

Japan Faces Fluid International Situation and Growing Future Uncertainties

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The international situation surrounding Japan has been destabilized further, with future uncertainties growing. First, the future course of the global economy has become fluid due to the U.S.-China trade war as noted in the previous special bulletin. Stock prices have been fluctuating wildly on daily news reports regarding the U.S.-China trade war. Optimism and pessimism about the global economy have come and gone on a daily basis in a manner to shake the world every day.

Both the United States and China are very important for Japan from the viewpoint of economy and trade. If the two economies slow down in a manner to cause global economic deceleration, Japan may be seriously affected. In this way, global economic trends are very important for Japan. In this bulletin, however, I would like to discuss the international political situation surrounding Japan, relevant international relations and geopolitical risks in addition to global economic issues.

First, the international situation surrounding the Middle East, the central energy supply source for Japan and the entire world, has deepened its confusion. The Middle East situation has long been plagued with destabilizing factors. Recently, however, the Middle East situation including the Iran problem has become unprecedentedly destabilized, confused and uncertain. The deteriorating Middle East situation's impact on crude oil prices has been limited as market players have grown concerned about global economic slowdown risks. If the Middle East situation is destabilized further to pose real threats or risks to oil supply or transportation, however, market sentiment may turn around.

Tanker attacks and seizures, and the shutdown of drones in the vicinity of the Strait of Hormuz have led safe passage through the main oil transportation artery to attract global attention, prompting the United States to call for forming a coalition to protect the oil transportation. Safe oil transportation, though characterized as a global common, can be linked to the issue of how beneficiaries from safe oil transportation should be held responsible for protecting the transportation. The responsibility could be viewed as depending on how much oil a country imports from the Middle East.

The United States has played a key role as the policeman of the world in stabilizing the Middle East and securing safe oil transportation. The coalition proposal by such country could trigger a major change in governance regarding the stabilization of the international energy market. At the same time, how Japan as a country depending heavily on Middle Eastern oil should be involved in the issue will be questioned. Japan must consider its response to the issue within its legal and institutional framework including the war-renouncing constitution. At the same time, however, a global viewpoint covering the Japan-U.S. alliance and the future attitude and strategy of China as a major importer of Middle Eastern oil is required for Japan.

In this respect, the key issue for Japan and the entire world would be how the United States would move. U.S. foreign policy, including how Washington would deal with China, Russia and the Middle East and what specific strategies it would implement, would be the biggest factor exerting great influence on the international situation. From the viewpoint of a U.S. ally and the strategic viewpoint of analyzing cold international politics, Japan must pursue its national interests. Japan is required to accurately analyze the long-term direction and key points of not only the Trump administration's foreign policy but also long term perspectives on future U.S. foreign policy.

Asia as well as the United States and the Middle East is important for the international situation surrounding Japan. The international situation in Asia has also been destabilized, with uncertainties and tensions growing. Holding the key to the Asian situation is China. The escalation of the U.S.-China trade war indicates that China has increased its presence and influence and developed into a power that can challenge the United States. China has not only enhanced its presence in Asia but also tried to increase its global presence beyond Asia through the Belt and Road Initiative. Its aggressive diplomatic attitude and maritime expansion commensurate with its power have attracted attention not only from regional countries but also from the entire world.

In a recent attention-attracting move, China has deepened strategic relations with Russia that also confronts the United States, making great progress in their military cooperation. Progress in the China-Russia relationship can exert various impacts on the whole of Northeast Asia. The Korean Peninsula situation has also become fluid and complicated. The future of North Korea's nuclear development issue is still uncertain even after three U.S.-North Korea summit meetings. North Korea has recently fired what seemed to be ballistic missiles in a manner to shake relevant countries. In such circumstances, relations between U.S. allies Japan and South Korea have grown tense due to the wartime labor and radar lock-on issues. Furthermore, Japan decided to revise its export control arrangements for South Korea and drop it from the list of white countries subject to preferential treatments regarding export control due to national security concerns, prompting South Korea to take a similar action against Japan. South Korean citizens have even boycotted Japanese products. Japan-South Korea relations have thus become very severe and difficult.

In Hong Kong, students and other citizens have escalated their protests against a bill that would allow criminal suspects to be extradited to mainland China, shaking local politics and stability. The protests are now unlikely to end soon. On August 12, demonstrations against the extradition bill forced all flights to and from Hong Kong Airport to be cancelled. News reports say that Beijing, concerned about the escalation of the protests, has mobilized People's Liberation Army troops in Guangdong Province near Hong Kong, leading the entire world to pay attention to China's potential intervention. In Taiwan where a presidential election is planned for next year, the Hong Kong problem has attracted attention, leading a policy on China to become a key controversy in presidential election campaigns.

In this way, very complicated and serious problems have emerged at various locations in Asia. The destabilization and growing uncertainties in Asia, though being characteristically different from those in the Middle East, are as serious as them. As a matter of course, the destabilization and complication of the Asian situation greatly affect Japan. With China that holds the key to the Asian situation, Japan has been improving relations after serious bilateral tensions, as symbolized by the phrase "from competition to cooperation." As mentioned above, however, Japan must look to the

whole of Asia and the world and develop and implement an Asian strategy covering relations with the United States.

As international relations and geopolitical problems become more fluid and complicated, Japan is required to coolly discuss and consider what the best choices would be and what it should or can do from an international viewpoint and devise and implement responses.

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