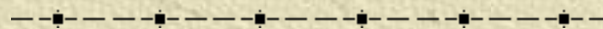


Domestic Policymaking
Processes and Architecture for
Earth System
Governance: From Theory to
Practical Implications

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2009 Amsterdam Conference on the Human Dimensions
of Global Environmental Change, 2-4 December 2009

Earth System Governance

- ✦ A key focus is on institutions (architecture)
- ✦ Problem of fit, imbalance between supply & demand for governance
- ✦ Effectiveness of institutions/governance
=> problematic, difficult
- ✦ How institutions can be improved
- ✦ Pessimism about national governments
- ✦ Search for new mechanisms
 - Especially bypassing national governments

What should be more emphasized? Factors influencing decision making (especially at the national level)

- ✦ Negotiations about international treaties, institutions, etc. result from government decisions.
- ✦ So if we are not happy about how governments are handling environmental governance, we should ask how & why governments are making these decisions.
- ✦ Help explain effectiveness of institutions, not just assess.
 - Why are institutions structured the way they are?
 - Why do institutions operate like they do?
- ✦ Help improve design of institutions, enhance effectiveness
- ✦ Help consider how non-governmental governance can be made effective, how it could relate to governments?
- (Discussion of decision-making helps us think about the relation between architecture, agency, and allocation.)

Importance of National Governments

- ✦ Governments are often perceived as obstacles or “draggers.” Important to consider how to change.
 - Giving up, or bypassing them could be a mistake.
- ✦ Governments have many potentially powerful tools available (e.g. taxing power, regulations, etc.)
 - Nongovernmental (voluntary?) systems depend on self-enforcement
- ✦ Intergovernmental international agreements and institutions have potential, if they can be established. (So we shouldn’t give up.)

Explanatory factors
(independent variables)

What is to be explained
(dependent variable)

Ideas

Internal
Factors
(Domestic)

External
Factors
(International)

POLICY
DECISIONS

Decision
+
Implementation

Classification of factors explaining domestic policy decisions

Ideas

- Scientific knowledge (of pollution effects)
- Prioritization (environment vs. economy)
- Economic theories (economic effects of pollution regulation)

Domestic (Internal) Factors

STATE

(Institutions, government)

Decision making process, leadership selection processes, legal framework, etc.

Executive, legislative, judicial, agencies, local governments

SOCIETY

(Non-governmental stakeholders)
(Interests)

Business/Industry
Pollution victims
Citizens, Etc.

Media,
Academia,
NGOs

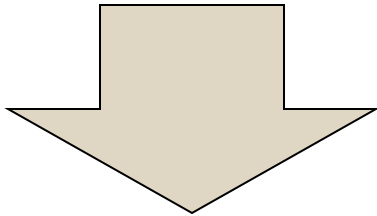
External/ International Factors

- Global trends such as globalization or technological change;
- Influence from foreign countries;
- International organizations, etc.

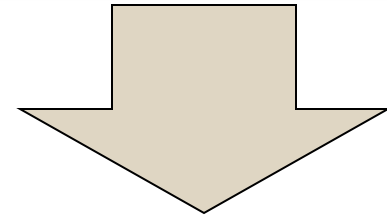
Main obstacles to stronger governance

Non-
Environmental

Environmental



(Similar)
(Domestic/ Society /
interests)



- Perceived economic cost (competitiveness, growth)
- Opposition from business
- Opposition from voters (perceived effects on jobs)
- (“National interest” typically derives from this.)

Comparison with other policy areas (besides environment)

- ✦ Governments have significantly contributed to reducing (not necessarily solving) social / collective action problems
 - At both the domestic and international levels
 - Including creating formal institutions or informal governance
- ✦ Despite opposition from business or business segments, or economic concerns of some voters

Examples: (some include some developing countries)

Trade (protection)	GATT/WTO (dispute settlement)	US: From Smoot Hawley to GATT 1930s
Finance (inflation, balance of payments)	<ul style="list-style-type: none"> ✳️ IMF (balance of payments crises) ✳️ Meetings of finance ministers 	✳️ Spread of central bank independence (informal international governance)
Exchange rates	<ul style="list-style-type: none"> ✳️ Formal institution: EU- unified currency ✳️ Informal: flexible exchange rates/ capital mobility 	
Regulation	<ul style="list-style-type: none"> ✳️ (Keynesian liberalism) ✳️ (no international institutions) 	<ul style="list-style-type: none"> ✳️ Pharmaceutical ✳️ Food safety ✳️ Etc.
Social safety net		Many national governments implement

Note:

- *GATT/WTO, IMF, began with strong “hegemonic” leadership*
- *But they continued or evolved after trend towards multipolarity*
- *Environment is different: no leading country; can strong institutions evolve from the bottom up?*

Example: Trade Liberalization

- ✦ Key factors in US shift to trade liberalization in the 1930s (After the Smoot-Hawley tariff)
 - Mobilization of exporters, which benefit from lower protection, to counter protectionist supporters
 - Institutional innovations & arrangements
 - Congress authorizes President to negotiate liberalization
 - Fast track (agreement gets yes/no vote in Congress – no amendments)
 - Key positions occupied by free traders (e.g. committee chairs)
 - Institutional mechanisms to compensate losers (but designed to actually provide little compensation)
- ✦ US leadership spreads liberalization globally after WW2
- ✦ Global institution: GATT (weak) => WTO (stronger)
- ✦ Institutions persisted after trend towards multipolarity
- ✦ More trade liberalization => more trade => more export industries/ multinational corporations => more pressure for liberalization / resisting protectionism

Key messages from comparison with other policy areas:

- ✦ Business does not always get its way
 - ✦ Businesses do not always agree among themselves
 - ✦ Businesses sometimes support and do not always oppose governance initiatives/ institutions/ regulation
 - ✦ Businesses can be persuaded to change their positions
- Governance, institutions, regulations, have been established, in various policy areas, despite opposition from business

Even in the area of environment, all is not pessimistic (Asian examples)

- ✦ Gradual, steady increase in international environmental regimes/institutions, informal governance including in Asia though still weak. Some examples (not comprehensive)
 - Air pollution: ASEAN Haze Agreement, EANET (monitoring), LTP, Male Declaration, Clean Air Initiative (CAI-Asia)
 - Tripartite Environment Ministers Meeting (TEMM: China, Japan, Korea), East Asian Environment Ministers Meeting (new)
 - Various fora, e.g. Asian 3R (Reduce, Reuse, Recycle) Initiative
 - Active international organizations: UNEP, UNESCAP, UNCRD, ADB
 - Intercity networks (ICLEI Southeast Asia, CITYNET, Kitakyushu Initiative)
- ✦ Characteristics: overall, not very strong; important first steps
 - Weak funding & organization, some overlapping & duplication
 - ** Countries become used to working together, promotes capacity building and information sharing

It is important to remember domestic level “architecture” – Asia

- ✦ Domestic level “architecture” is progressing
 - Especially newly industrializing countries, like Thailand
 - Including China (Five year plans, environmental considerations in promotion criteria, renewable energy & energy efficiency, new regional frameworks for air pollution regulation)
 - Progress is possible when pollution is severe enough

Thus:

- ✦ Asian countries are now cooperating on various technical questions & capacity building
- ✦ Historical/political issues remain
- ✦ But biggest obstacle to stronger environmental governance is perception of cost and prioritization of economic growth and development

Domestic-level architecture in developed countries

- ✦ Advanced countries maintain relatively robust domestic regulatory frameworks
 - Despite pressures from globalization to weaken them with a “race to the bottom”
 - Need to explain why robust regulation persisted?
- ✦ US trend is mixed: (institutional explanation)
 - Reagan/Bush I & II were generally unable to reverse US environmental regulation (institutional persistence)
 - But enforcement was severely weakened through budget & personnel cuts, budget procedures, court cases, delays in decisions & filling positions (institutional innovation)

Air Pollution: Example of positive potential of economic interests

- ✦ Mobile emissions standards historically associated with auto industry competitiveness considerations
 - Germany: 1970s, developed auto pollution control technology => supported stronger standards
 - US/Japan: 1970s; US delayed implementation of stronger standards, Japan didn't; Japanese industry benefited.
 - China: 2000s: Strengthens domestic standards to promote auto export competitiveness
 - South Korea: late 1990s early 2000s; Auto industry requested temporary stronger diesel standards to protect development of new capacity for “clean diesel” autos
- ✦ Renewable energy: stronger standards help RE producers
- ✦ Coal in China: recent reduction of smaller, more polluting producers led to mergers, industry consolidation, helped larger producers
- ✦ Implication: stronger standards benefit more “environmentally friendly” producers – these producers should help lobby for them

Climate change: Selected examples of positive potential of economic interests

- ✦ China: major effort on energy efficiency and renewable energy
 - Energy security
 - Strategic industrial policy
- ✦ US
 - Many large companies see business opportunities, for sales, cost cutting, gaining strategic advantages (GE, Walmart, etc.)
 - Many need policy predictability for investments (especially electric power)
 - Business community is divided; many are dropping memberships in anti-climate change organizations
 - Therefore, politicians opposing climate change initiatives are therefore out of step, not really supporting the interests of big business

Cobenefit Approach

- ✦ Many different concepts & definitions of cobenefits
- ✦ Japan's Ministry of Environment:
 - Cobenefits between climate change mitigation and air pollution, waste management, & water
- ✦ Economic development cobenefits are more popular
- ✦ Renewable energy (helps energy security)
- ✦ (More broadly) Many businesses could benefit or gain competitive advantage.
 - Based on regulations benefiting firms with more advanced technology, and imposing costs on less advanced firms
 - Including large GHG emitters like some electric power companies
 - It is desirable to organize, mobilize these businesses

Implications for Strategies

(based on analysis of decision making)

Ideas	<ul style="list-style-type: none"> ✳ Important ✳ Already many existing efforts ✳ Especially should focus on changing actors conception of interests
Society (interests of stakeholders)	<ul style="list-style-type: none"> ✳ Change actors conception of interests (related to ideas/information) ✳ Especially, find businesses whose interests coincide with stronger environmental policies, institutions ✳ Improved mobilization & organization of “environmentally friendly” stakeholders
State (domestic institutions)	<ul style="list-style-type: none"> ✳ Encourage “policy entrepreneurs” at various government levels ✳ Small institutional innovations can have a large cumulative impact ✳ Link institutional innovations with “environmentally friendly” stakeholders
External/ international	<ul style="list-style-type: none"> ✳ Globalization’s “race to the top” pressure may counteract “race to the bottom” pressure. (Developing countries want to export to developed country markets.)

Summary of Main Points

- ✦ We should not give up on governments
- ✦ Analyzing factors explaining decision making can help explain effectiveness of regimes, develop strategies for improvement.
- ✦ Special attention to economic interests and decision making institutions
 - Can play a positive role, not just negative
- ✦ Comparisons of environment with other policy areas could be useful.
- ✦ Application to climate change & air pollution
- ✦ Implications for strategy: ideas/information; change actors conceptions of their interests; institutional innovations; mobilize/organize “environmentally friendly” stakeholders