

Northeast Asia's Geopolitical Environment Growing More Uncertain

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The ruling Liberal Democratic Party won a landslide victory in Japan's House of Councillors election on July 21, resolving the division of the Diet for the first time in six years. The term of office for lawmakers in the House of Representatives is set to last until late 2016, while the next House of Councillors election is scheduled to come in the summer of the same year. The present LDP administration has thus entered a “golden three-year” period free from parliamentary elections. The administration is now growingly expected to steadily tackle key policy challenges in the period.

In fact, the way might have been paved for the present Shinzo Abe administration to become stable and tackle various challenges. But a mountain of challenges at home and abroad is facing the Abe administration which includes many problems that are difficult to handle. One of the problems is an energy policy reform including how to set the best energy mix. But there are many more urgent challenges. On the domestic economy front, the Abe administration will have to decide whether to implement a consumption tax hike scheduled for next April. Domestic and international coordination and negotiations on the proposed Trans-Pacific Partnership free trade agreement will gain momentum. During its extraordinary session in autumn, the Diet will have to consider a growth strategy and industrial competitiveness enhancement measures.

There are also various challenges involving national security. For example, a government panel on rebuilding legal infrastructure for national security will step up discussions on collective self-defense rights. It will also deliberate on creating a national security council. Based on these discussions, the government plans to revise its defense program guideline.

Under such circumstances, Japan's external environment remains difficult and very uncertain. Particularly, there are great challenges regarding Japan's deep political, economic and social relations with other geographically-close Northeast Asian countries. Particularly, Japan's relations with China and South Korea have grown difficult and are likely to remain difficult. It is hard to expect any easy solutions to the growing uncertainties about and tensions in these bilateral relations.

Japan has yet to find any breakthrough in its confrontation with China over the Senkaku Islands. Through its reiterating that the door is open for dialogue, the Japanese government might have been exploring the possibility of dialogue including a summit. On July 29 and 30, Japanese Vice Foreign Minister Akitaka Saiki visited China and exchanged views with Chinese officials. But the Chinese side indicated a view doubting the possibility of a bilateral summit in the China Daily on July 30. No optimism can be justified about future developments. Japan's ally, the United States, is greatly concerned over the Japan-China tensions over the Senkaku Islands. The tensions have become an important problem that could affect stability in the entire Asia-Pacific region.

The Japan-South Korea confrontation and tensions since last summer are growing even more serious and complicated, rather than being resolved. In addition to the disputes over Takeshima and perceptions of history, new problems have emerged, including the South Korean judicial branch's order for a Japanese firm to compensate Koreans for forced labor during World War II. Bilateral frictions have emerged in political, economic, social, cultural and other areas. Traditionally, close bilateral economic relations and the two countries' security alliance with the United States had served to bond the two countries together. Given changes in the external environment including South Korea's development of economic, social and security relations with China, however, no optimism can be warranted about reconstructing Japan-South Korea relations.

Uncertainties and destabilizing factors have emerged not only for the political environment but also for economic problems in Northeast Asia. Downside risks have emerged for the Chinese economy that has been the driver of global growth, leading to uncertainties about its future course. This development is seriously affecting the South Korean economy that has grown more dependent on the Chinese economy. Chinese, South Korean and global economic slumps represent risks Japan cannot ignore. We must keep close watch on the Northeast Asian economic situation.

While the Northeast Asian situation grows difficult and uncertain, Japan, China and South Korea (particularly Japan and South Korea) share many problems as energy consumers and importers in Asia that is increasing its presence in the world. Symbolically, the problems of stable natural gas/LNG procurement and the Asian premium on gas prices, which have attracted global attention, are common to the three countries. As the Northeast Asian political and economic environments increase in severity and uncertainty, however, various obstacles to and constraints on cooperation in pursuing common interests are expected to emerge.

When political and economic environments are difficult, wisdom and ideas may be required to overcome the difficulty. If Track 1 talks are difficult, it may be significant to explore and sustain an exchange of views or dialogue in Track 2 only on areas where Japan and China or South

Korea can really pursue common interests.

When the government is required to steadily tackle and resolve a large number of domestic political and diplomatic challenges, the industrial, government and academic sectors may have to exploit their respective stances, characteristics and strengths to make optimum use of human resources, capabilities and experiences in Japan. Taking advantage of the period that could be a "golden three years," the government is now truly required to resolve domestic and external challenges one by one.

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