

38th Japan Cooperation Forum for the Middle East

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On August 25 and 26, the 38th Japan Cooperation Forum for the Middle East took place in Dubai, the United Arab Emirates. The forum, sponsored by the Japan Cooperation Center for the Middle East, is one of the largest-scale historic conferences in Japan focusing on Middle East problems. A record-high around 400 people participated in the latest annual meeting.

The meeting began with an opening address by the center's chairman, Hiroshi Okuda, followed by keynote speeches by Nobuhiko Sasaki, adviser to the Ministry of Economy, Trade and Industry, and Jitsuro Terashima, chairman of the Japan Research Institute. In addition, specialized speeches were given by Koichiro Tanaka, director of the IEEJ JIME Center, Dr. Abdullah Toukan, chief executive officer of the Strategic Analysis and Global Risk Assessment Center based in Abu Dhabi, Hiroyuki Ishige, chairman of the Japan External Trade Organization, and the author. Reports also came from Japanese ambassadors to Saudi Arabia, the UAE, Egypt, Iran, from Japanese government organizations such as the Japan Bank for International Cooperation, Nippon Export and Investment Insurance, the Japan International Cooperation Agency, the Japan Oil, Gas and Metals National Corporation and JETRO, and from the private sector. Enriched reports and questions and answers were made on a wide range of topics.

Impressively, Japanese participants in the forum indicated even greater interests in the Middle East than earlier as the conference came amid growing global interests in the destabilization of the Middle East and crude oil price hikes and coincided with Japanese Prime Minister Shinzo Abe's second Middle East tour this year. The conference was unusually lively apparently because it took place in Dubai that is a geographically convenient venue serving as a hub for the Middle East. As mentioned above, discussions at the conference covered a wide range of topics. I here would like to focus on two key points that are viewed as important for considering future prospects for Middle East problems and their implications for the world and Japan.

First, the Middle East has seen growing turmoil and rising geopolitical risks. The "Arab Spring" democratic movements, which gained momentum in 2011, are now turning into an "Arab Storm." The word "spring" is no longer suitable for the recent situation. Until just before the conference, the focus of attention was the turbulent Egyptian situation where an effective military coup resulted in clashes between security forces and rebels led by the Muslim Brotherhood, with nearly 1,000 people killed. When the conference started, however, the Assad regime's alleged use of chemical weapons began to attract attention. The United States, the United Kingdom and France stepped up criticisms against the Assad regime and were growingly expected to launch military interventions in Syria. As I am writing this report, no actual military interventions are reported. Such interventions would be the first U.S. and European military operations in the Middle East since the

2003 Iraq war and seriously affect not only Syria but also its neighbors. Tensions are growing in the entire Middle East. Depending on future developments, the destabilization of the entire Middle East and the international energy situation may accelerate. Future prospects for the region have become a great matter of concern. In response to the growing Syrian tensions that were coupled with concern that the Libyan situation may destabilize and affect oil supply, crude oil prices soared. On August 28, the benchmark West Texas Intermediate crude oil futures exceeded \$110 per barrel for the first time in 27 months, since May 2011.

Second, interests have grown in implications of great changes in the energy situation involving the Middle East and the rest of the world, apart from the Middle East destabilization and geopolitical risks. An important problem is how the progress and deepening of the U.S. shale revolution as an external factor would affect the Middle East. Due to the substantial expansion of U.S. shale gas and tight oil output, the United States, the world's largest oil and gas market, has reduced demand for imports. The U.S. oil and gas output expansion and the possibility of U.S. oil and gas exports have led to a supply pressure. These U.S. changes should not be ignored by the Middle East that is the world's champion in conventional oil and gas exports. The region cannot look away from the shale revolution's impacts and implications that are destined to widely affect the international market supply-demand balance, price formation processes and price levels. A greater matter of concern to the Middle East may be how the United States' transition to energy independence under the shale revolution would affect its foreign policy (including its Middle East policy) and external energy policy. As a matter of course, however, I do not side with a simple view that the United States would lose interest in the Middle East in line with an energy import fall. U.S. interests in the Middle East are complicated, involving Israel, Middle East peace, Iran and other problems. Undoubtedly, however, the shale revolution will variously and deeply affect the United States' policy formation. The United States' energy policy shift is expected to include a shift from the long-standing paradigm of how the United States as an energy importer should address energy scarcity, or a shift from energy scarcity to abundance, attracting much attention. The paradigm has been the base for the international energy order since the first oil crisis.

Energy problems in the Middle East include a remarkable increase in energy demand due to economic and population growth and low energy prices. While Dubai has achieved industrial diversification and advancement and ended its heavy dependence on oil revenues, economic development and growth in the entire Middle East primarily depends on energy exports. Nevertheless, the region now sees sharp domestic energy demand growth affecting its exports. In response, Middle Eastern countries (particularly oil and gas producing countries) are seriously planning to promote energy conservation for holding down energy consumption and to develop nuclear and renewable energy sources as alternatives to oil and gas. But energy conservation and alternative energy development are fairly difficult, accompanied by various constraints and challenges. Therefore, it is important for major Middle Eastern countries to cooperate with foreign countries that have advanced technologies, knowhow, experiences and industries for energy conservation and alternative energy development. In this sense, they have grown interested in cooperating with Japan.

In the Middle East, huge investment will be required not only in energy conservation and alternative energy development but also in the entire oil and gas supply chain covering upstream, midstream and downstream sectors. The region is expected to expand demand for railways, ports and

harbors, roads, information technologies and other infrastructure and to develop healthcare, education and human resources. Enhancing cooperation and business relations with the Middle East, where the middle class has increased on robust economic growth, will be significant for promoting Japan's growth strategy and securing stable energy supply. While the destabilization of the Middle Eastern situation, the U.S. shale revolution and other problems have made the future course of the Middle East very uncertain, Japan's public and private sectors should make utmost efforts to address the Middle East.

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