/procurement throughout East Asia by improving multi-stakeholder cooperation and networking, and also by identifying both front-of-pipe and end-of-pipe solutions across the production-consumption supply chain.</i></p>	
<p><b>Strategic Approach</b></p>	<p><b>Specific Actions</b></p>	<p><b>Actors</b></p>
<p>Strengthen Existing Cooperation Platform (IGPN)</p>	<p><i>Justification: The International Green Purchasing Network is already engaged in productive international cooperation on green procurement.</i></p> <ol style="list-style-type: none"> <li>1) Strengthen Core Funding for IGPN and GPN-J.</li> <li>2) Develop a strong marketing capacity in IGPN to promote green procurement methods among corporations and governments.</li> <li>3) Develop officer capacity of IGPN to provide training for the implementation of green purchasing and procurement.</li> </ol>	<p>GPN-Japan was the first organization of its type, and IGPN utilizes the Japanese model for the basis of what it promotes internationally. The Environment and Economy Division of MOEJ works closely with GPN-J and IGPN.</p>
<p>Capacity Building for Cleaner Production &amp; Environmental Performance</p>	<p><i>Justification: Supporting cleaner and greener production methods in SE Asia would have substantial direct environmental benefits and indirectly benefit green markets by increasing the quality and quantity of available green products.</i></p> <ol style="list-style-type: none"> <li>1) Production levels/standards in individual SE Asian countries must be accounted for and incremental improvements should be outlined. In some cases, technology transfer may provide for leapfrogging.</li> <li>2) Run training programs, by industrial sectors, for improving production standards and promoting LCA models utilization in the supply chain.</li> <li>3) Identify major technical barriers to cleaner production, and develop a capacity building and technology transfer program to overcome them.</li> </ol>	<p>MOE can help in identifying the environmental standards that should be pursued in different countries, but would need to cooperate with other agencies on this activity. APO, METI or JEMAI could provide support from technical side. JICA could support to mobilize international cooperation. <i>*This area could also provide a CSR opportunity for Japanese companies.</i></p>
<p>Promotion of Eco-Product and Green Technology Fairs &amp; Exhibitions</p>	<p><i>Justification: Eco-Product Fairs provide both an important way to share good practices and also to raise consumer awareness.</i></p> <ol style="list-style-type: none"> <li>1) Develop a clear plan of the main activities/items MOE wants to promote and take leadership in at a regional level; such as eco-labelling, green public procurement, and 3R solutions.</li> <li>2) Cooperate with IGPN and APO to strengthen the presence of Japan and MOE in the regional fairs. Also, work with JEMAI to bring more regional presence/good practice to the domestic fairs.</li> <li>3) Attract Japanese businesses and corporations to take a role in the regional fairs, and to work with MOE to promote the main activities/items identified under point 1.</li> </ol>	<p>JEMAI organizes the domestic Eco-Product Fairs and APO organizes the regional ones. IGPN is actively involved in the regional fairs also. MOE has been involved in the domestic fairs, but they have yet to have strong interaction with the regional fairs where Japan could demonstrate a leadership role in such areas as eco-labelling, green public procurement, and 3R solutions.</p>

<p>International Database of Environmental Regulations for Production Compliance</p>	<p><i>Justification: Due the fact that many countries have different environmental regulations, it is very difficult for producers (especially SMEs) to be aware of or comply with all of these regulations. A database that can help access and synthesize these diverse regulations could improve compliance.</i></p> <p>1) Secure support for the completion of this project as dependence on user fees would not be sustainable at this time.</p> <p>2) As the achievement of a global database could take a significant time to develop, it may be worthwhile to consider the production of one aiming at the countries in East Asia and the major export countries as a precursor to the global database.</p> <p>3) MOE could utilize this database to promote further regional harmonization of standards and environmental regulations in order to improve/ enhance the free trade of greener products across the region; though such cooperation may need to include METI and MOFA.</p>	<p>MOE has already asked IGPN to begin this process. It is currently in its development and pilot phases, so efforts to strengthen both the domestic and international usage of this database could be highly valuable to its success.</p>
<p>Improving Corporate Procurement Systems</p>	<p><i>Justification: To secure the voluntary acceptance of companies to employ green procurement systems, the framework and tools for these systems must be clearly developed and easily available.</i></p> <p>1) Governmental tax incentive or fiscal benefit for companies demonstrating a high level of green procurement.</p> <p>2) Develop qualified tiers for products, such as “Weak Green Choice”, “Good Green Choice” and “Best Green Choice”, in order for companies to procure green products without having to quantify choices or develop standards themselves. <i>Note: many GPNs and IGPN develop product databases providing information, but companies must still decide which products meet their standards.</i></p> <p>3) Link with CSR activities to green the supply chain through green production capacity training, knowledge sharing, and technology transfer.</p>	<p>MOE (under the Environment and Economy Division) has been the lead agency in developing the green public procurement system, so much of this knowledge should be transferable to promoting a corporate procurement system. IGPN can also play a lead role in coordinating the dissemination of this system, especially in SE Asian countries through coordinating with the national GPNs.</p>

**Green Public Procurement**

**Appendix 4: Action Plan for Green Public Procurement**

<p><b>Action Goal</b></p>	<p><i>To strengthen the application of Green Public Procurement as a means to promote greener production and consumption, and to utilize international environmental cooperation to improve cross-boundary actions on green purchasing.</i></p>	
<p><b>Strategic Approach</b></p>	<p><b>Specific Actions</b></p>	<p><b>Actors</b></p>
<p>Diffusion of Japanese Experience establishing a GPP law and system</p>	<p><i>Justification: Green Public Procurement has proven itself as a highly significant means for initializing the supply of green products/markets; and it is the Japanese experience that originated and has modeled good practice in GPP.</i></p> <ol style="list-style-type: none"> <li>1) Clear and concise dissemination of Japan's experience in establishing GPP, including detailed explanation of the functional components of the country's GPP system. Also demonstrate the significant impacts GPP had for stimulating green market in Japan.</li> <li>2) Help establish national multi-stakeholder task forces on GPP in ASEAN member countries, as it is critical to gain the leadership and commitment of senior policy-makers and managers.</li> <li>3) Establish a GPP leadership/training program for government officers from other countries to come to Japan and gain first-hand experience on the country's GPP system.</li> </ol>	<p>MOEJ, Environment and Economy Division – as the lead government agency. GPN-J as the original developer of the concept.</p> <p>*Both China and Republic of Korea have enacted GPP systems, and under the TEMM action plan could share good practice among the three countries and with ASEAN member countries.</p>
<p>Improve Process for setting Purchasing Standards/Criteria</p>	<p><i>Justification: Setting product standards for green public procurement and testing products for their compliance to these criteria is a significant barrier to successful implementation of a GPP system in many countries.</i></p> <ol style="list-style-type: none"> <li>1) Disseminate experience of Japan's Top Runner Method as an approach for ASEAN member countries to promote progressive standards for energy efficiency.</li> <li>2) Aid in developing ASEAN product testing center that can provide environmental performance information for products across SE Asia.</li> <li>3) Promote better harmonization between national GPP and eco-label standards as there is strong evidence that GPP can linked to eco-labelling can significantly increase the quantity, quality, and price competitiveness of available eco-labelled products.</li> </ol>	<p>MOEJ, Environment and Economy Division – as the lead government agency has direct experience in developing, reviewing and updating these standards. This division must also regularly consult with METI regarding these standards.</p> <p>JICA promoted the Top Runner Method in a project with India in 2008.</p>
<p>Training of Trainers for Procurement Officers</p>	<p><i>Justification: One of the activities that GPN-J has undertaken to aid the spread of GPP in Japan is training for procurement officers, and this could drastically increase the implementation in other countries.</i></p> <ol style="list-style-type: none"> <li>1) Develop procurement training materials and translate into multiple languages.</li> <li>2) Develop a training of trainers program in cooperation with IPGN that works with national GPNs to establish qualified trainers in each country to run in-country trainings for procurement officers.</li> <li>3) Work with national GPNs (through IGPN) to promote regular dissemination of updates and new information.</li> </ol>	<p>GPN-J and the Environment and Economy Division of MOEJ provide this role in Japan for training the government's procurement officers on GPP at all levels of government. Internationally, IGPN provides some capacity building activities.</p> <p>*The good practice of GPN-J provides a replicable model.</p>

<p>Japanese participation in regional Eco-events</p>	<p><i>Justification: Though the Japanese government's domestic practice is strong in this area, they could improve their efforts in the area of regional cooperation (with countries like Korea and Malaysia taking the lead).</i></p> <ol style="list-style-type: none"> <li>1) Coordinate with other countries' governments hosting the international eco-product fairs to provide support.</li> <li>2) Coordinate between MOEJ, APO and JEMAI to strengthen efforts on eco-product fairs both domestically and internationally.</li> <li>3) Bring more SE Asian products to the Japanese Eco-Product Exhibitions. These products could be identified at the international fairs.</li> <li>4) Establish a "Green Innovative Design Competition" for Japanese companies that could annually promote the development of new solutions for specific technology areas with best examples. (see Levi's Care to Air competition for a similar example: <a href="http://www.levi.com/care/">www.levi.com/care/</a> )</li> </ol>	<p>APO organizes the Eco-Products International Fairs, and JEMAI and NIKKEI organize the domestic Eco-Products Exhibitions.</p>
<p>Harmonization of Purchasing Standards</p>	<p><i>Justification: A process for harmonizing green public purchasing standards between countries, similar to what occurs for eco-labels, would advance the regional trade in green products.</i></p> <ol style="list-style-type: none"> <li>1) Work with ASEAN to establish a similar process for harmonization in SE Asia as has occurred under the TEMM Roundtable on Environmental Industry.</li> <li>2) Promote a green product database for all ASEAN member countries.</li> </ol>	<p>MOEJ, Environment and Economy Division would need to work with relevant departments/agencies in other countries. Similar cooperation is happening with China and ROK through the TEMM – Roundtable on Environmental Industry.</p>

**Greening of Supply Chain and Dependency on Export of Raw Material**

**Appendix 5: Action Plan for Greening of Supply Chain**

<p><b>Action Goal</b></p>	<p><i>To support a movement towards greener supply chains through promoting environmental aspects of primary production occurring in ASEAN member countries, strengthening responsible relationships between parent companies in Japan with suppliers in SE Asia, and aiding development of value-added production in ASEAN member countries.</i></p>	
<p><b><u>Strategic Approach</u></b></p>	<p><b><u>Specific Actions</u></b></p>	<p><b><u>Actors</u></b></p>
<p>Training Program on Performance Standards for factory/ production managers on environmental and social performance requirements</p>	<p><i>Justification: Due to the fact that Japanese companies depend on a supply chain from SE Asia, it is important to provide dissemination of the environmental and social performance requirements of these companies to the managers of production lines in SE Asia.</i></p> <ol style="list-style-type: none"> <li>1) Complete an assessment of the main environmental and social performance requirements that Japanese companies need better accountability on from primary producers.</li> <li>2) Develop dissemination program to explain these requirements and to demonstrate how production can be managed to achieve them.</li> <li>3) Pilot project in selected country and evaluate effectiveness.</li> <li>4) Redesign program for wider dissemination.</li> </ol>	<p>MOE could take the lead in developing this program, or responsibility could be shared with METI. JEMAI and APO could provide support for implementation. This could also be linked to actions under the CSR platform. National GPN's may provide a good gateway for linking to managers in each country.</p>
<p>Type III Labels: Energy Performance, Carbon Footprint, Water Footprint &amp; Single Category Labels: FSC (Forest Stewardship) &amp; MSC (Marine Stewardship)</p>	<p><i>Justification: Type III labels provide beneficial tools for producers to incorporate more effective environmental performance into their production practices.</i></p> <ol style="list-style-type: none"> <li>1) Initiate an inter-ministerial roundtable on the various type III and type I labels that are currently used in Japan to distinguish the prioritization of these various labels.</li> <li>2) Distinguish what are the flagship type III labels that Japan wants to promote in East Asia.</li> <li>3) Utilize the existing networks of GEN and IGPN to spread the usage of flagship type III labels.</li> </ol>	<p>METI is the lead agency on Type III labels. These include the Energy Saving Label and the Eco-Leaf label based on LCA information. METI has been working to develop a Carbon Footprint label. MLIT also manages environmental labeling, including CASBEE and Eco-Rail.</p> <p>The FSC &amp; MSC labels are regulated and monitored by independent, international bodies.</p>
<p>Establishing In-Country Auditing for International Labels</p>	<p><i>Justification: Exports to eco-label and green markets in developed economies in Europe, USA, and Japan can provide substantial influence for improving environmental performance in developing countries. Better supported access to these markets could provide a stimulus for improvement.</i></p> <ol style="list-style-type: none"> <li>1) Develop a project to coordinate auditing procedures for major eco-labels.</li> <li>2) Establish a training process for auditors.</li> <li>3) Establish a coordinating (management) body for environmental certification in ASEAN member countries that can work directly with national certification bodies.</li> </ol>	<p>GEN and IGPN work with the relevant labeling organizations internationally. UNEP initiated a program to support African businesses access EU Flower label, and are now considering a similar program in SE Asia.</p> <p>ASEAN could provide a management role for this process.</p>

<p>ASEAN Export Label and/or Management of Eco-Label Auditing body</p>	<p><i>Justification: This is a more innovative idea that needs to be considered in more detail, but would aim at specifically addressing the fact that many countries in SE Asia are dependent on exporting primary goods, while most ecolabels address domestic market value-added products.</i></p> <ol style="list-style-type: none"> <li>1) Develop a systems of standards that will comply with the standards for entry into the green markets (and the public procurement systems) of Japan, the EU and the USA.</li> <li>2) Establish a transparent assessment and reporting process.</li> <li>3) Gain the support of the governments in the importing countries for this project.</li> </ol>	<p>ASEAN could become the lead agency managing the label; and licensing agencies could be identified or established in each country.</p> <p>JICA, JEMAI and APO could provide support for these actions.</p>
<p>Parent Company Capacity Building for Primary Producers</p>	<p><i>Justification: Limited capacity – in terms of knowledge, funding and technology – remains clear barriers from improving environmental performance from the bottom-up.</i></p> <ol style="list-style-type: none"> <li>1) Conduct research and identify production sectors in SE Asia that have histories of poor environmental performance, and also draw links with value-added producers in Japan who depend on these supply chains.</li> <li>2) Develop knowledge transfer programs for producers in SE Asia in regards to specific production sectors.</li> <li>3) Develop a technology transfer program to match expertise of Japanese corporations with identified production challenges in ASEAN member companies.</li> </ol>	<p>Relevant businesses to support these actions will need to be identified. JICA and APO could provide technical support in regards to project implementation.</p>



**Education for Sustainable Consumption & Consumer Awareness Raising**

**Appendix 6: Action Plan for Education for Sustainable Consumption & Consumer Awareness Raising**

<b>Action Goal</b>	<i>To develop strong mechanisms to help promote sustainable consumption and consumer responsibility in East Asian countries as Education for Sustainable Consumption remains a new topic that many ASEAN member countries currently have very limited capacity to implement.</i>	
<b><u>Strategic Approach</u></b>	<b><u>Specific Actions</u></b>	<b><u>Actors</u></b>
<p>Formal Education School Program on ESC</p>	<p><i>Justification: Formal education for both ESC and more generally ESD are hindered in SE Asia due to a lack of appropriate teaching methods and educational materials.</i></p> <ol style="list-style-type: none"> <li>1) Investigate appropriate mechanisms for promoting ESC in formal education.</li> <li>2) Develop teacher training materials on ESC.</li> <li>3) Develop educational materials on ESC.</li> <li>4) Model unique school programs for integrating sustainable consumption into school management and for establishing environmentally friendly learning environments.</li> </ol>	<p>Several countries – including Japan, China and Thailand – have developed unique educational programs for promoting ESC that could be replicated. UNESCO also provides support for such activities under the framework of the Decade for Education on Sustainable Development (2005-14)</p>
<p>Sustainable Consumption Leadership Program</p>	<p><i>Justification: Establishing a leadership program on Sustainable Consumption that brings relevant government officers from ASEAN member countries to Japan will be an effective way to expand capacity and good practice on SC policy and project implementation.</i></p> <ol style="list-style-type: none"> <li>1) Identify relevant departments/government officers in ASEAN member countries for promoting sustainable consumption to establish and contact database.</li> <li>2) Survey currently knowledge, strategies and projects for promoting sustainable consumption in these countries.</li> <li>3) Develop a capacity building program on promoting SC through policy and projects, and then pilot program.</li> </ol>	<p>Currently, no strong actors in MOEJ for promoting SC accept through use of eco-label and green procurement. The Consumer Affairs Agency, under CAO, has recently initiated Inter-Ministerial meetings on SC. MEXT's Lifelong Learning Policy Bureau promotes some SC and consumer education actions.</p>
<p>Availability and Dissemination of Relevant Information</p>	<p><i>Justification: Consumers need better information on how to practice sustainable consumption. What are most effective choices (ie. energy saving measures, consumption practices, etc)?</i></p> <ol style="list-style-type: none"> <li>1) Identify good practice cases in promoting sustainable consumption activities directly to consumers from throughout East Asia, and promote their replication.</li> <li>2) For consumers, it is necessary to expand beyond product purchasing databases and start to consider databases for green lifestyle options. An important linkage can also be made between resource savings and financial savings.</li> <li>3) Promote community programs for sustainable lifestyles that create local cooperation for sustainable consumption. For example, the Green Shop movement in Korea has been promoted by the government.</li> </ol>	<p>Japan has developed several innovative projects, such as the Team Minus 6% and 1kg/1day/1person movement (<a href="http://www.team-6.jp">www.team-6.jp</a>) promoted by MOEJ.</p> <p>These projects could be shared as good practice with relevant government officers in SE Asia.</p> <p>GPN and IPGN develop product databases that provide environmental performance information.</p>

<p>Consumer Awareness Raising and Marketing</p>	<p><i>Justification: The pressing challenge for both quantitative and qualitative growth in sustainable consumption remains a recognized global challenge, but this must become an effort that directly engages citizens in aspects of their daily living.</i></p> <ol style="list-style-type: none"> <li>1) Prepare and translate easily accessible materials regarding environmental challenges in relation to consumption and discuss aspects on how individuals can make a difference through their own daily practices.</li> <li>2) Utilize media technologies to promote SC practices, such as “zero waste competitions”.</li> <li>3) Collaborate with efforts to develop marketing capacity for eco-labelling in Japan, as benefit is gained for both areas to promote eco-labels as one way to help practice sustainable consumption.</li> </ol>	<p>MOEJ’s Environment and Economy Division and the Office of Environmental Education both have some experience in this area. MEXT’s Lifelong Learning Policy Bureau promotes some SC and consumer education actions. Cooperation with the Eco-Mark and Japan Environment Agency could help develop this area.</p>
<p>Conduct Case Studies on good practice in Education for Sustainable Consumption in TEMM and ASEAN member countries</p>	<p><i>Justification: As a new topic that bridges aspects of Sustainable Consumption and Production (SCP) and Education for Sustainable Development (ESD), there is a need for further investigation on how to promote sustainable consumption directly to consumers, especially in aspects of informal education.</i></p> <ol style="list-style-type: none"> <li>1) Many innovative and one-off solutions to promoting greener consumption practices have been implemented across East Asia, efforts to disseminate and replicate these best practices could have substantial benefit for spreading knowledge and skills for sustainable consumption.</li> <li>2) Establish a research network in East Asia on sustainable consumption and sustainable lifestyles. This could link with efforts already being made by the Partnership for Education and Research about Responsible Living (PERL) and the Asia-Pacific Roundtable on SCP (APRSCP).</li> <li>3) Develop funding to support local authorities in implementing low-cost solutions as many of the most effective solutions are small-scale, locally implementable cases.</li> </ol>	<p>IGES has developed a strong research network in East Asia on Education for Sustainable Consumption and is taking efforts to promote this work.</p> <p>The Consumer Affairs Agency under the Cabinet Office is coordinated Inter-Agency meetings on sustainable consumption to address these issues domestically.</p>

**Establishing Platform for CSR Activities**

**Appendix 7: Action Plan for Establishing a Platform for CSR Activities**

<p><b>Action Goal</b></p>	<p><i>To establish a Platform to strengthen the CSR activities of Japanese Companies acting in other countries. This should promote cooperation on CSR activities between different companies and coordinate with the government's strategy and efforts on international environmental cooperation (especially in regards to promoting green markets in SE Asia).</i></p>	
<p><b>Strategic Approach</b></p>	<p><b>Specific Actions</b></p>	<p><b>Actors</b></p>
<p>Initiating Main Actors &amp; Network</p>	<p><i>Justification: Currently there is little coordinating strategy behind the selection of CSR activities outside of Japan. Such a platform could provide this basis but will need to start with identifying main actors.</i></p> <ol style="list-style-type: none"> <li>1) Establish a research process to investigate opportunities for the best procedure to developing this CSR platform and the activities it is to conduct.</li> <li>2) Create an open dialogue with Japanese corporations to gain their support for this platform and to reflect their needs and desires.</li> <li>3) Secure the appropriate management and resources for the operation of this platform.</li> <li>4) Develop a detailed plan of action for this platform, and prepare a framework of specific activities it can support.</li> </ol>	<p>MOEJ is already investigating best practice in CSR activities. The Japan CSR Forum is an NPO with CAO endorsement that supports domestic CSR. IGPN and GPN-J could provide strong links to Japanese companies interested in environmental CSR activities. ASEAN is working to develop a CSR network and can be cooperated with.</p>
<p>Developing CSR Strategies for Specific Sectors and Countries</p>	<p><i>Justification: To provide specific entry points for corporations to become involved, CSR activities can be framed in two different ways: based on either the sector or the country that the corporation is interested to practice CSR in.</i></p> <ol style="list-style-type: none"> <li>1) Identify the priority business sectors that Japanese corporations are conducting CSR in, and develop a strategy for promoting CSR actions in this sector.</li> <li>2) Address the unique contexts of the individual ASEAN member countries, and identify the most appropriate CSR actions to support the individual countries' needs.</li> <li>3) Develop a database of potential CSR opportunities that Japanese companies can search through for projects that meet their specific strengths and desires for CSR practice.</li> </ol>	<p>Main Actors and Network Managers will need to be identified during action 1.</p> <p>JICA could provide assistance regarding the priorities for specific ASEAN member countries.</p> <p>Relevant businesses and JEMAI could support developing strategies for specific business sectors.</p>
<p>Aligning CSR Activities with National Development Priorities</p>	<p><i>Justification: To provide direct benefit to ASEAN member countries, the platform will need to identify the specific development needs and priorities of the individual countries. As well as aligning with the environmental and development priorities of Japan.</i></p> <ol style="list-style-type: none"> <li>1) Develop links and consult with relevant government officers from ASEAN countries to identify the countries' priorities and needs.</li> <li>2) Prepare individual country cooperation frameworks to delineate appropriate activities for individual countries.</li> <li>3) Cooperate with ASEAN's efforts to develop a CSR network in order to incorporate wider regional development strategies.</li> </ol>	<p>Relevant officers in governments of ASEAN member countries will need to be identified during formation of the platform. ASEAN can provide wider regional coordination through the CSR Network it is working to develop. AICHR will begin a study on CSR in 2011 to establish a binding regional instrument.</p>

<p>Capacity Building for Supply Chain Greening</p>	<p><i>Justification: Limited capacity – in terms of knowledge, funding and technology – remains clear barriers from improving environmental performance from the bottom-up.</i></p> <ol style="list-style-type: none"> <li>1) Conduct research and identify production sectors in SE Asia that have histories of poor environmental performance, and also draw links with value-added producers in Japan who depend on these supply chains.</li> <li>2) Develop knowledge transfer programs for producers in SE Asia in regards to specific production sectors.</li> <li>3) Develop a technology transfer program to match expertise of Japanese corporations with identified production challenges in ASEAN member companies.</li> </ol>	<p>Relevant businesses to support these actions will need to be identified. JICA and APO could provide technical support in regards to project implementation.</p> <p><i>* For an innovative example of activity 2, see the Universita del Caffè established by Illy Coffee Company to transfer knowledge on good agronomy, coffee production and management.</i></p>
<p>Partnerships with In-Country NGOs and Civil Society</p>	<p><i>Justification: It will be important to establish local contacts in countries to support CSR activities, and an important goal of the CSR Platform should be to strengthen the environmental and sustainability activities of Civil Societies in ASEAN Member Countries.</i></p> <ol style="list-style-type: none"> <li>1) Develop strong relationships with those organizations working on CSR in SE Asia: ASEAN CSR network, UN Global Compact, and Singapore Compact for CSR.</li> <li>2) Open a channel for CSOs in ASEAN Member Countries to request support and propose projects to the CSR platform.</li> <li>3) Provide support to CSOs working to improve labour conditions, human rights and anti-corruption measures in ASEAN member countries.</li> </ol>	<p>National GPNs and IGPN have established links with these organizations.</p> <p>Singapore Compact for CSR is creating a domestic network and is working with ASEAN.</p> <p>The UN Global Compact provides an international business partnership gateway on CSR. UN-ESCAP manages a regional support center for Global Compact in Asia-Pacific.</p>
<p>Strengthening SMEs environmental performance</p>	<p><i>Justification: Increasing environmental requirements for supply chain certification often leads to a disproportionate disadvantage for SMEs to comply with. SMEs provide a significant portion of employment in SE Asia, and this challenge must be overcome to avoid increasing social problems in the attempt to tackle environmental issues.</i></p> <ol style="list-style-type: none"> <li>1) Prioritize SMEs as a main recipient/target of ODA activities/funding.</li> <li>2) Work with ASEAN member countries to strengthen platforms for SMEs to gain training and support.</li> <li>3) Support the development of long-lasting relationships with growers/producers through mutually beneficial relationship; while at the same time discouraging exclusive supply contracts and upholding the freedom of association.</li> </ol>	<p>National GPNs and IGPN could provide one link to SMEs in SE Asian countries.</p> <p>The CSR Platform could also benefit from forming links with national Chambers of Commerce for this action.</p>

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