

Rising Geopolitical Tensions in Northeast Asia and Their Impact on Energy Problems

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

Geopolitical tensions have risen remarkably in Northeast Asia. Particularly, Japan has seen severe conflicts and tensions with three of its neighbors, South Korea, China and Russia, over sovereignty and territorial issues.

First, Japan's dispute with South Korea over the Takeshima Island issue has been escalating. The dispute heated up on August 10 when South Korean President Lee Myung Bak visited Takeshima Island which is claimed by Japan. South Korea refused to receive and sent back Japanese Prime Minister Yoshihiko Noda's personal letter deploring the South Korean president's visit to the disputed island. The Japanese Ministry of Foreign Affairs then refused to allow a South Korean embassy official to enter the ministry to return the letter. The two countries took actions that were unusual in diplomacy. South Korean President Lee also made a remark urging the Japanese emperor to give an apology, adding fuel to the confrontation mainly between Japanese and South Korean government officials. The Japanese government has made a plan to jointly lodge a suit with the International Court of Justice over the territorial dispute, indicating a step forward. The political dispute and tensions are affecting bilateral economic relations including a bilateral currency swap expansion deal and Japan's planned purchase of South Korean government bonds. Media reports have worked to stimulate national sentiment in the two countries, causing concern over the unprecedentedly high tensions between them.

With China, Japan's territorial issue over the Senkaku Islands has escalated again. On August 15, Hong Kong activists claiming the Senkakus as Chinese territory landed on Uotsuri Island, one of the islets. The Okinawa prefectural police then arrested and deported 14 Chinese activists for their alleged violation of the Immigration Law. In a subsequent development on August 19, 10 Japanese citizens including local assembly members landed on Uotsuri Island. In response, the Chinese government demanded release of the arrested activists and lodged a protest against what it claimed to be Japan's violation of China's sovereignty, escalating bilateral tensions over the territorial issue for the first time since a Chinese fishing boat collided with Japan Coast Guard ships near the Senkakus in September 2010. Over the Senkaku issue, anti-Japan demonstrations took place in such Chinese cities as Shanghai, Chengdu, Hangzhou and Shenzhen on August 19, with some demonstrators becoming violent. As Chinese actions are likely to grow severer, with the deported Hong Kong activists reportedly planning to land on the Senkakus again in October, bilateral tensions are expected to remain high.

A development involving a Japan-Russia territorial dispute came prior to the two mentioned above. On July 3, Russian Premier Dmitry Medvedev visited Kunashiri Island, one of the four Russian-held northern islands claimed by Japan, along with Vice Premier Olga Golodets and Russian Far East Development Minister Viktor Ishayev. This was Medvedev's second visit to the disputed island, following the first in November 2010 when he was President of Russian Federation. Like the previous visit, the latest one is expected to have various repercussions on future Japan-Russia relations. During his visit to Russia in late July, Japanese Foreign Minister Koichiro Gamba exchanged views with Russian officials on the possibility and importance of stronger, deeper bilateral relations. On the territorial issue, however, Gamba and Russian officials failed to go beyond confirming their basic policy of proceeding with positive talks in search of a solution that would be acceptable for both countries.

The geopolitical environment in Northeast Asia has thus become unprecedentedly severe for Japan. The background behind the severe environment includes not only Japan's bilateral problems with the three countries but also a complicated combination of the shaken Japan-U.S. alliance, the United States' engagement in Northeast Asia, a relative decline in Japan's power amid China's rise coupled with South Korea's enhancement of economic power, and Japan's confused domestic situation.

The geopolitical tensions naturally exert wide-ranging repercussions on key regional political and economic problems. They also have various implications for energy problems. First, we must acknowledge that Northeast Asia, including China, will expand energy demand and grow more important as the demand center of the global energy market. Japan, China and South Korea face the common challenges of rising dependence on energy imports and heavy dependence on Middle East oil. Particularly, Japan and South Korea commonly feature heavy dependences on energy imports and low energy self-sufficiency ratios. The cold fact is that Japan, China and South Korea are racing to secure resources in the global energy market. But they can find common interests as big energy consumers and importers. Their cooperation is possible and significant in many areas including global environmental measures, energy conservation promotion and nuclear power generation safety measures.

Especially, we may conclude that the three countries as the main liquefied natural gas importers in the world share consciousness of the Asian LNG price premium problem, which means that Asian prices are far higher than European and American prices for natural gas (including LNG) which is expected to expand its role in the global energy market. Since the 2000s, the three countries have discussed and implemented possible, significant cooperation programs regarding the abovementioned areas, while being affected by political problems sometimes. As the rising tensions could affect their cooperation, we must pay close attention to relevant future developments. The deteriorating geopolitical environment in Northeast Asia or the whole of Asia can be viewed as a destabilizing factor for the global energy market. Given Asia's growing importance, we may have to closely watch future developments involving the energy market. As a matter of course, the geopolitical tensions have significant implications not only for the relations between Japan, China

and South Korea as energy consumers and importers but also for Russia that intends to enhance its presence as a major energy supplier for the Asia-Pacific region. Russia has made various approaches on and held talks with China and South Korea over gas pipelines from Russia to those countries. With Japan, Russia is expected to discuss further energy cooperation.

International relations involving sovereignty and territorial issues are very difficult and no country makes any easy compromise. Therefore, no optimism can be warranted over the Northeast Asian geopolitical environment. For Japan, particularly, tougher problems have emerged in addition to severe economic and energy problems at home and abroad. Japan should promote dialogue with the three countries while maintaining its resolute response to sovereignty and territorial issues. At the same time, Japan should implement a steady strategy for the stability and future development of the region while enhancing relations with the United States. The future of the region's geopolitical environment related closely to resources and energy problems has become a very important challenge for Japan.

Contact: report@tky.iecej.or.jp

The back issues are available at the following URL

<http://eneken.iecej.or.jp/en/whatsnew/JPOIEL.html>