

Energy and Oil in the Middle East

Panel: Session 5

Date/Time: April 26, 2012/ 15:45-17:00

Organizing Institution: The Heritage Foundation

Speakers: Walter Lohman, The Heritage Foundation (moderator)
Tanaka Nobuo, Institute for Energy Economics
Mikkal Herberg, National Bureau of Asian Research
Anthony Cordesman, Center for Strategic and International Studies

Panel Short Summary

Jens Wardenaer, International Institute for Strategic Studies
Jamola Khusanjanova, Ewha Womans University

The panelists discussed the impact of instability in Middle East on overall world energy security, with a particular focus on East Asia. They agreed that Asian economic wellbeing is directly correlated to stability in the Persian Gulf.

The first discussant, Tanaka Nobuo, addressed the dependency of Asian countries on energy imports. He stressed that due to a lack of nuclear energy production capability, Japan currently depends heavily on the Middle East for its energy, and it is likely that this dependency will increase in the future. Therefore, destabilizing events such as a potential crisis over Iran will have a “severe impact” on Japanese energy security. The dependence of Asian economic growth on imported energy sources means future growth is at risk. There is therefore a need for a cooperative energy security framework with diverse energy sources in order to ensure the stability of regional energy security. The integration of electricity grids in East Asia will go a long ways towards this, but will be difficult to achieve in the near future.

Anthony Cordesman agreed on the significance of Iran – with 20 per cent of global oil supply – and its destabilizing impact on world energy security, and underlined the significance of stability in the Middle East as a whole, listing challenges to stability in Persian Gulf states. Outlining macroeconomic statistics, political diversity and social developmental issues, he concluded that there is no hope for regional stability as most of the states in the region are fragile. The more stable and successful Gulf states tended to have stronger links with Western states than the rest. Cordesman also argued that closing the Straits of Hormuz is not in the interest of Iran, since it also uses it for oil exports. However,

the Straits can be effectively closed through an increase in tension without actual conflict. Iran's unconventional military capabilities give it the option to do just this.

Considering the current crisis over Iran, Mikkal Herberg argued that this situation epitomizes what Asia will have to face in the future with regard to energy security. Diversification of energy supply is crucial for maintaining the economic growth of East Asian states, but this is difficult with the current infrastructure, which is geared towards oil. It is also mathematically impossible for everyone to diversify simultaneously. At the same time, the underlying problem of mercantilist, zero-sum competition for the control of oil supplies and shipping routes is intensifying. This is unlikely to secure the supplies those states want due to the global nature of the energy market, and the increased distrust stemming from this decreases the likelihood of much-needed strategic cooperation on energy security in Asia. He also considered on whether Saudi Arabia would be able to fulfill the supply gap left by a potential loss of Iranian oil. Saudi Arabia could do this in the short term, but in long term it is unsustainable due to the pressure that increased output would put on the already low spare capacity in the market.

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