

## **Concerns over Deepening Global Divisions and Rising “Me-first” trends**

Ken Koyama, PhD  
Chief Economist, Managing Director  
The Institute of Energy Economics, Japan

Key words for analyzing the current international energy situation include “the Ukraine crisis,” “price spikes,” “market destabilization,” “energy security” and “geopolitics.” As a matter of course, “decarbonization,” “carbon neutrality” and other key words regarding climate change are also important.

Russia’s military aggression in Ukraine has fundamentally transformed international politics and the global security environment. The Ukraine crisis has also dealt a severe blow to the global economy. Furthermore, the international energy situation has dramatically changed in a manner to trigger price spikes, market destabilization and concerns or fears about energy shortages, leading energy security to loom as a top priority challenge.

Even in the new situation under the Ukraine crisis, efforts to enhance global environment protection have continued. At the same time, however, energy price spikes and the growing importance of energy security under the crisis have brought about an increase in CO<sub>2</sub> emissions through expanded coal consumption and other developments that run counter to decarbonization over a short term. Energy security enhancement initiatives include the promotion of renewable and nuclear energy and other developments that could become a strong driver of decarbonization. In this way, there are a mountain of new complicated challenges in the international energy situation.

In such situation, I think that deepening global divisions and rising “Me-first” trends have emerged as key trends to even aggravate problems and increased their influence.

Global divisions have loomed as a key challenge for the world since the U.S-China confrontation began to escalate. As China has rapidly increased its national power and expanded its influence on the world substantially, the United States has recognized China as its challenger and escalated a bilateral confrontation. In countering China, the United States has given priority to cooperation with its allies including Europe and Japan and enhanced the Japan-U.S.-Australia-India quadrilateral security dialogue and other strategic partnerships. In response, China has enhanced its relations with Russia that has deepened the confrontation with the United States, forming an axis to counter the United States.

The Ukraine crisis came in such situation, contributing to deepening and escalating the global divisions. Western countries have been united to impose and toughen sanctions on Russia for its military aggression in Ukraine and to support Ukraine. Even under Western sanctions, Russia has sustained its military aggression and escalated its opposition to and confrontation with the Western bloc. The global divisions over Russia and the U.S.-China confrontation have been combined to make

the confrontation between the Western bloc and the China-Russia alliance even more conspicuous. At the same time, the Western bloc and the China-Russia alliance have made proactive approaches to major third-pole countries and strengthened moves to drive a wedge between each other and third-pole countries, activating their tug-of-war over the third pole. As noted in A Japanese Perspective on the International Energy Landscape (614), Chinese President Xi Jinping's visit to Saudi Arabia can be viewed as part of such approaches.

Global divisions over climate change are also deepening. Regarding the enhancement of climate change countermeasures, developing countries have held developed countries as responsible for climate change, indicating a north-south confrontation. The carbon neutrality trend has accelerated since 2020 and required developing countries to fundamentally enhance decarbonization initiatives, adding fuel to the north-south confrontation. As energy price spikes under the Ukraine crisis have caused great damage to and enormous economic burdens on developing countries with relatively lower income levels and led them to make desperate energy security efforts, their complaints have begun to exert influence on international climate change talks. As indicated by talks at the 27th Conference of Parties to the U.N. Framework Convention on Climate Change, known as COP27, divisions between developing and developed countries have deepened and escalated even further.

Another significant problem is the rise of "Me-first" trends. As energy security becomes a top priority challenge, it is natural for each country to essentially enhance maximum efforts to protect its people and economy. If such efforts become excessively exclusionary to the extent that each country tries to secure energy supply even at the cost of others, the international energy market may see a zero-sum game battle. In such event, the international market's stability may be threatened, or the market stability may collapse. In the recent European gas market, countries seemingly focus on their own energy security alone and wage a race to win liquefied natural gas while remaining reluctant to enhance investment in LNG supply expansion that is essentially important for market stability. This looks like a serious problem.

Another problem is a decoupling trend where countries try to develop supply chains for key materials and resources domestically or in cooperation with strategic partners as much as possible at a time when economic security becomes extremely important amid deepening global divisions. The trend deviates from cost minimization through free trade and international division of labor, positioning costly decoupling as necessary for security. In a move to promote the trend, the United States under the Biden administration enacted the Inflation Reduction Act of 2022 that could support domestic industries and affect international trade while being expected to reduce inflation and contribute to decarbonization through clean energy investment. The European Union and South Korea are greatly interested in the act from the viewpoint of its impacts on international trade and trying to take some countermeasures. It is a concern that the previous Trump administration's "America First" foreign policy could be realized in a different form.

It is natural for any country to make utmost efforts to protect its own national interests. At the same time, however, any country should refrain from pushing its national interests in a manner to affect global interests. Regarding energy security, any country must not only enhance policies for ensuring its own energy security but also consider their impacts on the world and try to maintain international energy market stability and order. As for climate change, any country should promote its own decarbonization efforts and encourage other countries to take measures in line with their respective situations and realities so that the entire world will enhance climate change countermeasures.

IEEJ : December ©IEEJ 2022

In enhancing economic security, any country should avoid excessive protectionism or the formation of economic blocs. The Group of Seven summit in Hiroshima next year should discuss how to stabilize the world and maximize global interests in consideration of the current situation.

Contact: [report@tky.ieej.or.jp](mailto:report@tky.ieej.or.jp)

The back issues are available at the following URL

[http://eneken.ieej.or.jp/en/special\\_bulletin.html](http://eneken.ieej.or.jp/en/special_bulletin.html)