

REPORT FROM WORKSHOP III

Energy Requirements and Developments in the 1980s and the Respective Roles of Government and Foreign Investors in the Matter

Chairman: George B. Hargens

Rapporteur: Peter Wilkinson

Summary and Conclusions

(1) The group reached a consensus that ASEAN does face the prospect of an energy shortage, particularly in petroleum, and the long-term solution lies in the development of alternative sources and in conservation.

(2) It was recognized that within ASEAN there are the "haves" (energy producers) and "have-nots" (non-energy producers). How the needs of the latter group were to be met within the concept of ASEAN was not reconciled.

(3) On the role of governments, everything should be done to increase supply and to formulate realistic national energy policies based on economic rather than political considerations. Such policies should place emphasis on the need for energy conservation in the broadest sense of the term, and should recognize that the efficient use of energy is a positive aspect of energy conservation.

(4) On the role of foreign investors, it was concluded that it would be some time before we could expect to see a recycling of OPEC funds to this region. In the meantime it was felt that there was a need for a consortium of international banks to provide funds necessary for the implementation of energy projects in ASEAN.

(5) On a positive note, the workshop concluded that the investment outlook for ASEAN as a whole was good, but that there were differences within the region and some countries provided a better environment for investment than others.

Discussion of the Report

George Hargens:

I think we were probably more successful in problem-defining than in problem-solving. I do not think that is all bad because I think one of the purposes of this type of conference is to define problems and get agreement that that is the problem. The group first discussed and tried to agree on an energy forecast, looking short-term, over the next five years, and long-term, up to the year 2000. Obviously, when discussing energy availability, we had to talk in more than just ASEAN terms. We read the world situation and reached the consensus that the world and the ASEAN countries face a prospect of energy shortage. This is particularly true in petroleum, and this energy shortage will not be really relieved to a significant degree until alternative forms of energy are developed such as were discussed in Mr. Ingram's

report yesterday. We noted the fact that many countries -- particularly, not necessarily solely the ASEAN countries -- have had success because of cheap energy. And it was the consensus that cheap energy will not be available. It was recognized from the beginning that two of the five, namely, Malaysia and Indonesia, are in a favourable position, in terms of petroleum compared with the Philippines, Thailand and Singapore. Now, how are the needs of the latter group, the non-energy producers, going to be met within the concept of ASEAN? It was generally conceded that the area as a whole was self-sufficient in petroleum. But are Indonesia and Malaysia going to stop exporting, to take care of those countries that do not have oil? We were unable to reconcile how this was going to be solved. The next point was: What should be the role of governments, particularly the host governments, in times of critical shortages? It was the consensus that each country should do all it could to increase the supply and to formulate realistic national energy policies. And there was great emphasis that those energy policies should be based on economic rather than political considerations. Inherent in increasing supply is the other side of the coin -- conservation. It was urged that energy policies should emphasize the need for energy conservation in the broader sense of the term and should recognize that the efficient use of energy is a positive aspect of energy conservation. This of course brings up the matter of investment because some substantial progress in conservation is possible with investment.

There was quite a bit of discussion on Professor Vernon's comments yesterday that possibly prices would go down. That was not accepted. The point that was next discussed was the role of the foreign investor. It was accepted from the beginning that there would be competition for the funds that were available. The group was rather pessimistic that there would be quick relief from the recycling of OPEC funds in this region. In spite of the political stability here it was felt the funds would still flow to Europe and the United States. There was consensus that there has to be innovative financing, possibly including international banks and quasi-government banks, for energy projects throughout the ASEAN area. The group concluded on a positive note that the investment outlook for ASEAN, on the basis of its track record, was good.