

## **Participating in 48th Joint Meeting of Japan-Korea and Korea-Japan Cooperation Committees**

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On October 8, the 48th joint meeting of the Japan-Korea and Korea-Japan Cooperation Committees took place in Seoul. Since the Japanese and South Korean committees were founded in 1969 to deepen bilateral cooperation and mutual understanding, the joint meeting has been a forum for Japanese and South Korean political and business leaders to get together and discuss Japan-South Korea relations and cooperation and relevant problems under the Northeast Asian situation and overall international relations. The Japanese committee is chaired by former Prime Minister Yasuhiro Nakasone. But former Prime Minister Taro Aso attended the latest meeting as acting chairman. Under the theme of Northeast Asian security and economic cooperation at the Seoul meeting, participants held discussions after reports were presented on political, economic and energy problems in three sessions.

I attended the meeting as one of the presenters and made a presentation on the Northeast Asian and global energy situations surrounding Japan and South Korea, relevant problems, and the significance and potential of bilateral energy cooperation under the situations. I participated in this meeting for the first time in two years, since the 46th joint meeting in December 2010. The international situation naturally changes rapidly. The environment surrounding Japan and South Korea has also dramatically changed in the past two years.

In the meeting two years ago, discussions focused on the potential and importance of Japan-South Korea security and economic cooperation to respond to growing tensions on the Korean Peninsula and geopolitical risks following North Korea's shelling on South Korea's Yeonpyeong Island on November 13, 2010. For details, see my report titled "A Japanese Perspective on the International Energy Landscape (22) – The Current Turbulence in Northeast Asia and Strategic Importance of Japan-South Korea Cooperation." Participants then discussed mainly Japan-South Korea cooperation and collaboration in addressing the common geopolitical issue of tensions on the Korean Peninsula, China's growing presence and global economic risks.

But the Japanese and South Korean environments involving the latest meeting were far different from those two years ago. Japan-South Korea relations have seriously soured since South Korean President Lee Myung-bak's landing on the Japan-claimed Takeshima Islands in August. The

Japan-South Korea friction over the Takeshima problem has spilled over to bilateral relations, the two countries' domestic politics and economic problems. No sign of any solution to the row is in sight. On October 6, CNN and other foreign media people visited Takeshima with help from the South Korean government and internationally spotlighted the territorial row. The bilateral dispute has continued to attract global attention. On October 9, the Japanese Ministry of Finance announced a decision not to extend a bilateral currency swap agreement's expansion expiring on October 31, citing the two countries' stable financial markets as one of the reasons for the decision. Given that the extension of the currency swap expansion is significant as a foreign currency provision measure responding to a financial crisis, the decision may become a factor to affect bilateral relations.

At the latest meeting under such environment, participants might have groped for how to maintain the bilateral bond even amid the soured relationship for a future breakthrough. Impressively, these participants, though acknowledging the present difficult bilateral relations, frequently pointed out that it would be important for the two countries to share universal philosophies including freedom, democracy and human rights and maintain and develop relations between the two countries as U.S. allies.

I here would like to discuss some points that were particularly important for the two countries in respect to energy problems as I reported at the meeting. First, participants indicated their strong interest in Japan's policy on its best energy mix and nuclear energy. South Korea has strongly recognized the Japanese energy policy problem not as someone else's problem but as a challenge exerting great effects on South Korean energy policy. South Korea is deeply interested in how Japan's "Innovative Energy and Environment Strategy" and its related Cabinet decision should be interpreted and how future energy policy discussions will develop along with the domestic political situation. Regarding Japan's nuclear policy, South Korea may be closely watching all Japanese actions to share lessons from the Fukushima nuclear plant accident with other countries, develop safety measures and regulations and recover public confidence in nuclear policy.

Japan and South Korea also share interests as major energy consumers and importers. While the two countries actually compete for obtaining energy resources in the global market, it is important for both countries to stabilize international energy markets and lower energy prices. Particularly in the liquefied natural gas market where Japan as the largest importer and South Korea as the second largest accounted for 47% or nearly half of LNG imports in combination in the world in 2011, how to stabilize supply-demand and prices of LNG is a common important challenge for the two countries. Both countries share the same problem consciousness regarding the "Asian premium on LNG prices" that means that Asian LNG prices are far higher than European and American levels.

Regarding how to secure stable LNG or natural gas supply, Japan and South Korea must consider how to deal with two other key players in Northeast Asia -- China that has been increasing its presence and influences in political, economic and energy areas and Russia that is attempting to

take advantage of its rich resources for expanding into the east and increasing its presence as an Asia-Pacific country. Energy and geopolitical problems will remain important for the four key Northeast Asian components of Japan, China, South Korea and Russia, as well as North Korea and the United States that has a significant engagement with Northeast Asia. Under such circumstances, participants in the meeting attracted attention by pointing out that domestic and overseas economic conditions were growing tougher for both Japan and South Korea. Particularly, they recognized how to deal with China related issues as common important challenges for Japan and South Korea both of which are growing dependent on the Chinese economy, given such problems as the Chinese economy's downside risks amid the European economic slump and risks stemming from tensions with China.

The Northeast Asian geopolitical environment including Japan-South Korea relations will have to be closely watched. As geopolitical environment and economic problems are expected to spill over to energy problems in various ways, the situation for Japan and South Korea is likely to remain tough and uncertain.

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