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COMMENT

Oil can grease the wheels of Asian cooperation

By Yone Sugita

OSAKA - Japan is the world's fourth-largest consumer of energy following the United States, China and Russia. Japan currently imports about 85 percent of its energy needs, which is the highest ratio among the industrialized nations.

Oil occupies the majority of Japan's energy needs, and more than 97 percent of Japan's oil is imported. Pre-war Japanese history demonstrates that loss of access to critically important oil was one of the major reasons Japan expanded its influence into Southeast Asia militarily and fought the Asia-Pacific War.

Because some 81 percent of Japan's oil imports come from the members of the Organization of Petroleum Exporting Countries (Opec), Japan has been trying to influence Opec through diplomacy, economic cooperation and foreign aid programs.

Because Japan already has a mature economy, it has a relatively stable oil consumption: 4.8 million barrels a day in 1988 and this figure increased only slightly to 5.7 million barrels a day in 1999. Since the first world oil crisis in 1973, Japan has focused on developing alternative energy sources to oil, and as a result of its diversification strategy toward utilizing more nuclear energy and natural gas, the importance of oil as a source of energy has been reduced. Oil occupied 77 percent of Japan's total primary energy consumption in 1973, but this figure had declined to 55 percent by 2000.

In addition to Japan, newly developing countries in Asia are big oil consumers. Consumption in South Korea jumped from 740,000 barrels a day in 1988 to 2.35 million barrels a day in 1999. In China, the consumption of oil doubled over the same period. Oil is the lifeblood of an industrializing economy, necessary for generating electricity, running major industries and operating transportation systems.

Currently, Asia as a whole imports approximately 60 percent of its energy from sources outside the region. The International Energy Agency (IEA) predicts that this figure will rise to 90 percent by 2020. According to

another estimate, by 2005, the consumption of energy in Asia, including New Zealand and Australia, will be greater than that of Europe. In other words, Asian nations are becoming increasingly vulnerable to any interruption in the steady flow of oil from the Middle East.

Japan, South Korea and China may find oil diplomacy a useful common ground for increased diplomatic cooperation since these three countries have to deal with the same organization, Opec. They, with the cooperation of other Asian nations, could create a regional institution to discuss emergency oil reserves and price negotiating tactics against Opec. While Asian countries will not create an Asian version of the European Union in the foreseeable future, they might possibly establish an informal forum to deal with energy issues in the region. No single country in Asia is powerful enough to influence Opec strategies, but combined they should be able to establish a long-term stable relationship with Opec, securing a steady energy supply for the region.

Establishing emergency oil reserves in order to minimize the impact of short-term oil supply disruption is one of the most urgent issues facing Asian countries. In considering locations for stockpiling emergency oil, countries in Southeast Asia, such as Indonesia, Thailand and Brunei, should be involved. According to guidelines of the IEA, each country should stockpile at least 90 days of oil imports. In Asia, only Japan and South Korea meet this criteria. The Asian economies are getting back on their feet, which inevitably increases energy demand, especially in China. Without establishing an emergency oil stockpile system, disruption of oil supply or soaring oil prices would threaten economic recovery and growth in Asia.

Japan, as an Asian economic leader, should propose building strategic regional oil stockpiles in cooperation with other Asian nations, including China and South Korea, as all have a common interest in securing emergency oil supplies. In addition, the United States, which seeks economic stability in Asia, may be willing to provide technical and financial assistance to accomplish this goal. Oil could become a catalyst for regional cooperation among Asian countries as well as the United States.

Tankers carrying crude oil from the Middle East usually reach Northeast Asia via the Straits of Malacca. In order to secure a steady flow of crude oil, oil-importing countries have a common interest in ensuring safe passage through this waterway. Their efforts involve Southeast Asian nations such as Singapore, Indonesia and the Philippines. Japan should also take the initiative in building a multilateral regional forum to discuss security issues relating to safe passage through the Straits of Malacca. Since energy-hungry Asian countries would benefit greatly from this forum, they will surely support Japan's proposal.

Japan should seize the initiative and take the first step to realize this plan.

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