

Growing Japan-China Tensions and Energy Problems

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A new development has emerged with regard to growing Japan-China tensions. On February 5, the Japanese government announced that a Chinese naval frigate locked its fire-control radar onto the destroyer Yudachi of Japan's Maritime Self-Defense Force in the high seas of the East China Sea on January 30. On January 19, the government also stated that a Chinese naval ship might have locked such radar onto an MSDF helicopter in the East China Sea. Locking fire-control radar onto a target is a procedure that comes just before firing a missile. Given that U.S. forces frequently attacked Iraqi radar sites in response to their locking of such radar onto U.S. targets under the Saddam Hussein regime, the Chinese action can be interpreted as likely to bring about a grave result. The Japanese government made a solemn protest against the Chinese action that it described as "very unusual" and "a dangerous act that could lead to a contingency." The government then vowed to urge China to prevent any similar action and exercise self-restraint to avoid any escalation of the standoff.

Later, the Chinese side denied the Japanese announcement and claimed that warning radar was used then rather than any fire-control radar. In response, the Japanese government has been rebutting the Chinese claim while considering publishing the evidence of the fire-control radar operation, calling for Beijing's self-restraint. The government has also noted that Japan should closely cooperate with the United States, avoid any escalation of the standoff with China, and hold top-level and other high-level talks with China under the principle of the strategic partnership of mutual benefit.

On February 4 just before the Japanese government's first announcement on the radar-locking, the British daily Financial Times carried a story headlined "The Shadow of 1914 Falls over the Pacific." Given the historical fact that the Assassination at Sarajevo triggered a world war beyond the confines of Europe, the story noted that the Japan-China tensions and the United States' involvement in them were a matter of grave concern for the entire world. The United States may become involved in any escalation of the Japan-China standoff or a bilateral armed clash. Any emergency situation involving the world's three biggest economies would affect not only Asia Pacific stability but also global stability.

At a high-level Japan-U.S.-China conference on security in late January, I directly saw the very hard-line attitude of Chinese participants and their concerns and opposition against Japan over the Senkaku Islands problem and against the United States over its "pivot" to Asia. Any escalation of the standoff or an armed clash would be the worst case, exerting grave negative impacts on Japan and China, on the United States and on the entire world. Reasonably, no one wants such case. But an accident can trigger a serious problem no one wants as indicated by history, as noted by the Financial Times story. Relevant countries should exercise self-restraint and promote mutual understanding and dialogue through composed, accurate information exchange using hotline channels linking high-level and front-line officials.

At an international panel discussion among experts on the international energy situation in Tokyo on February 5, geopolitical risks regarding the future energy situation became a topic. Interestingly, discussion was made that the growing Japan-China dispute or tensions should be viewed as a geopolitical risk that could in a sense exert more grave and serious impacts than the “Arab Spring” movements, Iran’s nuclear weapon development, the terrorist attacks in Algeria and other problems in the Middle East and North Africa, which had been matters of concern regarding geopolitical risks in the energy market.

I feel that the following two viewpoints are important for the growing Japan-China dispute or tensions and energy problems. First, a grave risk is that the dispute could escalate in a manner to destabilize the energy market. Impacts of an escalation of the dispute may differ depending on how it would escalate and evolve. But any form of escalation may greatly affect the two leading economies. Spillover impacts on Asia and the world may drag down global economic and international trading activities. As a result, global energy demand may plunge. This possibility cannot be denied.

Meanwhile, there are great uncertainties about energy supply. Since Japan and China, unlike the Middle East, are not energy suppliers for the global market, any escalation of their standoff may exert no great impact directly on global energy supply. But any escalated dispute may trigger worries about stable oil and LNG supply through maritime transportation and become an energy security challenge for Northeast Asia or the whole of Asia. The two countries and their neighbors may give top priority to energy security and enhance efforts to secure energy supply. If such efforts become excessively exclusionary, the energy market may be destabilized. While there are many unclear and uncertain factors, any contingency involving Japan and China could exert a grave impact on international energy market stability. Such event would be undesirable for anyone and bring about no winner. Maximum efforts should be made to avoid the worst case.

The second viewpoint is how to position energy problems to avoid the abovementioned risk. As leading energy consumers in the world, Japan and China have common challenges including stabilization of energy supply and reduction of the environmental loads of energy development and consumption. If the two countries cooperate in tackling these common challenges to their mutual advantage, it may be significant for promoting mutual understanding and dialogue and for securing their common ground. Joint Japan-China energy conservation efforts have played a key role in bilateral energy cooperation. I believe that even when Japan-China tensions continued under the Koizumi government, energy conservation cooperation after the hard period contributed to enhancing overall bilateral cooperation and relations symbolically and practically. In fact, however, some people view the present bilateral tensions as far greater and more difficult than those in the past. Energy cooperation itself may be seen as difficult. Meanwhile, the problem of Asian premiums on liquefied natural gas prices, Russia’s “look east” policy and other major common challenges for the entire Asia including Japan and China have emerged due to new developments in the international energy market. The serious deterioration of air pollution in China has come as a new development. In this sense, we should consider and analyze energy problems as a potential area for Japan-China dialogue and cooperation rather than bilateral competition or wrangling.

The environment surrounding Japan-China relations at present is very severe. No simple optimism or easy prediction can be warranted. Japan should promote dialogue with China in a steadfast manner while cooperating with the international community including the United States. Particularly, the two countries must search and consider areas where they can promote mutual

understanding and share common perceptions to prevent their dispute from escalating. At the same time, Japan may be required to work out and implement a defense-in-depth strategy to avoid and manage crises.

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