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Economic Security Emerging as High-Profile Issue

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“Energy security” is emerging as a high-profile issue. A Ministerial Meeting for the Indo-Pacific Economic Framework for Prosperity (IPEF), a new economic zone concept led by the U.S., was held in late May 2023, and at it an agreement was reached on strengthening supply chains for important minerals. At the G7 Summit also, which was held in Hiroshima around one week prior to that, ensuring the security of supply chains for clean energy, including important minerals and technologies, was discussed, and the G7 Clean Energy Economy Action Plan for building clean energy economies by promoting fair trade frameworks and supply chain diversification was drawn up.

The following points can be cited as forming a backdrop to these increasingly vocal calls to ensure economic security. To begin with, amid the push for carbon neutrality, it is anticipated that the axis of energy systems will shift from fossil fuels to electricity and renewable energy. Changes to the energy supply-demand structure will in turn alter where energy security risks lie. Secondly, China is a growing presence in technology and resource fields that will conceivably play central roles in a carbon neutral energy system. In the case of photovoltaic power generation, for example, according to the International Energy Agency (IEA), China accounts for approximately 90% share of the global capacity for manufacturing wafers, cells and modules (as of 2021). And thirdly, by way of Russia’s invasion of Ukraine, countries that possess resources and technologies have become strongly aware that strategically utilizing those resources and technologies for their own national interests is a genuine possibility. Russia is utilizing its natural gas as an important tool in its strategy for Europe, leaving Europe – and furthermore the world – facing a serious energy crisis.

So, how should risks such as this be dealt with? Complete economic segregation is one bad move that should undoubtedly be avoided. If Western countries and China and Russia were to completely decouple their respective economies, it would bring enormous economic losses to both sides. For example, many of the smartphones that are essential to our lives are manufactured in China. It would be no simple task to shift this production to another country, and furthermore, it is easy to imagine that if this was implemented, it would likely come at an enormous cost. Chinese resources and products have now penetrated all sectors and cutting them out completely would not be realistic. Fortunately, the world’s leaders understand this

fact, and even at the G7 Hiroshima Summit, the word that was used was “de-risking (reducing risk),” not “decoupling.” It is not realistic to completely separate ourselves from countries that pose risks, so we must instead associate with them as neighbors. The reasoning is that, in return, there must also be a constant effort to diversify risks.

Concrete steps for diversifying risks are not greatly different from that for fossil fuels: Promote development by domestic companies, diversify import trading countries, and in the case of resources, build up stockpiles to prepare for contingencies. Various countries are already implementing these measures and a scramble is underway for technologies and resources, with an eye on future hegemonies.

In the early days, petroleum development was in the hands of private-sector companies, but in the wake of the oil crises, an era emerged in which states played a key role. The phase of relaxed supply and demand that continued for a long time after that saw private-sector companies’ powers strengthen once again, and currently, things have reached a point where free trade is to a certain extent providing a security function, albeit not completely. It is my hope that a time will come in which clean energy technologies and important minerals are similarly supplied stably on the basis of free trade.

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