

China's "One Road and One Belt" Project and Asian Economic Cooperation

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On January 24 in Hong Kong, the seventh "Sino-US Colloquium: Silk Road Energy Dialogue" took place with the subtitle of "Asian energy security cooperation," sponsored by the Hong Kong-based China Energy Fund Committee and cosponsored by the China Institute of International Studies and the U.S. Energy Security Council. Participants, mainly including Chinese and Americans, held active discussions in three sessions.

China's President Xi Jinping announced the so-called "Silk Road Economic Belt" and "21st Century Maritime Silk Road" initiatives in the autumn of 2013 and indicated his strong ambition to promote these initiatives anew at last November's annual summit of the Asia Pacific Economic Cooperation forum. The former initiative aims to build an economic belt linking China to Europe through central Asia, while the latter seeks to build a maritime transportation/economy belt linking China to the Middle East via the ASEAN (Association of Southeast Asian Nations) region. They are combined into the "One Road and One Belt" project. This is a grand project for China to promote giant economic zones and regional cooperation under the key word of "Silk Road" symbolizing China's past prosperity as the world's economic, cultural center. In order to materialize the project, China has made steady preparations by creating financial cooperation and investment promotion mechanisms like the Asia Infrastructure Investment Bank, the New Development Bank or BRICS Bank, and the Silk Road Fund as policy tools.

Last May, President Xi Jinping also advocated a "view on Asian security." "Asian security must be protected by Asian people," Xi stated then, indicating China's willingness to take leadership in establishing a new order for Asian security. China may thus think that Asia on its own should address and solve Asian problems regarding energy security as one of the "security" concepts and that it is important to promote Asian energy cooperation in line with the "One Road and One Belt" project. Such Chinese thinking might have been behind the Hong Kong conference.

Under such thinking, participants in the conference made various points. Interestingly, one of the focuses of discussions at the conference was what implications the recent crude oil price plunge would have for Asia. The first session concentrated on this issue, with views exchanged on Saudi Arabia's strategy as the cause of the plunge, future prospects, factors to reverse or further promote

the price plunge, and various impacts of the plunge on international politics, the world economy and energy markets.

As reasons behind the crude oil price issue attracting such massive global attention, participants in the conference cited oil's strategic importance as a good, oil's lack of substitutability in the transportation sector (and the importance of the transportation sector) and the presence of the market power, and pointed out that the oil price drop will become a major issue for Asia destined to increase its dependence on oil imports and deepen strategic interdependent relations with the Middle East.

The conference participants commonly recognized that crude oil price drops would economically benefit most Asian countries that are net oil importers, including China and Japan. But it was pointed out that present low crude oil prices may be unsustainable over a long term and become a destabilizer leading to higher prices in the future by bringing about energy investment shortages, and social and economic deterioration in oil producing countries. Given that Asia is not prepared to respond to the existing oil market instability, how Asia should respond to oil and other energy supply disruptions became an issue. It was interesting for the conference participants to question anew how Asia should enhance the framework for cooperation, if Asia's accumulated cooperative relations with the International Energy Agency would be sufficient and whether Asia should explore independent cooperation within the region.

As a matter of course, energy challenges facing Asia are not limited to oil problems. Asian natural gas/LNG prices soared amid crude oil price spikes, making the Asia premium problem more serious. Asia must promote cleaner and more efficient use of coal growing as a main energy source in the region. Asia must spread renewable energy while addressing cost efficiency and supply intermittency problems. Energy subsidy cuts and energy conservation promotion have become major policy challenges in Asia. In expanding nuclear energy use, Asia must address safety, non-proliferation and nuclear security. Asia must provide underdeveloped or low-income regions with modern energy including electricity. Asia thus has a mountain of energy problems. At the Hong Kong conference, participants came up with a message that Asia should promote regional cooperation in view of these many common problems facing Asian countries, while falling short of discussing details of or solutions to these individual problems. They also indicated that they had in mind a wider framework covering the Middle East and Europe included into the Silk Road initiatives, as well as the United States and Russia as Asia-Pacific countries.

Interestingly, some conference participants cited cooperation within the European Union as a harbinger of Asian energy cooperation and discussed what Asia should learn from European experiences while recognizing various differences with Europe. It was noteworthy that expectations that the promotion of energy cooperation would help ease political or geopolitical tensions in Asia came out along with a view that Asia should adopt a geo-economic approach leading to win-win relationships, instead of any geopolitical approach resulting in a zero-sum game. I would like to

closely watch what initiatives China will implement or enhance for Asian energy cooperation under its international strategy.

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