

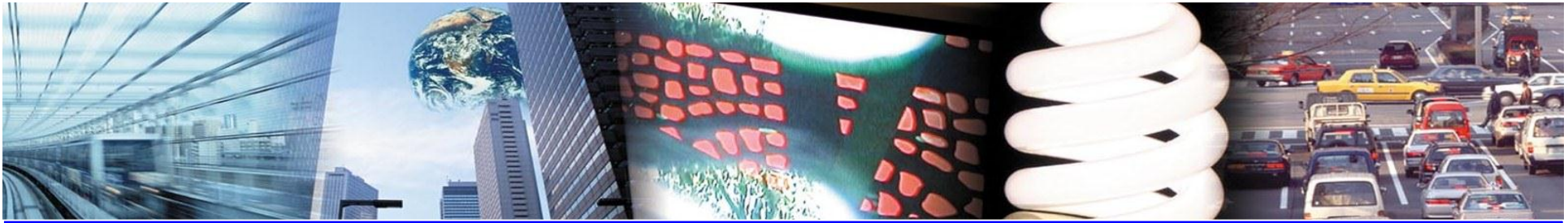


APEC OGSN Forum

The Geopolitical Impact of
the “Arab Spring” and its Effect on
Asia-Pacific Economies

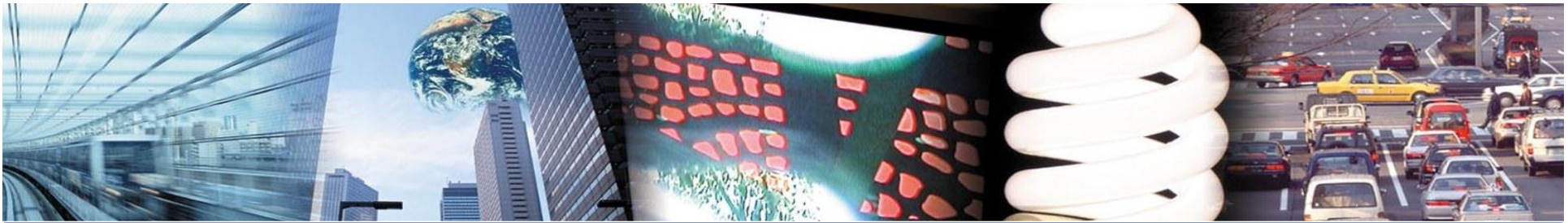


Asia-Pacific
Economic Cooperation



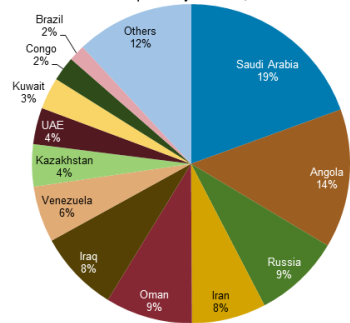
“Arab Spring”: Why does it matter to us?

- “ Rising demand for oil, as well as gas, from MENA in the Asia-Pacific region
- “ Instability following the ousting of political leaders, or breakout of civil wars
- “ Uncertainties regarding production, export and future development of energy in MENA
- “ Rising concern of energy security amongst APEC economies
- “ Importance of evaluating the “Arab Spring” within an APEC context



Share of Middle East Oil in Asian Economies

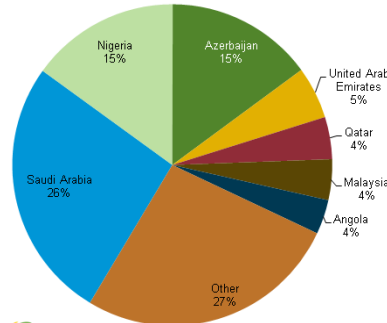
China's crude oil imports by source, 2013



Source: FACTS Global Energy, Global Trade Information Services.

People's Republic of China: 51%

Indonesia crude oil imports by source, 2013



Sources: U.S. Energy Information Administration, Lloyd's List Intelligence

Indonesia: 35%

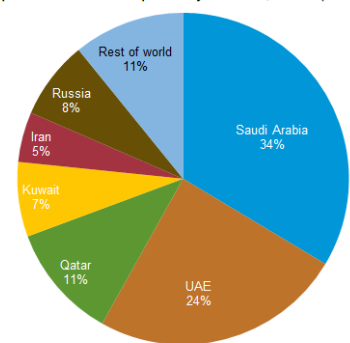
Philippines: over 75%

Singapore: over 50%

Thailand: over 70%

Chinese Taipei: 85%

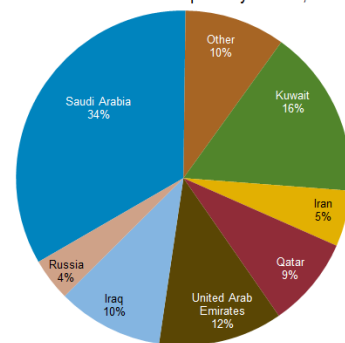
Japan's crude oil imports by source, 2014 (11 months)



Sources: Japan's Ministry of Finance, Global Trade Information Services

Japan: 81%

South Korea crude oil imports by source, 2013



Sources: Global Trade Atlas, Korea Customs and Trade Development Institution

Republic of Korea: 86%

Sources: EIA, DOE and other sources.

Sources of Uncertainty throughout MENA

Jordan

- stagnation and anti-monarchy movements
- spillover of the civil war in Syria

Libya

- various obstacles to political transition
- human resources deficit
- regional contention and tribal rivalry
- spread of terrorist organizations and heavy arms
- economic reconstruction and reinvestment

Tunisia

- showdown b/w an-Nahda and the opposition
- instability in central and southern Tunisia

Morocco

- effect of constitutional amendment
- clashes b/w security forces and popular rallies

Algeria

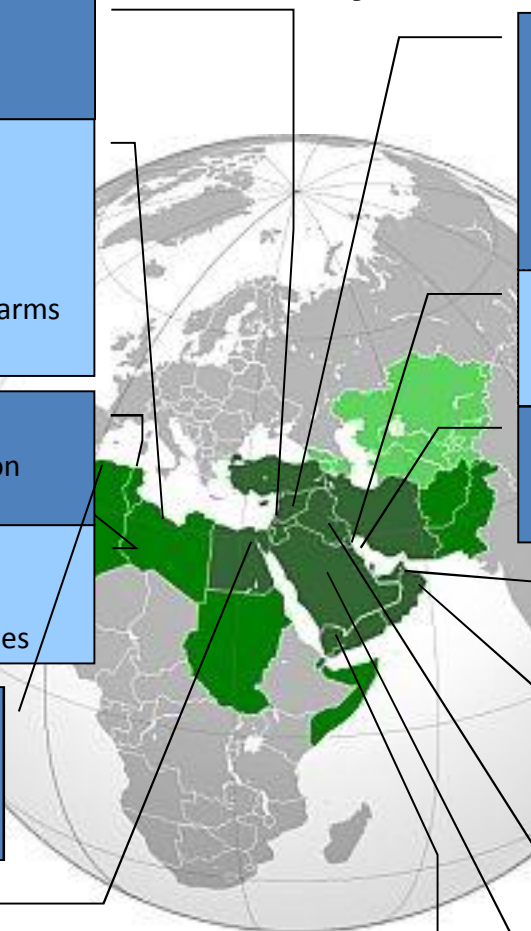
- next in line for an “Arab Spring”?
- lack of political reform and initiative
- activities of AQIM and insecurity of Sahel

Egypt

- purge of Muslim Brotherhood
- lack of trust among secularists
- the army conglomerate
- trial of Mubarak
- rehabilitating the economy
- sectarian dispute
- terrorist threats from Sinai

Yemen

- stalled political transition
- Southern separatists movements
- Houthi insurgency
- AQAP



Syria

- alleged use of chemical weapons and barrel bombs; war crimes
- dysfunction of the Syrian National Coalition
- expanding influence of AQ and ISIS/ISIL
- Turkey’s uncertain agenda in Syria

Kuwait

- long standing political deadlock
- surge of political conversation via SNS

Bahrain

- sectarian conflict
- human rights abuses

UAE

- crackdown on Muslim Brotherhood affiliates

Oman

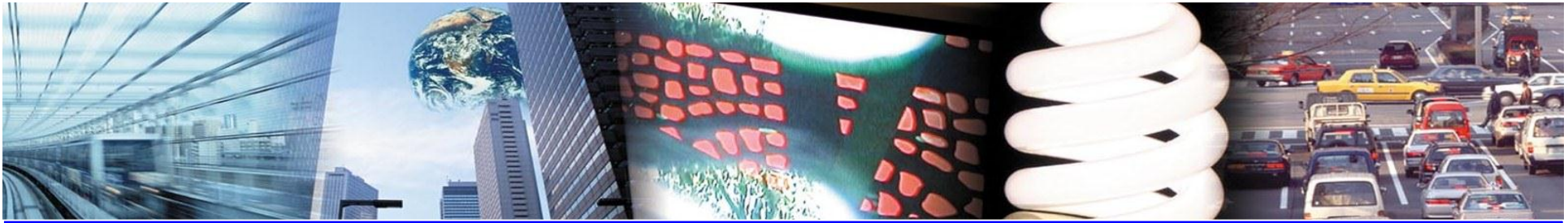
- rising expenditures for appeasing citizens
- enhanced control over the media

Iraq

- resurgence of AQ and ISI
- sectarian differences and discontent

Saudi Arabia

- rising discontent among the youth and the spread of SNS
- suppression of Shiite citizens
- political participation by female citizens
- succession to the third generation princes



Neutralizing the Impact of the “Arab Spring”

” Saudi Arabia

” Law enforcement measures, anti-corruption campaign, upgrading social welfare, wage raise, etc.

” Kuwait

” Generous allocation of bonuses for citizens

” UAE

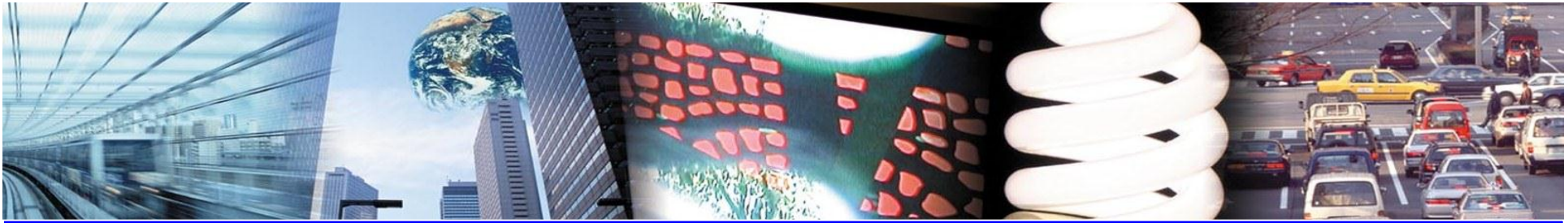
” “Carrot and stick” approach, anti-Muslim Brotherhood campaign, conscription for male citizens, etc.

” Oman

” Enhancing subsidies and wages, crackdown on rallies

” GCC

” Deployment of the Peninsula Shield Forces to Bahrain, Establishment of a development fund for non-wealthy Arab monarchies



The Aftermath of the “Arab Spring”

” “Revolution”

” Accomplished, but in some cases reversed later on

” “Democratization”

” Experimented, but shunned

” Internal legitimacy

” Endorsed by the populace, but retrograded by coups

” Disparity between social strata

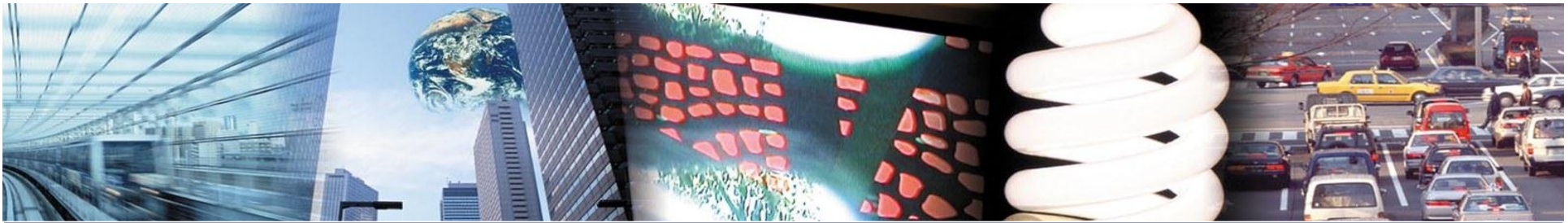
” Unchanged, or aggravated even further

” Accountability and transparency

” Long forgotten and left open

” Security

” Disturbed, disrupted and destabilized

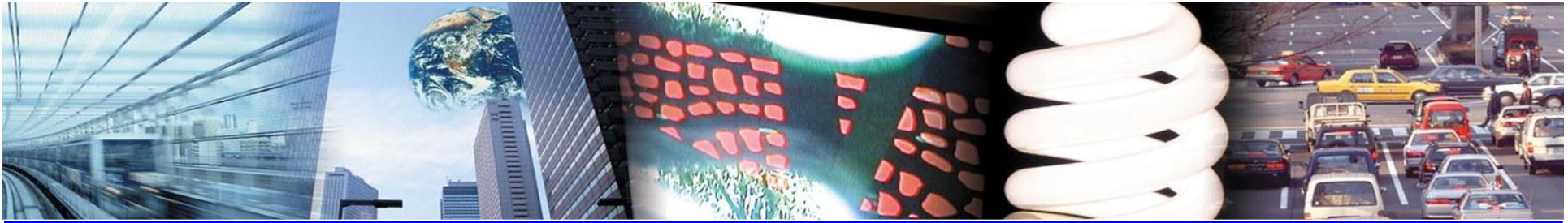


Physical Changes in MENA Oil & Gas Exports

	2010	2011	2012	2013
Egypt (oil) 1,000b/d	29. ⁴	8. ⁹	-13. ³	-46. ⁴
(gas) bcf	371. ¹	371. ⁶	259. ³	n.a.
Libya (oil)	1,457. ⁹	319. ³	1,244. ⁰	735. ⁶
(gas)	344. ³	85. ⁵	228. ⁵	n.a.
Syria (oil)	112. ⁰	79. ⁸	-141. ⁵	-238. ⁹
(gas)	-24. ⁴	-8. ⁸	0. ⁰	n.a.
Yemen (oil)	280. ⁰	216. ⁴	168. ⁷	130. ⁷
(gas)	186. ⁸	308. ⁷	236. ⁰	n.a.
Entire OPEC (oil) 1,000b/d	23,112	23,581	25,068	24,054
(gas) tcf	7,873. ⁶	7,771. ³	8,105. ³	7,942. ⁹

Sources: EIA, DOE and OPEC Annual Statistical Bulletin.

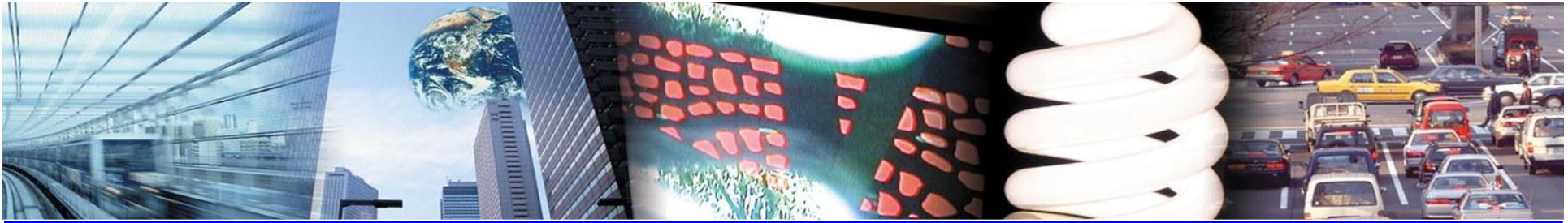
⇒ No major disruption of oil/gas export except for Libya



Sources of Concern for Japan on MENA

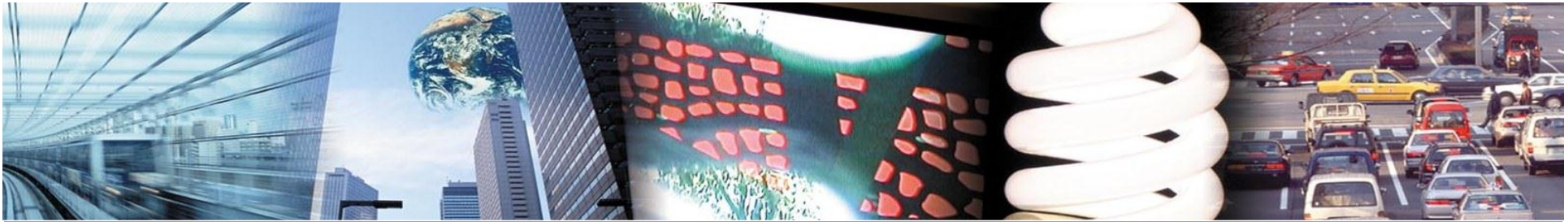
- ” Deteriorating security conditions in Iraq and emerging threat of ISIS/ISIL
- ” Prolonging civil war in Syria and increasing burden of costs for neighboring states
- ” Defects of Egypt and Saudi Arabia as regional powers
- ” War on Gaza and the stalled peace process
- ” Kurds for an independent state
- ” Iran’s ambitions for regional hegemony

As discussed at the 39th Japan Cooperation Forum for the Middle East



The “Arab Spring” and Regional Geopolitics

- ” Alteration of political and strategic alignments
 - ” Temporary and partial affiliation b/w Cairo and Tehran
 - ” Turkey’s estrangement with GCC states
- ” Downfall of traditional powers in the Arab world
 - ” Gulf War era Arab coalition: GCC+2 (Egypt & Syria)
- ” A sense of uneasiness of its strategic partner: US
- ” Emergence of assertive actors from GCC
 - ” Saudi Arabia
 - ” UAE
 - ” Qatar
- ” Could “regional integration” be a solution for regaining stability?



Assessing the Impact on APEC Economies

- “ Less need to be concerned about shortage of energy supplies from MENA, so far
- “ Spread of AQ and/or ISIS/ISIL affiliated/inspired extremism remains to be sources of security concern for Iraq and other MENA oil producers
- “ An assertive security posture of Saudi Arabia and other GCC states is on the rise, as a reality
 - “ Concerns that they may be on a collision course with Iran at the Strait of Hormuz and/or Gulf of Aden
- “ A fresh food for thought: How will these dynamics change/evolve under lower oil prices?