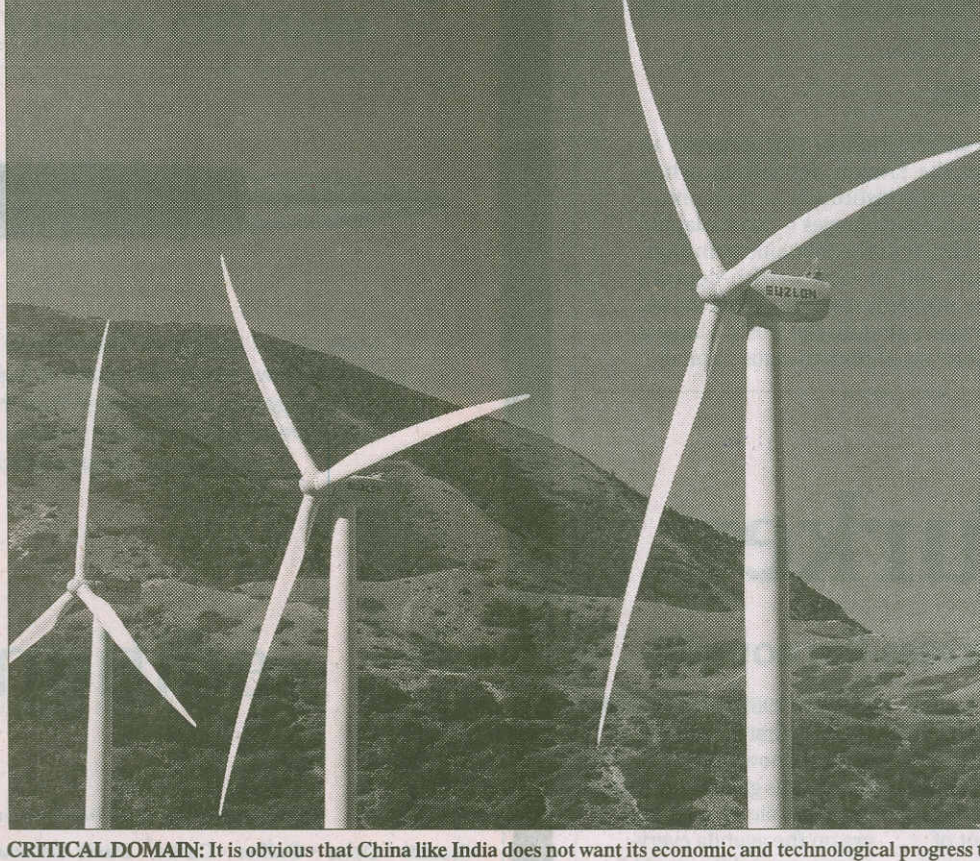


Energy efficiency holds the key

Urs Schoettli



CRITICAL DOMAIN: It is obvious that China like India does not want its economic and technological progress to be hampered by energy shortages

RECENTLY I read several news reports that China sees Japan as its role model in terms of energy efficiency. The government in Beijing wants to adopt policies and technologies that have given Japan a global lead in the efficient use of energy sources. These days the world is preoccupied with the rapid rise of the emerging powers in Asia and what this means for the international financial system.

The talk is of "currency wars" and of "monetary protectionism". Particularly the United States and the European Union complain bitterly about China manipulating its currency, the yuan. This is certainly an important problem of considerable urgency as Beijing's policy to artificially lower the external value of its currency severely distorts international trade.

However, for the longer term the question of national energy security will be of much greater significance. It is important to recall that until the year 1995 the People's Republic of China had been a net exporter of oil. Less than ten years later China replaced Japan as the world's second most important importer of oil. Unlike China, Japan is totally dependent on imports when it comes to carbon-based energy. Japan is, like Switzerland, a country that has no domestic energy resource except hydropower. This is of major significance, as Japan is not a small country, but one of the world's leading economic powers.

In the last decades substantial sources of oil and gas have been discovered in many new places around the world. Only recently new finds have doubled Brazil's oil reserves under its coastal waters. After the collapse of

the Soviet Union the Russian Federation has emerged as the world's leading energy power. There are still huge swathes of territory in Siberia and in the Far East that have not been explored and that may harbour gigantic energy sources.

Both China and Japan are very keen to get access to the rich energy sources in Russia's Far East. For geopolitical reasons both countries are very eager to diversify the sourcing of their energy requirements. Today, neither the Japanese nor the Chinese have the necessary military and naval might to protect their extended supply lines

on the high seas. The route through which oil and gas from the Middle East has to be transported to China and Japan leads through several critical spots, namely through the Straits of Hormuz and the Straits of Malacca. In both these places the Japanese and the Chinese are dependent on other powers, principally the United States, to keep the waterways open.

It is obvious that China like India does not want its economic and technological progress to be hampered by energy shortages. Both countries rightly reject ideas that because they have been late in arriving in the global econ-

omy they may have to restrict their consumption of raw materials and energy sources for the good of mankind. It is not only a question of justice but also of political wisdom that Beijing and Delhi insist on their people having the same chances of economic development and on enjoying the same material comforts like the populations in the industrialised West.

There is no way Beijing is going to oblige the newly emerging middle classes to exert self-restraint in their consumption patterns. On the contrary, China has to reduce the dependence of its economic growth on the ex-

port industry and stimulate domestic consumption.

It is, therefore, a given that China's needs for materials and energy sources will continue to increase. The Chinese government plans its economic policies with a very large horizon. The overriding goal of all macro-economic decisions is to make sure that the Communist Party remains in power. The ultimate goal of the country is the nine-year standing committee of the Politburo. To achieve its goals it disposes of a wide array of instruments.

One is foreign policy. In the past years Beijing started to expand its presence on all continents. President Hu Jintao and prime minister Wen Jiabao travel the world to secure vital supplies for their country. They focus not only on Africa, but also on South America, Australia and many parts of Asia. The reason why Beijing, for example, is on good terms with Hanoi, Hanoi, Rangoon or Teheran is simply energy security.

Of equal importance is domestic policy measures. Beijing invests a lot in research and international operation to gain access to the latest technologies which contribute to a more efficient use of energy sources and raw materials. Japan has become a vital source for this.

The Japanese car industry figures prominently in this, with its hybrid and energy-saving models. Furthermore, the existing financial system and the dominance of state-owned enterprises provides Beijing with deep pockets to purchase technology abroad as well as to promote expensive research programmes at home.

(The writer is the former correspondent of Swiss newspaper *Neue Zürcher Zeitung*)