

A Study on the Evolution of Oil Trade Relations Between Japan and Russia from Geopolitical Perspective

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Abstract:

The research on the relationship between international trade and geopolitics has garnered extensive attention. However, there are still numerous aspects worth discussing in the study of the impact of East Asian geopolitics on its economic and trade exchanges. This paper analyzes the changes in the oil trade policy of Japan and Russia under the influence of international relations between ecology and geopolitics. This article also examines the distinct dilemmas of Japan and Russia and the trend of international relations. That is, Russia is facing the blockade of its energy economy and trade by Western countries, and Japan is facing the problem of oil trade simplification, as well as the impact and influence of the international environment and the policies of the two countries. Based on this, this paper puts forward the following suggestions. Japan should seek a trade balance among big countries flexibly and pragmatically. As a big country, Russia should assume a leadership role in global trade while pursuing mutually beneficial and win-win results with other countries.

Keywords: Oil trade, Russia, Japan, geopolitics international relations

1. Introduction

The energy trade between Japan and Russia has been cooperating continuously since the last century. In the past decade, there have been significant changes in the international landscape, leading to democratic countries such as the European Union, the NATO alliance countries, and the G7 countries imposing a variety of sanctions on Russia, which have different means and different intensity, and Japan is one of them. At the same time, Russia has taken a series of counter-measures, including oil. Russia is the world's No. 2 oil exporter, and its oil exports matter to many other countries. This follows a series of oil trade deals between Russia and Japan, the establishment of various oil trading systems, and the creation of oil trading projects such as Sakhalin 1. As time goes by, the oil trade between Japan and Russia is changeable, and the oil trade between the two countries is not only really affected by the policies of the two governments, but also affects or is affected by the international relations of the world. Oil trade has become a proficient political strategy used by the two countries, so the two countries have to consider a new strategy of oil trade to seek their oil interests. At the same time, the exchange of oil economy and trade between the two countries reminds people that the impact of geostrat-

egy on international trade is extremely significant. Based on this phenomenon, this study aims to elucidate how geopolitics and international relationships influence the oil trade between Japan and Russia while fostering mutual understanding between these two nations and beyond.

2. History and Reasons for Their Respective Development and Cooperation

2.1 Characteristics of Oil Trade Between Japan and Russia

2.1.1 Characteristics of Japan's oil trade

Oil is Japan's most important resource -- and the country has been fretting about it since 1936. Oil accounts for 40% of Japan's total energy supply, but as a small island nation with a strategic depth, Japan's domestic oil production is very poor, so Japan is heavily dependent on oil imports, 80% to 90% of which come from the Middle East, followed by Kuwait and then Russia [1].

Japan has repeatedly emphasized the need to diversify its approach to oil imports to reduce the risk of becoming too dependent on a single country or region and exposing itself to geopolitical disputes. As a result, Japan has sought to build long-term partnerships with other oil-producing

countries. At the same time, Japan has been reserving scarce fuel resources under its Petroleum Reserve Law.

2.1.2 Characteristics of Russia's oil trade

Before 2021, Russia's oil export strategy had been adhering to the "Europe first, Asia Pacific second" policy, according to the data given by the IEA, until 2021, Russia's largest foreign exports are still European countries and the United States, daily exports accounted for more than 20%. Followed by other Asian countries. Even for Russia, the EU has cut its imports by only 400,000 b/d since February 22, a far cry from the previous year [2].

2.2 Reasons for Japan-Russia Oil Trade Cooperation

Based on the demand for oil trade between Japan and Russia, Japan and Russia signed the "Japan-Russia Energy Cooperation Project" in January 2003, in which Japan promised to import 1 million barrels of oil from Russia every day. The volume of cooperation increased significantly in the following years. In 2011, Russian customs statistics showed that Russia supplied 15.2 million tons of oil to Japan in one year, accounting for 30 percent of Japan's total energy imports from Russia. The cooperation between Japan and Russia has been further deepened through the Sakhalin 1 and Sakhalin 2 projects. While Japan has stabilized the oil market through Russia, Russia has also received \$10.1 billion in energy investment from Japan. Minister of Economy, Trade and Industry Sergei Skork said in an interview on February 8, 2018, that due to the increasing instability in the global oil market, Russia has received \$10.1 billion in energy investment from Japan. As well as geographical factors such as shorter transport times and safer routes for oil from the Russian Far East, Japan hopes to strengthen cooperation with Russian oil and energy sources. Similarly, Russia is eager to find partners in East Asia who can help each other in economic and energy cooperation through its resource advantages. Therefore, Japan has become the most suitable partner for Russia in the Asia-Pacific region.

3. The Cooperation and Changes of Oil Trade Between Japan and Russia in Recent Years

The changing situation in international relations in 2022 has brought extensive and profound impacts on the world's political, economic, and social development. Especially in the aspect of energy, as Russia is the second largest oil exporter in the world, the sanctions imposed by the United States and its Allies on Russia's energy export have caused the international crude oil price to rise sharply and even exceed 100 US dollars/barrel once, and

the market price is still fluctuating at a high level [3]. Undoubtedly, it has caused a major impact on global energy trade and energy security, and intensified the imbalance of global energy supply and demand, breaking the original global energy pattern. At the same time, Russia itself has also suffered a blow to its energy exports and even its economy.

3.1 Changes in Japan's Oil Trade

In recent years, Japan has followed the United States and many European countries in adopting policies to restrict Russian energy exports. The Kishida government stripped Russia of its "most favored nation" status, reducing its dependence on Russian oil and laying the groundwork for a complete break. It also capped the price of oil imports from Russia. Under the pressure of various policies, the oil imports in 2022 will be reduced by nearly 90% compared with those in 2021. At the same time, due to the skyrocketing energy prices, residential and industrial electricity prices soared. In June last year, seven companies were allowed to raise electricity prices by 14 percent to 42 percent, causing major disruptions to people's livelihoods. Moreover, energy prices have also hurt Japan's foreign trade in recent years. Combined with the dramatic devaluation of the yen, Japan's import volume has expanded rapidly, resulting in a serious trade deficit, which has caused a huge amount of problems for Japan's external economy [4]. Japan had to import oil from other countries to maintain its fragile economy, which was desperately short of fossil fuels. Although Japan has relied on the Middle East for more than 90 percent of its oil imports since two decades ago, the loss of Russian oil trade has made Japan's oil imports increasingly focused on the Middle East. As of June 2024, Japan's dependence on Middle East oil has reached 95.6%, followed by imports from the United States [1].

3.2 The Impact on Russia's Oil Trade

Russia's reserves have grown tremendously, but most of the new oil field development projects are located in the suburbs with a backward economy and equipment, and fail to develop their full value. Bundling petrol fields together on a regional basis can be useful and profitable. This approach could also enable the production of new international projects in East Siberia, the Yamal Peninsula, and the Russian continental shelf to compensate for the local deterioration of reserves in West Siberia and achieve win-win cooperation. In addition, due to the situation of international relations in recent years, India and China, as well as South Asia, and Southeast Asia countries are all calling for peaceful dialogue with each other, taking into account the core interests of each country. Therefore,

nowadays Russia's energy export center in Asia is moving from south to west, and the main markets are located in western China, India, and Pakistan. Various policies not only reduce the cost of energy but also promote the diversification of global energy imports and maintain global energy security. It can be seen from the recent energy cooperation between China and Russia that although such cooperation is a strategic adjustment made by Russia under the premise that Europe has hit a brick wall, it still ensures the security of Russia's energy in essence [5].

3.3 The Impact of Changes on Global Oil Trade

3.3.1 Reallocation of oil trade flows

The changes in the situation in recent years have not only hindered the oil trade between Japan and Russia but also accelerated the adjustment of the pattern of global oil trade. Under the sanctions of the Western countries of the United States, Russia's oil export focus turned to the Asia-Pacific region and built a good energy trade system with the countries in the region. India is a perfect example, Russia will only account for 1% of India's oil exports by 2022. After 2022, Russia's oil exports to India will reach 360,000 b/d, which is four times India's oil imports in 2021. Russia and India have promoted the rupee payment mechanism through oil trade, which has strengthened trade ties and deepened bilateral economic and trade cooperation [4].

3.3.2 Energy transformation accelerated

In recent years, under the influence of the international situation, the soaring, and persistently high energy prices have led to the increasingly prominent issue of energy security. While getting rid of energy dependence, countries are also further promoting the reconstruction of the energy pattern. Countries are vigorously developing renewable resources to accelerate the realization of multi-energy complementary energy development patterns. The European Commission issued the RE Power EU plan Green hydrogen is produced by the decomposition of solar and wind energy. It will accelerate the development of green energy racetracks and make energy supply more independent. In recent years, Japan has repeatedly emphasized the "S+3E" energy policy, trying to develop more new energy and renewable resources to achieve the substitution of chemical fuels. To achieve an independent energy supply, it can also ensure green environmental protection. In recent years, due to technological progress, the cost of solar power generation has been greatly reduced, and the Japanese government has shown great interest in the development of solar energy and provided a lot of economic and technical support. In addition, Japan is still

exploring geothermal energy, water energy, and biological energy. These measures not only help Japan get rid of its dependence on energy imports, ensure the country's energy security, and reduce the burden of electricity for people and businesses, but also promote rapid economic growth, efficient community development, and a clean natural environment [5].

4. Discussion

While the West is blockading the Russian economy and imposing a "trade war" on it, Russia has to continue to look to Asia for its oil markets. And just because the current policy of the Japanese government has changed its attitude toward Russia in the past, it has more pressure on Russia to cooperate with China and India in oil and energy.

For Russia, the international situation has intensified its confrontation with the West, making its oil trade more firmly turn east, and seeking cooperation with China as the primary target of Asian countries. It uses energy, especially oil, as a diplomatic tool to enhance its influence over neighboring countries, and at the same time promotes the development of the Far East, trying to dominate the Asia-Pacific economic system with energy as an important starting point, to break through the sanctions of Western countries and consolidate its economic power. As for Japan, due to its high dependence on imported energy and its excessive dependence on a single region for oil supply, its anxiety about energy security has gradually deepened. The loss of Russian oil supplies has posed a serious challenge to its energy security and forced it to adjust its energy strategy. On the one hand, Japan has once again stepped up its oil imports from other regions, such as the Middle East, to fill the supply gap. On the other hand, Japan is also actively promoting the development of new energy sources to reduce its dependence on traditional energy sources and enhance its energy security.

One of how this can be done is by urging people to use electric cars to gradually take oil out of the livelihood of the people so that it can be used more intently for industrial and national security emergencies. For Japan, however, a more permanent policy would surely be to deepen cooperation with major oil producers--without Russia as a "most favored nation." New energy sources are not affordable for all households. In addition, this paper argues that the oil trade between Japan and Russia is influenced by international politics and geopolitics, and is a concrete case of reshaping national relations and promoting regional integration. In recent years, with the constant conflicts between countries, the world oil trade system has been reshuffled, showing a situation of east-west trade hemi-

spherization and US-Russia system collectivization. All of this is ultimately due to economic sanctions (including oil sanctions), because of the oil ban and sanctions, Russia has to look to Asia and other new markets for survival, thus speeding up the tightness of oil trade in the Eastern Hemisphere. In the same way, Japan had to diversify its oil imports to suit the Western Hemisphere system.

This paper argues that trade can be boosted by political trust and that trade policies formulated by countries--especially big ones--with their own geopolitical goals can overwhelmingly promote trade among countries. For example, the Belt and Road Initiative initiated by China is not only in line with its own development interests and political policy but also mutually beneficial to the participating countries and deepens trade relations among them. As a big country, a peaceful and mutually beneficial development strategy can prevent geopolitical conflicts from disrupting the trade order, weaken the distrust caused by ideological differences, influence geostrategies, achieve political goals, peacefully change the balance of power between countries, and shape new relations between them. As a small country that is not so long in-depth, how to balance economic and geopolitical issues, how to cooperate with other countries, and how to ensure the realization of their own strategic goals are all key issues in the geopolitical policies of major powers.

5. Conclusion

This paper analyzes the influence and enlightenment of geopolitics on the oil trade between Japan and Russia. International trade and geopolitics are intertwined and deeply influence each other.

Russia is affected by geopolitical conflicts and international relations, and its energy exports to Europe and America are hindered. Under this premise, Russia has established a relatively stable and secure Asia-Pacific energy trade system. It is easy for Japan's trade to be affected by geopolitics and subject to the game of great powers. The international situation in recent years has had a huge impact on Russia's global economic cooperation, including, of course, its economic and trade relations with Japan. An insurmountable barrier has been erected between the two countries, forcing both sides to adjust their strategic direc-

tions and seek new partners.

This paper believes that the changes in the oil trade between Japan and Russia reflect the dilemma faced by the great power game and geopolitics. Japan is a developed country, but as a small country with limited resources, it must first understand its interests and formulate corresponding strategies. At the same time, being as flexible and pragmatic as possible can help it seek a balance of trade among the big countries, to maximize its advantage. More importantly, countries need to strengthen international cooperation to face international challenges together and safeguard common trade and economic interests. As a big country, if Russia needs a more long-term and stable trade cooperation relationship, it should pursue mutual benefits and a win-win situation with all countries, actively promote economic integration with neighboring countries, and strengthen economic ties among countries, so that the country will not fall into the situation of dependence on a single or a few trading partners.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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