China’s Diplomatic Efforts to Promote Energy and Resources Cooperation Along the “One Belt and One Road”
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China’s Diplomatic Efforts to Promote Energy and Resources Cooperation Along the “One Belt and One Road”

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I. Introduction

A. Connotation of the OBOR Concept
   1. The spirit of the OBOR initiative
   2. Main areas for the construction of OBOR
   3. Main contents of the construction of OBOR
   4. Ways of promoting the construction of OBOR

B. Connotation of energy and resources cooperation of the OBOR
   1. Contents of energy and resources cooperation
   2. Characteristics of energy and resources cooperation
   3. Ways of cooperation

C. Significance of energy and resources cooperation in the construction of OBOR
   1. Giving long-term impetus to the construction of OBOR
   2. Promoting the emergence of a community of shared destiny
   3. Helping to maintain peace and security in the OBOR region
   4. Helping to establish a new international order for energy

D. The role of diplomacy in energy and resources cooperation along the OBOR
   1. Relationship between market and diplomacy
   2. Deepening international cooperation continuously
   3. Creating a good regional environment

II. Energy and Resources Cooperation Within the Framework of OBOR: Opportunities and Challenges

A. Opportunities for energy and resources cooperation within the framework of OBOR
   1. Development and cooperation being the mainstream of the region
   2. China’s increasing influence
   3. Solid foundation for deepening energy and resources cooperation within the framework of OBOR

B. Challenges for energy and resources cooperation within the framework of OBOR
   1. Negative impacts of the game playing among major world powers
   2. Negative impacts of boundary and water disputes
   3. Risk factors for regional instability and security concerns
III. Winning Support From Key Countries

A. Intensifying China-Russia strategic cooperation in energy and resources
   1. Striving to promote China-Russia energy cooperation
   2. Properly handling the relationship between the interests of China and Russia

B. Strengthening healthy communication and cooperation between China and the United States
   1. Competition and Cooperation between China and the United States
   2. Boosting China-U.S. cooperation in major projects
   3. Maintaining effective communication between China and the United States on hotspot issues

C. Enlarging the common interests of China and India in the fields on energy and resources
   1. The competition and common interests of China and India in the fields of energy and resources
   2. Promoting security cooperation between China and India in energy and resources supply
   3. Boosting China-India joint involvement in global energy governance

D. Planning vertical connection cooperation on the Eurasian continent
   1. Building vertical connectivity projects across Eurasia
   2. Deepening China-Russia-India strategic cooperation

IV. Coordinating China’s Relations with Countries in the Region and Relevant International Mechanisms

A. Strengthening cooperation with mechanisms and countries in Central Asia
   1. Consolidating China-Kazakhstan and China-Turkmenistan energy and resources cooperation
   2. Enhancing the role of the SCO
   3. Coordinating with the EEU

B. Promoting participation of South Asian and Southeast Asian countries
   1. Enhancing China-Pakistan energy and resources cooperation
   2. Promoting China-ASEAN “Diamond Decade” energy and resources cooperation

C. Further intensifying energy and resources cooperation with the mechanisms and countries in the Middle East
   1. Consolidating energy and resources cooperation with the Middle East countries
   2. Upgrading cooperation with the GCC
D. Enhancing cooperation with international financial institutions ........................................ 52

V. Fostering a Favorable International Environment ................................................................. 53
   A. Actively addressing regional issues .................................................................................... 53
      1. Combating transnational terrorism and extremism ....................................................... 53
      2. Ensuring energy transport security ................................................................................. 53
      3. Handling border and water resource disputes properly .............................................. 54
   B. Shaping a favorable legal environment ............................................................................... 56
      1. Opposing over-strict treaties and laws on energy and resources trade ....................... 56
      2. Establishing protection mechanisms for cross-border oil and gas pipelines .............. 57
      3. Participating in regional and global energy mechanisms ........................................... 57
   C. Winning support from international public opinions ......................................................... 58
      1. The challenge of public opinions faced by the OBOR energy and resources cooperation .................................................. 58
      2. Coordinating the publicity of China’s policies ............................................................... 59
      3. Strengthening people-to-people exchanges ................................................................. 60
   D. Putting China’s new diplomatic concepts into practice .................................................... 60
      1. To handle the relationship between morality and benefits in a right way .................... 61
      2. To embrace differences .................................................................................................. 62
      3. To practice new security concepts ............................................................................... 63

VI. Conclusion .......................................................................................................................... 65
**Acronyms**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>CAFTA</td>
<td>China-ASEAN Free Trade Area</td>
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<td>CASCF</td>
<td>China-Arab States Cooperation Forum</td>
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<td>CICA</td>
<td>Conference on Interaction and Confidence Building Measures in Asia</td>
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<td>CIS</td>
<td>Commonwealth of Independent States</td>
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<td>CNOOC</td>
<td>China National Offshore Oil Corporation</td>
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<td>CNPC</td>
<td>China National Petroleum Corporation</td>
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<td>CPEC</td>
<td>China-Pakistan Economic Corridor</td>
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<td>CPFTA</td>
<td>China-Pakistan Free Trade Area</td>
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<td>CSG</td>
<td>China Southern Power Grid</td>
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<td>EEU</td>
<td>Eurasian Economic Union</td>
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<td>GCC</td>
<td>Gulf Cooperation Council</td>
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<td>GHG</td>
<td>Greenhouse Gas</td>
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<td>GMS</td>
<td>Greater Mekong Subregion</td>
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<td>IDB</td>
<td>Islamic Development Bank</td>
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<td>IEA</td>
<td>International Energy Agency</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LNG</td>
<td>Liquefied Natural Gas</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
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<td>OBOR</td>
<td>One Belt and One Road</td>
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<tr>
<td>OPEC</td>
<td>Organization of Petroleum Exporting Countries</td>
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<td>RCEP</td>
<td>Regional Comprehensive Economic Partnership</td>
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<tr>
<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
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<tr>
<td>SCO</td>
<td>Shanghai Cooperation Organization</td>
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<tr>
<td>S&amp;ED</td>
<td>Strategic and Economic Dialogue</td>
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<tr>
<td>Sinopec Group</td>
<td>China Petrochemical Corporation</td>
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<td>TPP</td>
<td>Trans-Pacific Partnership</td>
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<td>UAE</td>
<td>United Arab Emirates</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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SUMMARY

In 2013, Chinese President Xi Jinping made two important proposals, i.e. to jointly construct the Silk Road Economic Belt and the 21st Century Maritime Silk Road, which are known as “One Belt and One Road” (OBOR). Being a strategic concept of enhancing China’s cooperation with neighboring countries to its south and west, the OBOR is multifaceted, including economic, social and cultural aspects. Energy and resources cooperation should be given priority in the construction of the OBOR, as it is required by the economic and social development needs of China and its neighboring countries to the south and west and in view that these countries are complementary in economic development advantages.

There are great opportunities for pushing forward energy and resources cooperation among countries along the OBOR. First of all, sustained development and cooperation between China and its neighboring countries has become the mainstream of the region and the hotspot issues are manageable in general. Those countries all attach great importance to economic development and their political mutual trust has deepened. Secondly, with China’s increasing influence in its neighborhood and improving status in international markets, its economic relations with neighboring countries are becoming closer. Thirdly, as the cooperation among countries along the OBOR is already guaranteed by a number of mechanisms and has resulted in many achievements, a sound foundation has been laid for deepening energy and resources cooperation among them.

Meanwhile, there are also many challenges, including negative impacts from the game playing among major world powers, disagreements over interests among countries in the region, differences in the level of development, and occasional regional hotspot issues, which are all likely to create obstacles to energy and resources cooperation among countries along the OBOR.

The policies that can be adopted to push forward energy and resources cooperation among countries along the OBOR include the following: winning
support from key major powers, coordinating with countries in the region as well as with international mechanisms, and actively building a favorable international environment.

Firstly, the factor of major powers in energy and resources cooperation should be actively taken into consideration. China-Russia strategic energy cooperation should be deepened and Russia’s reasonable concerns should be attended in issues such as downstream and upstream cooperation in the energy industry, economic integration of Eurasia, and energy prices. Efforts should be made to promote cooperation between China and the United States over large projects along the OBOR, and effective communication should be established over Afghanistan, global energy security, and so on. The common interests of China and India should be further advanced so as to work together to safeguard the security of energy supply and participate in global energy governance. Trilateral cooperation among China, India, and Russia should be deepened by actively planning projects on building north-south energy and resources transport facilities.

Secondly, China should coordinate relations with countries in the region as well as with international mechanisms. In Central Asia, China-Kazakhstan energy cooperation should be strengthened through coordination in such fields as pipelines, trade, and distribution of water resource. And pragmatic political and economic relations should be maintained with the newly launched Eurasian Economic Union (EEU), and the role of Shanghai Cooperation Organization (SCO) should be further enhanced. In Southeast Asia and South Asia, China should bring the role of China-Pakistan Joint Energy Working Group into full play to steadfastly push forward the construction of pipelines between the two countries and achieve substantial success in cooperation on electricity generation from new energy sources. At the same time, China should try to increase the trade and investment scale of energy and resources and carry out joint maritime security operations with ASEAN countries. In the Middle East, China should strive to acquire high-quality oil and gas assets, expand cooperation on natural gas, and actively maintain regional stability. China should also advance free trade talks with the Gulf Cooperation Council (GCC) so as to reach an agreement at an early date. Besides, cooperation on new energy development and infrastructure construction should also be conducted between China and GCC countries.
Thirdly, China should endeavor to build a favorable international environment so as to actively respond to regional issues such as terrorism, energy transport security, and disputes over border and distribution of water resource. China should help work out fairly flexible regional laws on the trade and investment in energy and resources, push forward the formulation of laws on the operation of cross-border oil and gas pipelines, and actively participate in regional and global energy governance so as to build a favorable international legal environment. To create a favorable environment of international public opinions, China needs to integrate its official diplomacy, track II diplomacy and public diplomacy when publicizing its foreign policies. The new foreign policy concepts, such as “amity, sincerity, mutual benefit and inclusiveness”, “the right concept of morality and benefit” and the Asian security concept, should be actively implemented in China’s practice of conducting energy and resources cooperation with countries along the OBOR. By that doing, China’s development will bring more benefits to its neighboring countries and the sustainable development and security of the region will be better promoted.
I. Introduction

In 2013, Chinese President Xi Jinping made two important proposals, i.e. to jointly build the Silk Road Economic Belt and the 21st Century Maritime Silk Road, which are known as “One Belt and One Road” (OBOR). Being a strategic concept of enhancing China’s cooperation with neighboring countries to its south and west, the OBOR is multifaceted, including economic, social and cultural aspects. Considering the economic and social development needs of China and its neighboring countries to the south and west and in view that they are complementary in their economic development advantages, energy and resources cooperation should be given priority in the construction of OBOR.

Diplomacy is one of the basic driving forces and necessary conditions for energy and resources cooperation among countries along the OBOR. First, strategic in nature, energy and resources cooperation involves many countries and has very complicated interest concerns. Thus a lot of diplomatic efforts are needed to win the support of key stakeholders, and current international mechanisms should be fully integrated and utilized. Second, energy and resources cooperation is challenged by transnational terrorism, disputes over border and distribution of water resource, and transport security, etc. It also has a high demand for the support from international laws and public opinions. Therefore, diplomatic work is needed to coordinate concerned countries to jointly address regional issues and to create a good international environment. This report is to analyze the ways of providing diplomatic support to energy and resources cooperation among countries along the OBOR so as to put forward concrete policy proposals. It has both theoretical and practical significance.

A. Connotation of the OBOR Concept

1. The spirit of the OBOR initiative

The spirit of the ancient Silk Road is a valuable asset of the Asian people and even the Eurasian people. More than 2,000 years ago, the industrious and brave
people on the Eurasian Continent developed several trade routes connecting the civilizations in Asia, Europe and Africa. These routes were later called the “Silk Road”... The countries along the Silk Road, no matter large or small, all benefited a lot from it. Starting from the 21st century, the international and regional situations have become more and more complicated. Thus the spirit of the ancient Silk Road, including solidarity, mutual trust, equality, mutual benefit, inclusiveness, mutual learning, and win-win cooperation, is becoming increaingly important and precious.¹ The spirit of the OBOR initiative is derived from the spirit of the ancient Silk Road. In promoting economic cooperation, cultural communication and people-to-people exchanges with other countries along the OBOR, China will adhere to the spirit of the ancient Silk Road, namely, being fair in giving and taking, being balanced between moral principles and profits, and respecting diversities, so as to reach consensus and work together towards a better future. This is also in accordance with China’s coherent neighborhood policy of “bringing harmony, security and prosperity to neighbors” and the new diplomatic concepts of “a right approach to morality and benefit” as well as “amicable, sincere, mutually beneficial and inclusive relationship”.

2. Main areas for the construction of OBOR

Being open and inclusive is an important feature of the OBOR initiative, which means that there are no fixed boundaries for the areas and countries covered by the initiative. Any country along the ancient Silk Road, or any neighboring country friendly to China is welcome to join the initiative. Central Asia, Russia, South Asia and Southeast Asia are its priority areas. The Middle East is the place where the Belt joins the Road, and some African countries are also welcome to join the initiative in the long run. In the future, many projects in the construction of OBOR might get more countries and entities involved and will be more open.² In other words, the initiative does not preset the list of areas and countries, but is open to all countries along the OBOR. In the long run, countries outside the region might also join the initiative. Openness is not only conducive to attracting more forces to maintain regional stability and promote development as well as cooperation, but

¹ 钟声[Zhong Sheng],《丝路精神, 贯穿古今开新篇——聚焦“一带一路”倡议的时代意义 (上)》[Spirit of the Silk Road, Going Through the History and Turning Over a New Leaf -- Focusing on the Era Significance of OBOR Initiative(First half)], 《人民日报》[People’s Daily], February 25, 2014, p.3.
² 钟声[Zhong Sheng],《开放包容, 携手发展谋共赢——聚焦“一带一路”倡议的时代意义 (下)》[Being Open and Tolerant--Joining Hands to Develop Together for a Win-win Situation (Second half)], 《人民日报》[People’s Daily], February 26, 2014, p.3.
also helpful for deepening balanced interdependence among various countries so as to constitute a community of shared destiny.

3. Main contents of the construction of OBOR

The construction of OBOR is based on and centered around economic cooperation, supported by cultural communication, and extended to many fields in economy and society. Therefore, it requires greater effort at infrastructure construction and more creativity on cooperation models, so as to promote economic cooperation among various countries and achieve the “Five Connections”.

In terms of infrastructure building, China has common interests with countries along the OBOR in the fields of transport, energy, oil and gas pipelines, water conservancy facilities, and electricity transmission. Some key projects can be chosen as the starting points. In his speech delivered at Nazarbayev University, Kazakhstan in September 2013, President Xi Jinping said,

“We would like to discuss with the concerned parties on how to improve cross-border transport infrastructure, to gradually build a transport network that connects East Asia, West Asia and South Asia, so as to facilitate the economic development and people-to-people exchanges.”

It can be seen that the road connection is the starting point for the infrastructure construction of OBOR. China has laid a good foundation for its cooperation with some countries in building oil and gas pipelines and energy infrastructure. This can also inject impetus to further cooperation.

In terms of creating new cooperation models, China and countries along the OBOR are dedicated to creating a better regional business environment, and hope to enhance the other four “connections” in policy, trade, currency and people. It offers an important platform for mechanism innovation. To be specific, the countries have more common interests in eliminating trade barriers, lowering trade and investment costs, offering financial services such as currency exchange, settlement and fund-

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4 习近平[Xi Jinping], 《弘扬人民友谊共创美好未来——在纳扎尔巴耶夫大学的演讲》[‘Promote Friendship Between Our Peoples and Work Together to Build a Bright Future—Speech at Nazarbayev University’], 《人民日报》[People’s Daily], September 8, 2013, p 3.
raising, and working out regional cooperation plans and measures, etc., which could serve as areas for breakthroughs in mechanism innovation.

The purpose of pushing forward infrastructure construction and innovations in cooperation model is to promote regional cooperation and development as well as to achieve the “Five Connections”. Through the construction of OBOR, China will have closer relationship with concerned countries in economy, society and culture. In particular, there will be a great leap forward in economic cooperation, which would create greater demand for “Five Connections”.

4. Ways of promoting the construction of OBOR

The OBOR is not an entity or mechanism, but a concept and initiative for cooperation and development. It will fully rely on the existing multilateral and bilateral mechanisms between China and relevant countries. Currently, the main international cooperation mechanisms along the OBOR include: the Shanghai Cooperation Organization (SCO), the Eurasian Economic Union (EEU), China-ASEAN (10+1), the League of Arab States, the Gulf Cooperation Council (GCC), the Meeting of Foreign Ministers of China, Russia and India, etc. Through these international mechanisms, different countries can conduct full consultation, reach consensus and thereafter sign cooperation documents on issues relating to the construction of OBOR, such as infrastructure building, cultural communication, currency and financial issues, trade and economic exchanges, and energy and resources cooperation. Therefore, the construction of OBOR will not compete with the aforementioned mechanisms. On the contrary, it will add new contents and bring vitality to them. At the same time, international financial organizations such as the World Bank, the International Monetary Fund (IMF), the Asian Development Bank (ADB), and the Islamic Development Bank (IDB), can also be important financing channels for the infrastructure building of OBOR.

In addition, the construction of OBOR is conducive to integrating the existing and planned cooperation projects, pooling efforts of various parties and exploiting the potentials of these projects to their utmost.

5 钟声[Zhong Sheng], 《开放包容，携手发展谋共赢——聚焦“一带一路”倡议的时代意义（下）》 ['Being Open and Tolerant—Join Hands to Develop Together for a Win-win Situation (Second half)'], 《人民日报》 [People’s Daily], February 26, 2014, p.3.
B. Connotation of energy and resources cooperation of the OBOR

1. Contents of energy and resources cooperation

In terms of categories, energy cooperation constitutes the bulk of OBOR energy and resources cooperation, though other categories are also included. The OBOR energy cooperation covers not only fossil fuels, such as coal, oil and gas, but also non-fossil energy, for instance, nuclear energy, wind power, hydropower, solar energy, geothermal energy, marine energy, and biomass energy. The OBOR resources cooperation includes cooperation in both minerals and non-minerals. The former covers various kinds of metal and non-metal minerals, while the latter include water resource and ecological resources, such as fishery and forestry. China is complementary with other countries along the OBOR in natural resources, capital and technology. All these countries are faced with the historical mission of promoting economic and social development. All parties have great potentials in the cooperation on various kinds of energy and resources, especially oil and gas.

In terms of links of energy and resources industries, cooperation can happen at all reaches, no matter upper, middle or lower, including infrastructure construction, exploration and development, trade, road and pipeline transportation, transport security, smelting and processing, and sales channels. At the upper reaches, China’s advantages in capital and technology are complementary with other countries’ advantages in resources. At the middle reaches, transport and its safety are the common concerns of various parties. At the lower reaches, the market and the cooperation in high value-added industries can bind China and other countries along the OBOR together. In sum, the cooperation between China and other countries along the OBOR in various links of the energy and resources industries will inject impetus to the construction of OBOR.

2. Characteristics of energy and resources cooperation

First, energy and resources cooperation is economic in nature. Energy and resources are bulk commodities. Various kinds of energy and resources are the commodities produced on a large scale and consumed by countries along the OBOR for economic development and social progress. They are also important sources for international trade growth. The pricing mechanism, ways of trading and settlement,
and transport costs determine the cost of economic and social development of various countries. And the financial function of oil is becoming more evident. Oil is an important part of the investment portfolio. The oil futures market and oil pricing rules are important for the game between major powers, and the oil price is increasingly influenced by the futures market. In addition, due to the entry of financial derivative instruments into oil markets, oil trade has become a tool for arbitrage. Since a group of important energy producers and consumers are along the OBOR, the financial function of energy will be involved in their cooperation.

Secondly, energy and resources cooperation has spill-over effects. The international cooperation in the field of energy and resources covers the trade of bulk commodities, transport and energy infrastructure, cross-border oil and gas pipelines construction and operation, and energy and resources pricing rules, etc. It can spill over to many other industries and involve cooperation in the fields of tax, finance, and laws.

Finally, energy and resources cooperation is strategic in nature. As for the main producers, the export of energy and resources is an important source of revenue. As for the energy and resources consumers, the import of them relates to sustainable development of economy and society. The cooperation between producers and consumers of energy and resources is related to national security and political stability. Therefore, energy and resources cooperation often becomes the strategic card for the game between major powers, so as to attain important policy targets.

3. Ways of cooperation

The concrete ways of energy and resources cooperation between China and countries along the OBOR can be classified into two categories: physical project cooperation and improvement of soft environment. The physical projects include expansion of energy and resources trade, cooperation on exploration and infrastructure construction, cooperation on energy and resources, road transportation, co-building and co-managing oil and gas pipelines, smelting, processing and market cooperation, co-building and co-managing new energy facilities and related cooperation on technology, etc. In recent years, the agreements reached by China and Russia to increase oil supply, the natural gas export agreement reached by China and Turkmenistan, and the construction of cross-

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6 张宏民 [Zhang Hongmin], 《石油市场与石油金融》 [Oil Market and Oil Finance], 北京：中国金融出版社 [Beijing: China Finance Press], 2009, p.32.
border oil and gas pipelines surrounding China, are all typical cases of physical project cooperation. To further implement, deepen and expand the cooperation on energy and resources will substantiate the connotations of the OBOR initiative. The cooperation on soft environment improvement includes facilitating investment and trade, using local currencies for trade, creating new cooperation models, enhancing bilateral relationship, constructing a good environment of international laws and public opinions, etc.

C. Significance of energy and resources cooperation in the construction of OBOR

The OBOR is a comprehensive initiative for regional cooperation between China and its western and southern neighbors. It is also an important measure to consolidate the achievements of China’s neighborhood diplomacy, to coordinate the development of its relationships with various neighbors and to create a more favorable international environment for China’s rejuvenation. Energy and resources are not only the blood for development, but the guarantee for security. Strategic security is the core concern, while energy and resources are just its carrier.

1. Giving long-term impetus to the construction of OBOR

Promoting energy and resources cooperation among the countries within the OBOR region, and strengthening the relationship between China and resource countries as well as transit countries featuring mutual benefit and win-win outcome, can help China realize diversified supply of energy and resources, safer and more convenient transportation, and a reasonable pricing mechanism. This is significant to ensuring China’s energy and resources security, expanding its development space, and supporting the sustainable and healthy growth of its economy. Meanwhile, utilizing China’s advantages which are complementary with other countries and constructing energy and resources infrastructure can not only help resource countries to revitalize their energy industries, but also offer China opportunities to increase its capital and technology value, and provide a wider space for economic growth of related countries. These advantages constitute the long-term impetus to the construction of OBOR.
2. Promoting the emergence of a community of shared destiny

There are many important energy producers in the OBOR region. These countries are in urgent need of selling their energy through multiple channels and attracting China’s energy technology and investment, so as to develop themselves and speed up their own infrastructure construction. These countries are highly complementary with China in energy and resources, market, capital and technology; a closer cooperation in this field conforms to the interests of all parties, and is conducive to promoting common development and prosperity of the region. Moreover, energy and resources cooperation is strategic in nature. Closer cooperation in such aspects as traditional energy, new energy, uranium, metals, energy transportation, water conservancy, and power generation has the potential of spilling over to other fields of economy and society, so as to promote “Five Connections” and enhance strategic mutual trust. It helps to achieve China’s strategic objectives in its neighborhood, breaking the containment and safeguarding national security. It can also promote China’s bilateral relations with countries in the region and the emergence of a community of shared destiny.

3. Helping to maintain peace and security in the OBOR region

The interdependence in energy and resources fields and its radiation effects can be the “stabilizer” of the region. Some countries in the region are very weak in economic and social development, and energy and resources cooperation plays a great role in revitalizing economy and developing social undertakings in these countries. It is also positive in maintaining political stability in the region. In addition, some neighboring countries still have doubts over China’s fast development, and energy and resources cooperation has offered a good platform for China to practice its new diplomatic concept of “amity, sincerity, mutual-benefit and inclusiveness” and its foreign policy of “bringing harmony, security and prosperity to neighbors”. China can also exhibit its sincerity in creating a friendly and stable regional environment for common prosperity by conducting energy and resources cooperation, so as to ease the worries of some neighboring countries over China’s fast development, and create a cooperation and development environment favorable to regional peace and stability.
4. Helping to establish a new international order for energy

Currently, China has limited influence and little say in global energy governance. Strengthening cooperation among energy providers, consumers and transit countries can greatly enhance China’s position in the global energy structure. Reaching agreements with countries along the OBOR on fairer energy trade rules and pricing systems, promoting and implementing the principles of “free movement, non-discrimination and non-interference” in energy and resources transportation, so as to form and construct the regional energy cooperation mechanism, can help China have greater say in global energy issues, and promote an international energy order which is fairer, more reasonable, and more effective. In addition, the energy and resources cooperation along the OBOR involves many countries and covers many fields, and it can lay a foundation for a multilateral energy cooperation mechanism in the region. A platform for strategic international cooperation on energy can also be built on its basis. Moreover, strengthening the cooperation among energy providers, consumers and transit countries has great significance in forming a unique map of energy supply and demand between China and its neighboring countries as well as changing the unbalanced international energy structure.

D. The role of diplomacy in energy and resources cooperation along the OBOR

1. Relationship between market and diplomacy

The energy and resources cooperation is an inevitable result of the market demands of China and other countries along the OBOR. The market orientation is the driving force for the cooperation. For example, in the Silk Road Economic Belt, there are important energy producers like Russia, Kazakhstan, Turkmenistan, Azerbaijan and Iran, and major energy consumers like China and India. For energy producers, the production and export of energy is vital to their national economy and a prerequisite for economic and social development. The acquisition and import of energy hold the same position for energy consumers. The global energy layout has changed and the pan-East Asia region is now becoming the main energy consuming area in the world. The economy of East Asia is growing fast and the energy producers in Central Asia hope to board this fast train with their own advantages in energy
and resources. China hopes to strengthen energy cooperation with its neighboring countries on the land, so as to enhance its ability of safeguarding energy security and sustaining economic development.\(^7\) In a larger scope of the OBOR, countries in West Asia, North Africa and East Africa also need to ensure their prosperity through energy and resources production and export. They are complementary with emerging economies in East Asia in resource endowment. Therefore, market is the basic driving force for energy and resources cooperation between these two parties.

Diplomacy is another basic force for energy and resources cooperation along the OBOR. It plays an important role in building favorable international relations and creating a good regional environment. The work in this regard is mainly the diplomatic activities to implement China’s national energy and resources strategy, including working out China’s external strategy and policy on energy and resources, as well as concrete external exchanges. As for the subjects of diplomatic activities, the government (including state leaders and government departments of diplomacy, trade and commerce, energy, etc.) plays the main role, while the enterprises, non-governmental organizations (NGOs) and individuals are also important participants. The energy and resources diplomacy is characterized by a combination of government and enterprises, and a combination of official diplomacy and public diplomacy. As for the objects of diplomatic activities, a wide range of activities are covered, including not only important official visits and cooperation agreements, but also trade, investment, exploration and development, cooperation in technology, and transportation (such as Route Diplomacy); not only bilateral cooperation, but also multilateral cooperation within the frameworks of OPEC, International Energy Agency (IEA), etc.\(^8\) As the oil and gas pipelines are widely laid, the energy diplomacy has also expanded to the construction, operation and security cooperation of cross-border pipelines.

Market and diplomacy are two basic driving forces for energy and resources cooperation. Market raises economic demand for diplomacy, while diplomacy offers political guarantee for market. Both are indispensable. Overall planning is

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7 王海运[Wang Haiyun], 《“丝绸之路经济带”建设与中国能源外交运筹》["Construction of the ‘Silk Road Economic Belt’ and China’s Diplomatic Strategy on Energy"], 《中国石油经济》[China’s Oil Economy], Issue 12, 2013, p.19.

8 As for the concept of energy and resources diplomacy as well as its subjects and objects, the author was enlightened by the following article. 杨来、曾少军、曾凯超 [Yang Lai, Zeng Shaojun & Zeng Kaichao], 《能源外交与中国面临的全球形势》["Energy Diplomacy and the Global Situation Faced by China"], 《中国能源》[Energy of China], Issue 1, 2013, p.20.
needed and neither should be neglected.

2. Deepening international cooperation continuously

There are two aspects in building cooperative international relations for energy and resources cooperation within the framework of OBOR: gaining support from key countries and coordinating the relationship with key international organizations.

Russia, the United States and India are big powers with great influence in the region. They have wide strategic interests in the areas along the OBOR, with close political and economic relations with some countries in the region. The Sino-Russian relationship is of strategic significance to both countries. China’s closer cooperation in energy and resources with countries in Central Asia might affect Russia’s interests. After strengthening its ties with Central Asian countries for years, Russia regards Central Asia as its strategic rear. The United States maintains its vigilance over China’s rising influence in the Asia-Pacific region, and tries its best to contain China. What’s more, the United States has always regarded the Middle East as a key region in its global strategy. It has proposed the “New Silk Road Initiative” and the “Lower Mekong Initiative”. Recent years have witnessed fast economic development of India. The country’s imports of energy and resources from the Middle East and Central Asia have increased year by year. And it is actively exploring energy and resources cooperation with countries in the aforementioned regions. Kazakhstan, Saudi Arabia, Pakistan, Iran and Afghanistan are regional countries with strong influence in the areas along the OBOR. These countries either export energy and resources to China, or provide transit in cross-border transportation corridors, or have great influence over regional security issues.

In the process of pushing forward energy and resources cooperation, it is the task of diplomacy to fully communicate, coordinate and cooperate with relevant countries, maintain a good bilateral relationship, and prevent them from boycotting and disturbing China’s cooperation with other countries in energy and resources fields. To work out a unified and coordinated foreign strategy and policy is an integral part of China’s diplomatic work on energy and resources.

The SCO, the EEU, the China-ASEAN (10+1) mechanism, the South Asian Association for Regional Cooperation (SAARC), the League of Arab States, and
the GCC have much influence in the region. They are the international platforms that the OBOR construction has to rely on. With these mechanisms, regional countries can effectively deal with various kinds of unstable factors, discuss projects to work on together, and create new mechanisms. For example, we can rely on the SCO to deal with unstable factors in Central Asia, and depend upon the China-ASEAN (10+1) mechanism to implement current projects and protect the South China Sea route. As a great deal of fund is needed for the large projects in the OBOR construction, cooperation with the World Bank, the IMF, the ADB and the IDB is especially important. To coordinate the relationship with international mechanisms is also an important function of diplomacy.

3. Creating a good regional environment

The diplomatic work also aims at addressing key regional issues and preventing them from being overheated, and creating a favorable environment of international law and public opinions.

Recent years have witnessed occasional outbreaks, sometimes simultaneously, of regional crises, including active activities of the “Three Evil Forces” of separatism, extremism and terrorism, occasional border conflicts between some Central Asian countries, abnormal change of governments in some countries, cross-border water disputes, and boundary and ocean hot issues, etc. The national and social conditions in some countries along the OBOR are very complicated. Many issues in the region, such as religious, ethnic, economic and geopolitical ones, are interwoven. There can hardly be any way out in a short period. The diplomatic work is without doubt the necessary way of international control over these regional issues so as to prevent them from being overheated.

A good environment of public opinions and international law is indispensable for promoting energy and resources cooperation under the framework of OBOR. It does have something to do with coordinating interests among relevant countries. And some countries along the OBOR have grave misgivings about the rise of China, and a strong feeling of discomfort has been displayed. The major cooperation projects between China and countries along the OBOR, as well as the construction and operation of oil and gas pipelines are mainly contracted between enterprises, not guaranteed by bilateral or multilateral agreements between governments. There
are still many barriers to investment and trade between some countries and China, and it is necessary to overcome these barriers through international law. It is also necessary to integrate official diplomacy, track II diplomacy and public diplomacy. Diplomatic efforts are needed in the following fields: conveying messages to key countries and key media to dissipate doubts and misgivings; deepening bilateral and multilateral relationships with concerned countries; working out international laws on energy and resources cooperation while considering the interests of all parties.
II. Energy and Resources Cooperation Within the Framework of OBOR: Opportunities and Challenges

To build the Silk Road Economic Belt and the 21st Century Maritime Silk Road is an important initiative for China to enhance regional economic cooperation and create a better neighboring environment as it relates to most of China’s neighboring countries. At present, there are both great opportunities and serious challenges for pushing forward energy and resources cooperation within the framework of OBOR.

A. Opportunities for energy and resources cooperation within the framework of OBOR

1. Development and cooperation being the mainstream of the region

At a conference on the diplomatic work on neighboring countries convened in October 2013, President Xi Jinping pointed out,

“China’s neighborhood, full of vigor and vitality, boasts obvious advantages and potentials in development. The region is stable on the whole, and most of the neighboring countries have a friendly and mutually beneficial relationship with China.”

The international situation characterized by peace, cooperation and development provides an important opportunity for promoting energy and resources cooperation in the region covered by the OBOR initiative, which mainly involves China’s neighbors.

Firstly, the mutual political trust between China and the countries along the OBOR is increasingly deepened. China has solved the historical border disputes

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China’s Diplomatic Efforts to Promote Energy and Resources Cooperation Along the “One Belt and One Road”

with Russia, Kazakhstan, Kyrgyzstan and Tajikistan respectively, which lays a solid political foundation for the development of friendly bilateral and multilateral relationships. In 2013, China and Russia signed the Joint Statement on Mutually-Beneficial Cooperation and the Deepening of Comprehensive Strategic Partnership of Coordination, and then in May 2014, the two countries signed the Joint Statement on a New Stage of Comprehensive Strategic Partnership of Coordination, which further raised the bilateral relationship to an unprecedented height. China has established “strategic cooperative relations” with Brunei and “strategic cooperative partnerships” with Turkmenistan, Tajikistan, and Kyrgyzstan. Furthermore, China has raised its relations with Indonesia and Malaysia to “comprehensive strategic partnerships”.

Secondly, most of the countries along the OBOR take economic development as their top priority and are willing to seek common development and prosperity through cooperation. Therefore, the process of regional cooperation has accelerated amid economic globalization. In recent years, China has increasingly close cooperation with those countries in trade, energy, culture, environmental protection and non-traditional security areas.

Thirdly, the hot issues in the region are manageable in general, and the regional security situation is getting stable. The territorial disputes in East China Sea and South China Sea have been effectively managed and kept within control, with no new hot issues breaking out. China and India have enhanced their crisis management capabilities with regard to territorial disputes by signing the Border Defense Cooperation Agreement. New opportunities have emerged for the negotiation over Iran’s nuclear program and initial progress has been achieved. In recent years, although there have been some disputes between China and some of its neighboring countries, in light of their future development, none of China’s neighbors intend to turn China into an enemy.

Finally, preliminary progress has been made in regional integration among countries along the OBOR. By disregarding disturbances and adhering to the path of “strength through unity”, Southeast Asian countries have actively promoted cooperation based on a number of “10+N” platforms. Substantial achievements have been made in the construction of EEU. The SCO is also making active efforts in order to make more achievements in regional cooperation.
2. China’s increasing influence

First of all, China’s trade relations with countries along the OBOR are becoming increasingly close. China’s economy has maintained strong growth in recent years, injecting great impetus and making increasing contribution to regional economy, which has sent positive signals to its neighboring countries. With its imports amounting to $2,000 billion, China has become the largest trading partner of more than 120 countries/regions and has created a large number of jobs and investment opportunities for its trading partners around the world. In 2013, China’s bilateral trade volume with ASEAN countries reached $443.61 billion and its bilateral trade volume with five Central Asian countries reached $50.28 billion, with an increase of 10.9% and 9.4% respectively. With the deepening of good-neighborly relationship and mutual trust as well as practical cooperation between China and countries along the OBOR, an increasing number of neighboring countries hope to share the opportunities brought by China’s development. Those countries still have fairly high expectations on their cooperation with China. In contrast with the slow economic recovery of Europe and the United States, China’s increasing investment capacity, together with its technology and rich experience in the manufacturing and infrastructure sectors, has generated the enthusiasm of relevant countries.

Furthermore, countries along the OBOR are complementary with China in economic and social development and are more willing to conduct energy cooperation with China than before. The complementarity in resources, market, capital and technology provides enormous space for the development of economic cooperation between China and those countries. As Central Asian countries are facing the tough task of promoting development and economic restructuring, they are in urgent need of expanding exports and attracting investment. Kazakhstan is implementing strategies for industrial and innovative development and has started to shift the focus of investment and cooperation to non-resource sectors. Other Central Asian countries all give top priority to the development of transportation, the processing of mineral and farm products, light industry and services in their economic development strategies. There is great potential for the cooperation


between South Asian countries and China with regard to infrastructure and technology - the construction of China-Pakistan Economic Corridor (CPEC) and Bangladesh-China-India-Myanmar Economic Corridor, which are expected by countries in the region, will facilitate regional economic integration and enhance interconnectivity between these countries.

In addition, the changed international energy situation has enhanced the status of the Chinese market. As the United States accelerated its pace of energy independence, its reliance on oil and gas producing areas such as the Middle East and Central Asia has lessened. U.S. oil imports from trading partners in the Middle East have declined by 16% since 2008.\textsuperscript{12} Meanwhile, emerging economies like China and India have become the sources of global energy consumption growth and the most important strategic buyers of the oil in the Middle East and Central Asia.\textsuperscript{13} Against such a backdrop, the oil producing countries in the Middle East and Central Asia have a strong inclination to open up upstream industries in oil and gas sectors to China so as to promote economic cooperation with the latter via energy cooperation and their own economic restructuring. And China, by moderately opening up its downstream industries and market in the energy sector, is more attractive to resource-rich countries along the OBOR. The crisis in Ukraine at the beginning of 2014 prompted the United States and Europe to consider sanctions on Russia’s energy sector and reduce energy imports from Russia. As a result, Russia will attach greater importance to the market in the Far East and deepen its energy cooperation with China.

\textbf{3. Solid foundation for deepening energy and resources cooperation within the framework of OBOR}

To begin with, there has been a great deal of economic cooperation guaranteed by various mechanisms between China and countries along the OBOR. The establishment of China-ASEAN Free Trade Area (CAFTA) marked an unprecedented height in regional economic cooperation. At the 16th China-ASEAN Summit held in October 2013, Chinese Premier Li Keqiang put forward a two-point political consensus and a seven-point proposal on the framework of China-ASEAN cooperation (the so-called “2+7 cooperation framework”). With regard to


economy, Li proposed to start negotiations on an upgraded version of the CAFTA, expedite the development of infrastructural connectivity, and step up regional financial cooperation and risk prevention.\textsuperscript{14} China’s proposal was well received by ASEAN countries. In recent years, economic cooperation under the framework of SCO has continuously deepened. Positive progress has been made in 2013 with regard to negotiations over Regional Comprehensive Economic Partnership (RCEP) agreement and China-Japan-South Korea Free Trade Zone. Meanwhile, China and its neighboring countries actively participate in multilateral cooperation mechanisms such as APEC, G20, and BRICS. By pushing forward and deepening regional energy and resources cooperation, the existing international mechanisms will be further enriched and consolidated.

Secondly, countries along the OBOR have a high level of recognition of China and there is a good international political discourse environment in the region. The Chinese government has always attached great importance to the friendly relationship with all countries in the region in the process of China’s peaceful development. In its neighborhood diplomacy, China is committed to building good neighborly relationships and partnerships and implementing the policy of creating an amicable, secure and prosperous neighborhood. Recently, it has proposed such new ideas as the right concept of morality and benefits, and “amity, sincerity, mutual benefit and inclusiveness”, aiming at working together with neighboring countries to jointly create a regional environment characterized by equality, mutual benefit, inclusiveness, mutual learning and win-win cooperation.\textsuperscript{15} China’s diplomacy has increasingly displayed the image of a self-confident, open and responsible power. Its practical and effective good-neighborly policy and new concepts such as the building of a harmonious neighborhood and a harmonious world have been understood and accepted by an increasing number of countries.

Finally, China’s energy and resources cooperation with some countries along the OBOR has resulted in abundant achievements. In 2013, China-Russia energy cooperation reached a new height with both sides working together to build a


\textsuperscript{15} 杨洁篪,《在纷繁复杂的国际形势中开创中国外交新局面》["Opening up New Dimensions in China’s Diplomacy Amid the Complex International Situation"], 《国际问题研究》[International Studies], Issue 1, 2014, pp.2-4.
sound energy strategic cooperative relationship. The two sides reached a number of agreements on issues such as the long-term supply of crude oil, cooperation on Tianjin oil refinery, increased supply of crude oil, Russian gas supplies to China via the eastern and western routes, China National Petroleum Corporation’s purchase of the stakes of Novatek’s Yamal liquefied natural gas (LNG) project, and nuclear fuel. After more than ten years’ negotiation, China and Russia finally signed a memorandum of understanding on Russian gas supplies to China along the eastern route and a purchase and sales contract on gas supply via the eastern route in May 2014, and they intend to work together to establish a comprehensive energy cooperation partnership. China’s oil and gas trade with Central Asian countries such as Turkmenistan and Kazakhstan continues to increase on a yearly basis. Four oil and gas pipelines (A, B, C, D) from Central Asia to China have started construction or have been initially completed. In 2013, the China-Myanmar oil and gas pipelines were completed, marking significant progress in bilateral energy cooperation. China’s energy trade with the Middle East has also maintained steady growth. The current energy and resources trade and cooperation between China and countries along the OBOR provide a solid foundation for further promoting their common interests.

**B. Challenges for energy and resources cooperation within the framework of OBOR**

The OBOR strategic plan will afford unprecedented opportunities to countries along the lines, while rapid changes of the situation in neighboring areas will also create obstacles and uncertainties in implementing the plan.

**1. Negative impacts of the game playing among major world powers**

With the implementation of its “rebalancing” policy, the U.S. global strategy pivots towards the Asia-Pacific region, counterbalancing China’s influence in security affairs. Suspicion and bias against a rising China is still there in the United

16 《中华人民共和国与俄罗斯联邦关于合作共赢、深化全面战略协作伙伴关系的联合声明》[Joint State-

States, where government officials and scholars alike generally ascribe the root of instability in East Asia to the rapid development of China’s military strength and the increasing assertiveness of its foreign policy. “China publicly states that its rise is ‘peaceful’ and that it harbors no ‘hegemonic’ designs or aspirations for territorial expansion,” wrote the Military and Security Developments Involving the People’s Republic of China 2013 released by the Office of the U.S. Secretary of Defense, “However, China’s lack of transparency surrounding these growing capabilities has increased concerns in the region about China’s intentions.”18 Some American scholars have suggested the United States should strengthen U.S.-Japan alliance in terms of military deployment, defense technologies, and energy as a means of counterbalancing China.19 In the name of “rebalancing towards the Asia-Pacific”, the United States has increased its military presence and strengthened its military alliances in the region. The American involvements in East Asian security affairs have, to a certain extent, given rise to increasing provocations by a few countries in territorial disputes with China, and undermined the political atmosphere of boosting regional energy and resources cooperation.

The Asia-Pacific cooperation programs dominated and promoted by the United States compete with the mechanisms China has established for cooperation with its neighboring countries, and counterbalance China’s aspirations in economic affairs. In 2013, the United States encouraged Japan to accelerate the Trans-Pacific Partnership (TTP) agreement negotiation process, increased efforts to promote the U.S.-ASEAN Expanded Economic Engagement (E3) initiative, and expanded cooperation with East Asian economies. In Central Asia, the United States initiated the New Silk Road program, and has thereby intensively engaged itself in regional affairs. On other fronts, there are also efforts to contain China by the United States, who claims that China-led collaborative projects in Southeast Asia, South Asia, and Central Asia are detrimental to environmental and heritage protection endeavors. This poses obstacles to the implementation of these projects.

Deepening energy and resources cooperation between China and Central Asian countries has aroused Russia’s concern that the Russian-led Eurasian economic integration process will be obstructed. Russia deems Central Asia as its important

strategic rear, and the promotion of economic integration with Central Asian countries is an important consideration in Russia’s foreign policy.

“A top priority in Russian foreign policy is to further consolidate the Confederation of Independent States (CIS); Russia is committed to strengthening the integration process in the CIS region. The priority task is to establish the Eurasian Economic Union (EEU).”

Significant progress was made in the Russia-led EEU in the year of 2013, when Kyrgyzstan and Tajikistan applied to join the Customs Union originated by Russia, Belarus and Kazakhstan, with Armenia officially joining it. On January 1, 2015, the EEU was formally launched.

Deepening development in energy and resources cooperation and continued achievements in interconnectivity between China and Central Asian countries have, to a certain degree, caused misgivings on the part of Russia. A case in point is the “China-Kyrgyzstan-Uzbekistan railroad”, which will use rails with different specifications with the Russian standard. Russia fears that this divergence will distance Central Asian countries from it. Similarly, Russia is somewhat upset by the agreements reached by China and Central Asian countries on bulk trade of energy and resources, the expansion of cooperation areas in upstream and downstream industries of the energy sector, and the enhancement of interconnectivity. To advance the energy and resources cooperation within the framework of OBOR in a manner that benefits both China and Russia and helps strengthen the EEU without lapsing into vicious competition, remains a challenge in China’s energy and resources diplomacy.

The rising status of China in the region also sends little gusts of distrust to India, who finds itself in competition with China in international trade of energy and resources. India sets much store by its influence in South Asia, and strives for the development of bilateral and multilateral relations with Central and Southeast Asian countries. Recent years have witnessed India’s continued efforts in strengthening bilateral relations with Indonesia, Myanmar and Japan, and consolidating cooperation with ASEAN. India has also endeavored to increase energy trade volume as well as to deepen cooperation in upstream and downstream energy industries with Kazakhstan and other Central Asian countries.

20 A. Sangriyev, “Putin met Singh in Moscow”, Russian Gazette, October 21, 2013.
It is in line with international political and economic practices that India, as a major developing country, makes efforts to enhance its ties with countries in the “Indo-Pacific” region in terms of energy and resources cooperation. But this inevitably brings India into competition with China. An article published in Hindustan Times in July 2013 questioned the cooperation between China and Kazakhstan, claiming that China-Kazakhstan oil field project at Kashagan was tantamount to robbing India of its contract. Thus it requires good energy and resources diplomacy of China to avoid zero- or even negative-sum competition with India.

2. Negative impacts of boundary and water disputes

Areas covered by the OBOR initiative embrace large expanses of land and sea with unsettled land and maritime boundary disputes.

In the first place, complex disputes over maritime rights exist between China and some countries along the OBOR, which are further complicated by extra-regional powers and international politics. In recent years, the Philippines has used both forcible and soft tactics on issues relating to Huangyan Island (or Panatag Shoal called by Filipino) and Ren’ai Reef, and even submitted them for international arbitration. On March 9, 2014, a Philippine fishing boat carrying soldiers and supplies forced a breach into the ring of Chinese maritime police vessels, and conducted staff rotation and food and fresh water replenishment on Ren’ai Reef. The Manila authorities purposefully invited a number of domestic and Western journalists to “inspect” the operation in an apparent attempt to tarnish the image of China. While Manila keeps its provocative posture, extra-regional powers like the United States and Japan have showed a deliberate bias in its favor, leading to increased political and military pressure on China over the South China Sea issue, which has threatened regional stability.

Secondly, some border disputes among countries along the OBOR have yet to be resolved. Over the pending issue of bilateral boundary demarcation, both China and India have exercised restraint and kept calm, but occasional frictions still occur over some specific matters. In April 2013, the west section of Sino-Indian border saw a “tent confrontation”, which attracted much media attention and triggered extensive discussions in both countries. Volatile border disputes among Southeast

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"India loses Kashagan Oil Field to China", Hindustan Times, July 2, 2013.
and Central Asian countries also contribute to regional instability.

Another area of problem is disagreements over distribution of water resource. Water disputes exist between China and Kazakhstan. Located in the hinterland of the Eurasian continent, Kazakhstan suffers from frequent droughts and extreme water shortage, and relies heavily on trans-boundary river water. A total of 23 rivers flow across the border between China and Kazakhstan, the two largest ones being Ili and Irtysh, with Kazakhstan in their middle and lower reaches and China in the upper reaches. Kazakhstan shows strong concern over water consumption from these two rivers, and fears that China’s construction of dams, reservoirs and diversion works might act against its own water interests. Improper handling of Sino-Kazakhstan water issues will hamper not only bilateral relations but also overall energy and resources cooperation in the region. In addition, protracted water disputes among South and Central Asian countries involve risks of eruptive conflicts.

3. Risk factors for regional instability and security concerns

As the areas covered by the OBOR initiative, Southeast Asia, South Asia, Central Asia and West Asia are all located along the Eurasian “arc of instability”, featuring complex social conditions and public sentiment, and manifold contentions and discords, with some hot spots likely to break out at any time.

Central Asia and South Asia, to begin with, have seen the withdrawal of U.S. and NATO troops from Afghanistan at the end of 2014, and there are increasingly restive terrorist forces in the region. Complex game playing by extra-regional powers over the prospects of Afghanistan will further complicate its domestic situation and thus increasing the likelihood of conflict spillover. Continued incidents of violence in the border areas between Afghanistan and Pakistan affect regional stability and economic cooperation. Such ethnic separatist forces as “East Turkistan” and “Tibetan separatists” operating inside and outside China conspire together through a combination of political subversion and violence in an attempt to separate Xinjiang and Tibet from China. These intrigues exert negative impact on China’s border security and stability. Cross-border oil and gas facilities and personnel between China, Myanmar, and Central Asian countries all face challenges, and this will also have impacts on China’s overall economic and social stability.
Secondly, the handover of political power in some countries still lacks continuity and predictability, which, combined with complicated domestic ethnic, religious and political wrangling, gives rise to higher likelihood of instability. With sensitive transitional period coming soon in Kazakhstan and Uzbekistan arising from handover of political power, the disagreements between their opposing political forces continue to ferment, with a tendency to bring about a new geopolitical picture in Central Asia. Capricious changes are still a norm in the political affairs in Thailand and Myanmar. Lingering confrontation between armed ethnic forces and government forces in northern Myanmar poses risks to China-Myanmar oil and gas pipelines. Changes in the political situation in relevant countries exert negative influence on China’s efforts there to push for energy and resources cooperation and carry out the construction of large projects.
III. Winning Support From Key Countries

Russia, the United States, and India are countries of great influence in the areas along the OBOR, with broad interests in these areas. Although in the age of globalization, the energy and resources cooperation within the framework of OBOR advocated by China can bring lots of benefits to these countries, it will also cause competition, and even contradictions between China and them. This is an objective, to some extent regular phenomenon in international politics and economy. Therefore, to seek support from these key countries for OBOR energy and resources cooperation, China should actively promote cooperation, manage and control competition and contradictions, and advocate healthy competition while restricting vicious ones, so as to expand common interests with these countries.

A. Intensifying China-Russia strategic cooperation in energy and resources

1. Striving to promote China-Russia energy cooperation

Russia generally holds positive attitudes towards China’s efforts in building the OBOR and the energy and resources cooperation within its framework. China-Russia energy cooperation is even of strategic significance for both sides. At present, the level of China-Russia energy cooperation is continuously rising, the great potential and complementarity of the bilateral energy cooperation are being gradually unlocked, and benefits are brought to both sides. In the future, the bilateral cooperation in energy could be intensified in the following ways:

First, the two sides should fully implement current agreements, and continue to expand trade scale. In May 2014, China and Russia signed a 30-year deal for delivering gas through the East Route pipelines after over a decade of negotiations. The contract will provide 38 billion cubic meters of gas each year, which marked a great leap forward in the bilateral energy trade. In order to achieve the goal of supplying gas from 2018 through the East Route pipelines and gradually increasing
its volume afterwards, issues such as pipeline construction and related financing and technology should be addressed as soon as possible. At the same time, there is still huge space for further developing China-Russia energy trade. The two countries should give full play to the energy dialogue under the regular meeting between the two countries’ heads of government, so as to push forward the Chinese and Russian companies to expand oil and gas trade, increase the supply through the East Route pipelines and deepening interdependence between the two countries.

Second, efforts should be made to promote the development of energy connectivity. Currently, the pipelines between China and Russia have relatively limited capacity for transporting oil and gas, and could hardly meet the demands of the bilateral energy cooperation. At the same time, the maritime transport capacities of the two countries have not been fully developed yet. Promoting the development of energy and resources infrastructure is an integral part of advancing OBOR energy and resources cooperation. China and Russia should expedite the construction of the West Route pipelines, start building the East Route gas pipelines as soon as possible, and make efforts to reach agreements on the construction of new pipelines, so as to dramatically enhance their energy and resources transport capacity. To reduce the pressure on safeguarding transport security of pipelines, China and Russia should diversify their energy transport means by conducting investigation and surveys on the development of maritime transport routes for oil and gas between the two countries.

Third, the two countries should carry out in-depth cooperation on energy technologies. They have broad space for cooperation in such aspects as exploration and development of unconventional oil and gas, development and application of new energy technologies and environmental protection. China is making constant technological progress in extracting shale oil and gas, and has solid capital advantage, while Russia has tremendous shale oil and gas reserve, with an evident advantage in the output-to-reserve ratio. The two countries’ cooperation in related fields, complemented by trade expansion and the construction of transport facilities, will greatly enhance the level of the bilateral energy and resources cooperation. There is also broad space for cooperation in the application of new energy technologies. For example, Russia has planned to upgrade its public transport system and replace oil with gas, and it has lowered the tax for gas and eliminated tariffs for the imports of electric automobiles, while China possesses relatively
mature new-energy-vehicle technologies and investment capability. At present, deals have been gradually reached between the enterprises producing new-energy vehicles in the two countries, and Russia has provided favorable tax and land policies for such cooperation. China-Russia cooperation in the fields of new-energy technology and its application, environmental protection and energy-saving will offer good examples for other gas-rich countries along the OBOR to follow.

2. Properly handling the relationship between the interests of China and Russia

First, the policies of China and Russia toward Central Asia should be coordinated. Russia has a series of important strategic interests in Central Asia, and it has obvious “backyard mentality” toward the region. In 2013, Russia made important achievements in promoting Eurasian economic integration and cementing the Customs Union. It strives to establish the EEU by 2015. For Russia, against the background of the Ukraine crisis and sanctions imposed by the West, it is especially imperative to put the Customs Union into effect. Russia is in urgent need of winning real political support from China in relevant fields. At the same time, economic and strategic cooperation with Central Asian countries is of strategic significance for safeguarding China’s energy security and the stability in its west region. Russian scholar Sergey Luzyanin reckons that China is trying to redesign the economic layout in Eurasia through the construction of the “Silk Road Economic Belt”, and that currently the relevant plans of China and Russia are being implemented in parallel, which could possibly be integrated, with China as the dominator. But, he adds, the possibility of competition and conflict between China and Russia could not be excluded. 23

China and Russia should actively coordinate their policies within the framework of bilateral relations and jointly conduct cooperation with Central Asian countries. The two nations should also cooperate within the framework of SCO so as to safeguard the stability in Central Asia. China should implement the principles of openness and win-win cooperation established for the construction of OBOR and make efforts to dissipate the misgivings of Russia and Central Asian countries over its “economic expansion”. To be specific, China should

cooperate with Russia in helping Central Asian countries build the infrastructure in transportation, water conservancy and electricity generation and transmission. And China should encourage the Chinese, Russian and Central Asian enterprises to conduct cooperation on major energy and resources projects in Central Asia, so as to achieve mutual benefit and win-win outcomes.

Secondly, China and Russia should coordinate their cooperation in upstream and downstream industries of the energy and resources sector. The energy and resources sector involve exploration and production in the upper reaches, transport in the middle reaches, and high value-added industries such as refining and marketing in the lower reaches. Energy trade is still at a relatively primary level in international energy cooperation. The cooperation between China and Russia in Tianjin oil refinery and Yamal LNG project kicked off the bilateral cooperation in energy industries. By opening certain downstream industries to Russia, China actually leaves Russia more space in high value-added industries, thereby binding the interests of the two countries together. This can be seen as an embodiment of “the right concept of morality and benefits” and the concept of “amity, sincerity, mutual benefit and inclusiveness”. For China, the cooperation in upstream energy industries is very conducive to obtaining long-term and stable supply of energy at reasonable prices. Therefore, deepening cooperation in upstream and downstream industries will dramatically enhance the level of China-Russia energy cooperation.

Thirdly, China and Russia should coordinate their energy pricing policy. As the current main pricing method of international natural gas trade, negotiation of long-term contracts will probably be replaced by market pricing mechanism as an irresistible trend. As a major producer and a major consumer of natural gas in the world, Russia and China should take the initiative to explore the market-based pricing mechanism of natural gas, and that will lay a foundation for the two countries to have a say in the formulation of future global natural gas pricing mechanism. Against the backdrop of major Western countries’ monopoly over oil pricing and the continuous growth of U.S. natural gas exports, it is imperative for China and Russia to jointly promote the establishment of market-based natural gas pricing mechanism with the view to enhancing emerging economies’ position in global energy governance. It should be noted that the exports and prices of oil and gas affect Russia’s fiscal balance and economic and social stability, and Russia’s
stability is of great significance to China. Therefore, to adopt mutually beneficial and win-win policies in oil and gas price negotiations with Russia is in China’s long-term interests.

**B. Strengthening healthy communication and cooperation between China and the United States**

1. Competition and Cooperation between China and the United States

There is competition or even conflicts between China and the United States in many fields such as politics, economy, trade, security and culture. Some are even of a structural nature. In the OBOR energy and resources cooperation, competition exists between China and the United States over economic and political influence in Northeast Asia, Central Asia and the Middle East.

The Middle East, the Gulf region and other world major energy and resources producing areas, have always been important strategic zones for the United States to preserve order in world energy markets and to address major emergencies. Energy and resources represented by oil have the characteristics of bulk commodities, finance, and geopolitics, and are closely linked with U.S. dollar hegemony.24 Therefore, for the United States, safeguarding its leadership in major energy and resources producing areas like the Middle East and Central Asia serves as the major pillar for maintaining both its energy and resources import security and its global hegemony.25 With the decline of U.S. energy imports, energy and resources-producing countries attach greater importance to their relationship with China. And China’s promotion of the OBOR energy and resources cooperation will enhance its influence in those areas with expanded trade scale, infrastructure building and the establishment of cooperative mechanisms on energy and resources. The fact that the U.S. influence decreases with the increase of China’s impact in the aforementioned areas poses challenges to U.S. dominance and could lead to countermeasures from the United States.

At the same time, great potential for cooperation exists between China and


the United States in energy and resources fields. In Southeast Asia, China and the United States have cooperated well in such aspects as the energy and resources connectivity in the Greater Mekong Subregion (GMS) and energy policy. In Central Asia, the two countries have common interests in areas like regional security affairs and pipeline security maintenance. In the Middle East, there is great potential for China-US cooperation in ensuring energy supply stability, security of transportation, reasonable price and infrastructure building. In spite of some contradictions between China and the United States in energy and resources fields in the OBOR area, the aforementioned functional cooperation could still be carried out smoothly. Through cooperation, China and the United States could expand common interests, increase consensus, and reduce U.S. resistance and disruption of China’s promotion of OBOR energy and resources cooperation.

2. Boosting China-U.S. cooperation in major projects

The goal of promoting China-U.S. cooperation in major projects of OBOR energy and resources cooperation lies in creating space for realizing mutual interests and win-win results, thereby reducing U.S. doubts and resistance of China’s promotion of related international cooperation to the maximum level.

In Southeast Asia, both China and the United States are important participants of the GMS cooperation mechanism. As the initiator of the GMS cooperation mechanism, the ADB provides capital support for regional energy and resources cooperation programs. Using loans from the ADB, countries in the subregion built a number of electricity generation and transmission facilities, and regional electricity trade has expanded rapidly. For instance, Laos has been importing electricity from Thailand since the late 1990s and Yunnan Province, China since 2009; Vietnam has been importing electricity from Yunnan Province, China since 2004; Yunnan Province, China has been importing electricity from Myanmar since 2008; and Cambodia has been importing electricity from Vietnam, Thailand and Laos since 2008, 2009, and 2010 respectively. China has carried out power network cooperation with many countries through the GMS mechanism. For example, in

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September 2004, the 110 kV transmission line from Hekou, Yunnan Province, China to Lao Cai, Vietnam began to transmit electricity, and by the end of August 2011, China Southern Power Grid (CSG) had altogether delivered 20.9 billion kWh of electricity to Vietnam, and 136 million kWh of electricity to northern Laos. Energy and resources infrastructure building will still play a prominent role in the GMS in the years to come. China and the United States can cooperate in major energy and resources infrastructure projects in Southeast Asia, and the Chinese enterprises, academic institutions, and NGOs should be encouraged to cooperate with their U.S. counterparts.

In the Middle East, the Chinese and American companies have already conducted cooperation in the Iraqi energy sector, but there is still large space for cooperation between the two countries in such areas as investment and finance, technology research and development, exploration, mining, and transportation. At the same time, the United Arab Emirates (UAE) and Saudi Arabia are making efforts to enhance energy efficiency, and develop new energy with a view to diversifying energy supply. The Chinese and American enterprises should carry out three-party cooperation with their counterparts in the Middle East countries, making use of their capital and technological advantages. By increasing renewable energy production in the Middle East, the oil and gas exports of countries in the region could be increased.\(^{28}\) Since the cooperation on Middle East energy supply security is a strategic and sensitive issue, the Chinese and American governments should play a guiding role in launching and implementing related projects.

In South Asia, China and the United States share common interests in promoting economic development, security and stability in Afghanistan. China’s increasing involvement in exploring Afghanistan’s mineral resources contributes to the country’s economic development. China’s investment adds to the income of the Afghanistan government, and helps it to meet the huge cost of domestic security maintenance. The United States and the NATO also hope that China could continue increasing economic assistance to Afghanistan. On such basis, China-U.S. cooperation could be promoted in the fields of Afghanistan’s energy and resources infrastructure, and major connectivity projects. The profits could be shared according to commercial and economic rules.

\(^{28}\) 贾秀东，王友明，王洪一，苏晓晖 [Jia Xiudong, Wang Youming, Wang Hongyi & Su Xiaohui], 《中美合作共赢潜力探讨——两国在东南亚、南亚、中东、非洲和拉美地区的合作》 [“The Potential for a Win-win Cooperative Relationship Between China and the U.S. in Southeast Asia, South Asia, the Middle East, Africa and Latin America”].
Central Asia is at the center of the Eurasian continent, which serves as the converging point of the Chinese, Russian and American strategic interests. There are intricate geopolitical, national, and religious situations, and the regional energy and resources cooperation has wide-ranging implications. However, China-U.S. cooperation could still make a difference in the exploration and exploitation projects of energy and resources in the region.

3. Maintaining effective communication between China and the United States on hotspot issues

The energy and resources cooperation within the framework of OBOR will touch upon some regional hotspot issues in the Middle East and Central Asia. In China’s promotion of regional energy and resources cooperation, several bilateral and multilateral energy mechanisms will be set up, which may have a new impact on global energy governance. The United States is very sensitive to the changes of geopolitical and economic situations in relevant regions as well as to the distribution of the power of discourse on global energy governance. Therefore, it is imperative to strengthen China-U.S. dialogue and communication on relevant topics.

In the 5th round of China-U.S. Strategic and Economic Dialogue (S&ED) held in June 2013, the two countries decided to strengthen dialogue and communication on energy and resources issues. As the Outcomes of the Strategic Track of the 5th Round of China-U.S. S&ED says,

“Both sides recognized our shared goal of working to strengthen global energy security. The United States and China commit to continuing to discuss Chinese concerns about energy security and energy demand. The United States and China pledged to strengthen cooperation and increase dialogue and exchange of information in several areas including stabilizing international energy markets, emergency responses, ensuring diversified energy supply, and a rational and efficient use of energy.”

This reflects the strong will of China and the United States to strengthen energy dialogue on a global scale. Within the framework of S&ED, China and the United States could work out new communication mechanisms directed at

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solving problems encountered in OBOR energy and resources cooperation, and conduct dialogue on the situation of Eurasian energy cooperation and global energy governance. The two countries should also include into the S&ED major issues relating to both countries in OBOR energy and resources cooperation, and conduct communication in a timely manner on related hot issues on condition that the two countries respect each other’s interests.

C. Enlarging the common interests of China and India in the fields on energy and resources

1. The competition and common interests of China and India in the fields of energy and resources

Both China and India have a large population and relatively poor reserve of oil and gas. They are also major developing countries with fast growing economy and energy demand, which contribute to the bulk of global energy consumption growth. For both countries, expanding cooperation with those countries that produce energy and resources is driven by economic as well as political factors since it relates to the overall situation of national economic and social development.

During the fiscal year 2010-2011, India’s energy consumption was 522 million tons of oil equivalent. It is expected to reach 681 to 738 million tons of oil equivalent by 2016-2017, with dependence on imported oil exceeding 70%. Rapidly growing energy consumption prompts India to seek long-term and stable import sources of oil and safe transport routes. China’s dependence on imported oil is approaching 60%. Therefore, both countries are striving to carry out energy cooperation with the Middle East, Russia, Central Asia and even oil and gas producing countries in Africa, and expand their political and economic influence in those regions. Actually, the competition is very fierce between Chinese and Indian enterprises in many energy and resources-producing countries.

For example, Central Asia is contiguous to both China and India geographically, which makes it inevitable for the two countries to compete in their “oil-seeking” efforts. Central Asian countries are relatively backward economically, and lack diversity in energy export market. Therefore they regard energy as a important policy tool, and try to diversify energy exports in order
to secure economic benefits and strike a balance between major countries.\textsuperscript{30} Considering the non-renewable nature and strategic significance of oil and gas resources, competition between China and India are zero-sum to some extent, and consequently lead further to the competition between the two countries’ enterprises in trade and investment in upstream energy and resources industries in Central Asia. Because the oil and gas importing sources of China and India are largely the same, the two countries are faced with similar problems in energy and resources producing areas. Their enterprises frequently meet each other in exploration, exploitation, and infrastructure projects of energy and resources in the Middle East and Africa. China’s strenuous boost of energy and resources cooperation within the framework of OBOR is bound to face direct rivalry from the Indian government and enterprises.

It has also to be noted that China and India have both competition and space for cooperation in the field of energy and resources in areas along the OBOR. In international relations, the two countries’ competition or conflicts could hardly be eliminated, however it is viable to convert common tasks and challenges into impetus to cooperation and shared interests so as to enhance cooperation as well as manage and control contradictions.

Currently, China and India are faced with many common challenges in the field of energy and resources. The two countries’ energy imports highly hinge on the Middle East and Africa, and both of them have started to import a great deal of energy from the Caspian Sea and Siberia. The maritime routes for transporting energy and resources face non-traditional security threats like piracy and natural disasters. And it is difficult to maintain security of the oil and gas pipelines on the land. Moreover, the energy structure of both China and India is dominated by coal, which lacks diversity, and energy efficiency of both countries is relatively low. The two countries face the common pressure of the “Asia premium” in oil price and the need to reduce greenhouse gas (GHG) emissions. The two countries have not made full use of renewable energy and clean energy till now.\textsuperscript{31} China and India can conduct cooperation in key fields like safeguarding energy supply security and the development and application of energy technologies, and incorporate such cooperation into the OBOR framework, which will be conducive to expanding the

\textsuperscript{30} Shi Ze and Yang Chenxi, “India’s energy worries spark fears of China”, \textit{Global Times}, November 10, 2013.

common interests of the two countries, enhancing India’s self-sufficiency in energy, and mitigating competition between the two countries in energy and resources producing areas. Cooperation, in essence, is to change a country’s own policy to accommodate the interests of other countries, and thus conducting cooperation in key fields of energy and resources between China and India means jointly adopting policies that serve each other’s interests.

2. Promoting security cooperation between China and India in energy and resources supply

Energy and resources supply security involves many aspects, among which the price of purchase and transport are the two most important aspects. As for the price of purchase, China and India are both faced with the challenge of changing political and security situations in energy and resources producing countries. Competition is frequent and intense among major enterprises of China, India and Western countries. As pioneers in major energy and resources areas, Western enterprises control a large number of high-quality oil and gas fields as well as advanced technologies of low cost. They are the rule-makers in energy trade and pricing, and the Chinese and Indian companies have long been in an unfavorable position when competing with them. As a result, the Chinese and Indian companies cannot get contracts with favorable conditions, though in recent years, the rise of Chinese large petrochemical companies, such as China National Petroleum Corporation (CNPC), China Petrochemical Corporation (Sinopec Group) and China National Offshore Oil Corporation (CNOOC), have to some extent weakened the dominance of Western energy giants. Although Chinese companies frequently managed to defeat their Indian counterparts in recent years, fierce competition always lead to higher prices, which are far beyond what is economically reasonable. Such competition could only benefit the seller. Considering that China and India are in a disadvantageous position in oil and gas pricing and the lack of bilateral cooperation, the two countries have to accept the rising global energy price plus the “Asia premium”. Additionally, countries in Central Asia, West Asia and North Africa have relatively fragile domestic and geopolitical situations, their exploration and trade agreements with Chinese and Indian companies are faced with political and security risks.

32 潘艺心 [Pan Yixin], 《对中印能源合作的战略思考》 [“Strategic Thoughts on Sino-Indian Cooperation on Energy Security], 《国际石油经济》 [International Petroleum Economics], Issue 10, 2012, p.44.
At present, the Chinese and Indian enterprises have already kicked off cooperation in exploring and exploiting oil and gas resources in a third country. For example, they jointly executed the Great Nile Projects in Sudan, explored the Yadavaran oil fields in Iran, and worked together to purchase the oil assets of Canadian Petroleum Corporation in Syria. Efforts to promote such cooperation could reduce rivalry between the two countries’ enterprises and contribute to more positive economic results. In addition, since China and India are both important energy importing countries in Asia, if they can actively cooperate on energy pricing in international markets, it would not only enhance their bargaining power and alleviate the “Asia premium” effect, but lay the foundation for the collective bargaining mechanism for Asian oil and gas importers. In the short run, efforts ought to be made to encourage Indian enterprises to participate in China’s Shanghai crude oil futures market, so that a more equitable crude oil pricing mechanism will come into being, and a breakthrough could be achieved in energy cooperation between the two countries.

As for transportation, both maritime and land energy transport routes of China and India are exposed to relatively high risks. The international political situation is complex around the shipping lines in the Indian Ocean and there is frequent activities of the pirates. In the past thirty years, thanks to the U.S.-led international order, Asian countries, including China and India, have obtained a relatively stable energy import market and safe maritime routes. With the decline of U.S. energy imports and the adjustments of its Middle East policy, the United States has begun to ask emerging powers to share responsibilities in maintaining security, and the global energy investment and maritime route security are faced with new challenges. However, it also provides opportunity for China and India to jointly safeguard the security of maritime energy transport routes, and relevant cooperation would greatly alleviate China’s Malacca Dilemma of oil and gas import. As China’s sea power moves from coastal waters to the ocean, relevant cooperation will definitely be on the agenda of the Chinese Government.

At the same time, both countries’ oil and gas pipelines connecting Central Asia encounter many common risks. The China-Central Asia oil pipelines and the India-
Pakistan-Afghanistan-Turkmenistan Natural Gas Pipeline that India wants to build are both potentially threatened by natural disasters, violence, terrorist attacks, and other geopolitical factors. To jointly promote the establishment of international laws and treaties on pipeline security and to properly plan Russia-China-India pipelines are also where the potential for China-India cooperation lies.

3. **Boosting China-India joint involvement in global energy governance**

China and India have little say in global energy governance, and can hardly protect their national energy and resources security by formulating international rules. Today global energy supply and demand has just shown the trend of modularization, and the Asia module with the Middle East and Central Asia as production areas and East Asia and South Asia as consumption areas, is emerging. As important net energy importers, China and India should make joint efforts to promote the establishment of coordination mechanisms among Asian oil and gas importers. Furthermore, the regional oil and gas market in Asia could be established together with the producing countries. China and India should jointly promote the institutionalization of the “ministerial roundtable meeting of major oil suppliers and consumers in Asia”, and set up the Asian energy cooperation mechanism together with major oil-producing countries in Central Asia and West Asia.

From a broader perspective, Asian energy cooperation is very likely to take place before the emergence of regional security cooperation mechanisms, thus becoming an important instrument for promoting regional cooperation in Asia. As major countries with great geostrategic influence, China and India can not only play a prominent role in Asian energy cooperation, but jointly participate in global energy governance and enhance their say based on their important role in Asian energy cooperation.

**D. Planning vertical connection cooperation on the Eurasian continent**

1. **Building vertical connectivity projects across Eurasia**

At present, the “Silk Road Economic Belt” initiated by China focuses more on the
east-west connectivity across the Eurasian continent, and is devoted to the projects going from Xinjiang, China westward to Central Asia, and even to West Asia and Central and Eastern Europe. Related researches have been carefully done and concrete outcomes have been reached. In view of the geopolitical realities on the Eurasian continent, Russia and India’s attitudes and responses to China’s OBOR initiative is critical. The long-term interests of Russia and India could be realized through building north-south (or vertical) connectivity projects on the Eurasian continent, and by that doing both countries’ misgivings and resistance could be dissipated and their positive participation be attracted.

From the perspective of the interests and concerns of Russia and India, Russia is always dedicated to building shortcuts into the Asia-Pacific and the Indian Ocean in order to facilitate the delivery of its energy and resources in Siberia and the Far East to the markets in East Asia, South Asia, and Southeast Asia. Due to the shortage in energy and resources, China and India always hope to have more convenient importing routes for energy and resources from Eastern Russia.

Therefore, based on the converging interests of the three countries, an oil and resources connectivity project could be established centering around Urumqii, and linking Russia on the north and the Indian Ocean on the south. In the short run, it could meet the three countries’ importing and exporting demands of energy and resources, and lay the foundation for China, Russia and India to develop sound relationship, carry out multilateral cooperation, and build the community of shared destiny. In the long run, the vertical connectivity projects across the Eurasian continent could be connected to the India-Pakistan-Afghanistan-Turkmenistan natural gas pipeline, which has been long expected by India, so that a vertical pipeline network system on the Eurasian continent would come into being. And the network could expand westward and be joined with major pipelines in the Baltic Sea region and Europe. Furthermore, it could be linked with pipelines in West Asian countries like Iran and Turkey in the southwest direction. This would bring about geopolitical changes and economic restructuring across the Eurasian continent.

2. Deepening China-Russia-India strategic cooperation

The China-Russia Joint Declaration on a New Stage of Comprehensive Strategic
Partnership of Coordination signed in May 2014 reads,

“The two sides hold that the China-Russia-India cooperation is an important factor in maintaining world and regional security and stability. China and Russia will continue to carry out the trilateral strategic dialogue, with the view of enhancing mutual trust, coordinating common grounds on the current international and regional issues, and promoting practical cooperation for mutual benefit.”

As the core of non-Western emerging economies, China, Russia and India share many common interests in global affairs. Although their international influence is rising, they are all faced with the pressure from the West. Therefore, if the three countries could cooperate closely in the field of energy and resources, their cooperation would have global and strategic significance.

Deepening the trilateral cooperation could start from the current foreign ministers’ meeting, and gradually increase its official level to cover broader fields. During the implementation of the OBOR initiative, China should encourage Russia and India to conduct trilateral cooperation on such issues as vertical connectivity projects on the Eurasian continent and energy and resources trade and transportation.

IV. Coordinating China’s Relations with Countries in the Region and Relevant International Mechanisms

To promote energy and resources cooperation within the framework of OBOR, China need make full use of the existing regional cooperation platforms. The SCO, the EEU, the ASEAN, the South Asian Association for Regional Cooperation (SAARC), the China-Arab States Cooperation Forum (CASCF) and the Gulf Cooperation Council (GCC) are important mechanisms for regional cooperation, covering regions of Central Asia, Southeast Asia, South Asia and the Middle East. To fully incorporate the OBOR energy and resources cooperation into China’s relations with these regional mechanisms can not only deepen China’s relations with these mechanisms, but provide an effective platform for energy and resources cooperation among relevant countries. Meanwhile, to strengthen cooperation with international financial mechanisms, such as the World Bank, the ADB and the IDB, will provide financing support for major infrastructure and connectivity projects in the OBOR energy and resources cooperation.

The support of vital countries in the region such as Pakistan, Afghanistan, Iran, Kazakhstan and Saudi Arabia can serve as a driving force for the OBOR energy and resources cooperation. The cooperation will benefit more regional countries by raising export or transit revenues of resource-rich countries and transit countries, securing market and building infrastructure for energy and resources exploitation. Through development, these countries can also improve people’s livelihood and consolidate social stability. Several major projects can be launched to show China’s sound value of justice and benefit as well as its neighborhood diplomacy featuring amity, sincerity, mutual benefit and inclusiveness. In this way, a demonstration effect can be achieved so that more countries, businesses and media can be attracted to participate in the OBOR energy and resources cooperation.
A. Strengthening cooperation with mechanisms and countries in Central Asia

1. Consolidating China-Kazakhstan and China-Turkmenistan energy and resources cooperation

Turkmenistan is the source of supply of China-Central Asia natural gas pipelines. The China-Turkmenistan bilateral trade in natural gas is projected to reach 65 billion cubic meters annually in the coming years, thus making Turkmenistan one of China’s vital sources of natural gas. The gas from Turkmenistan to China is transported through Pipeline A, B and C, all traversing within the territory of Kazakhstan. The Chinese part of these pipelines is part of China’s West-East Natural Gas Transmission Project, which starts from the Horgos Port in Xinjiang Uygur Autonomous Region, and stretches eastward for over 4,000 kilometers, covering more than 10 provinces in China. The gas transmitted through the three pipelines constitutes part of the overall gas supply to be consumed in China’s northern and eastern areas. Therefore, Turkmenistan and Kazakhstan have become China’s critical source of natural gas imports and transit country respectively. If China’s purchase of natural gas from Central Asia is cut down or stopped because of technical failures, natural disasters, economic issues, non-traditional security or political reasons, it will exert far-reaching negative impact on China’s social and economic stability and development.

China has established a strategic partnership with Turkmenistan, which ushers in a new historic high of bilateral relations. Against the backdrop of changes in global energy supply and demand, flows and trends, and China’s increasingly diverse suppliers of energy and resources, China has become the most important market for oil and natural gas in Central Asia and the interdependence in energy supply and demand between the two sides is beginning to balance. In line with the framework of the bilateral relationship, it is advisable for China and Turkmenistan to sign a long-term contract on natural gas supply, to support China’s oil and natural gas companies in gaining the rights to mine the quality oil and gas resources in Turkmenistan, enlarging investment scale and the volume of equity oil and gas imports from Turkmenistan, and to avoid linking the price of imported gas from

Turkmenistan to that from other countries.

To conduct intergovernmental cooperation and build a special mechanism regarding the gas pipeline operation safety with Kazakhstan should be one of the priorities in promoting bilateral cooperation in energy and resources. What’s more, after the successful completion of China-Central Asia natural gas pipeline D, the overall pipeline network will almost cover all Central Asian countries. Therefore, the experience and relevant laws and regulations on the safe operation of China-Kazakhstan pipeline will have a demonstration effect. Besides, a further expansion of China-Kazakhstan trade in energy and resources has great significance for cementing the existing bilateral cooperation. According to Kazakhstan’s National Bureau of Statistics, China-Kazakhstan trade reached $22.527 billion in 2013, up by 3.94% compared to the previous year, accounting for 17.1% of Kazakhstan’s total trade value. Specifically, Kazakhstan’s exports to China was $14.334 billion, a year-on-year increase of 0.74%, accounting for 17.4% of its total exports, while its imports from China is $8.193 billion, with a yearly increase of 10.04%, constituting 16.8% of its total imports. China is currently Kazakhstan’s second largest trading partner after only Russia (Kazakhstan-Russia total trade was $23.492 billion in 2013). China is also the second largest importing country and the second largest exporting country of Kazakhstan.\(^{37}\) In 2011, crude oil-related products accounted for 52.8% of China’s total imports from Kazakhstan, and other resource products, including copper, uranium and iron, were also among the top ten import items.

Kazakhstan and Turkmenistan are currently facing daunting tasks in economic restructuring. To strengthen cooperation in infrastructure development within the framework of OBOR, China can help Kazakhstan move upward in the industry chain with its capital and technology, while Kazakhstan and Turkmenistan can compensate for China’s upfront investment by exporting their relevant products. Such a cooperative model is good for both sides, and it can substantiate cooperation and reduce the hindrance for the OBOR energy and resources cooperation. At the same time, China should conduct energy and resources cooperation with Uzbekistan and other Central Asian countries in parallel.

2. Enhancing the role of the SCO

The SCO is a relatively developed multilateral institution between China and

its western neighboring countries, which can serve as a carrier for the OBOR energy and resources cooperation. Cooperation mechanisms existing within the SCO in areas of finance, investment, trade and energy can be utilized to conclude intergovernmental agreements on specific projects involving trade in energy and resources, infrastructure, pipeline construction and cooperation in upstream and downstream industries. By doing so, the laws and regulations of different countries on customs, investment, transit and taxation, which are related to energy and resources cooperation, could be coordinated, and a solid foundation could be laid for establishing an international legal framework for multilateral energy and resources cooperation.38 Besides, relevant dispute arbitration and settlement mechanisms can be established through the SCO platform to cope with the challenges posed by the rapidly advancing energy and resources cooperation among SCO member states.

However, it should be noted that the SCO, as an international organization, has its own distinctive rules of procedures and decision-making processes. The experience of the past decade shows that short-term specific bilateral economic projects (aid projects in particular) and cooperation in financial and business sectors are easier to make progress while long-term institutional cooperation promoting economic integration, eliminating trade barriers and facilitating investment is rather difficult to achieve under the SCO framework.39 This is largely due to the complex relations among SCO member states and the rules of procedure in line with “consensus”. Therefore, the OBOR energy and resources cooperation with the SCO as the platform should focus on specific projects and the cooperation among business corporations.

3. Coordinating with the EEU

To maintain regional stability and safeguard the security of its energy and resources import is one of China’s vital interests in Central Asia, which also serves as a precondition for maintaining security and stability in western China and sustaining the country’s economic development and social progress. At present, China has

39 王志远，石岚 [Wang Zhiyuan and Shi Lan], 《上海合作组织经济合作的主要障碍与对策分析》 [“Analysis of Main Obstacle and Strategy in Economic Cooperation in Shanghai Cooperation Organization”], 《新疆师范大学学报（哲学社会科学版）》 [Journal of Xinjiang Normal University (Social Sciences)], Issue 6, 2013, p.44.
surpassed Russia in terms of trade volume and aggregate investment in Central Asia, thus becoming the most important economic and trade partner of Central Asian countries. Russia’s interests in Central Asia include securing its leadership in regional politics and security, establishing close economic ties with countries in the region, controlling energy and transit routes, gaining labor resources and maintaining regional security and stability. Its vigorous efforts to facilitate the establishment of the EEU aim at these policy goals.

From the logical perspective, the goals pursued respectively by China and Russia do not contradict each other. China does not seek dominance in Central Asia and considers itself as a beneficiary of regional security and stability, while Russia’s efforts to promote Eurasian economic integration do not offset the demand of countries in the region to conduct economic cooperation with China, nor do they exceedingly exclude China. What should be taken into consideration by China is how to maintain a pragmatic political and economic relationship with the EEU. Conversely, Russia has often been marginalized in Eastern Europe and Central Asia by the West in recent years. Therefore, gaining support from China for the EEU by advocating the OBOR economic cooperation instead serves Russia’s interests.

At the moment, it is increasingly agreed upon by the academic and political circles in Russia that the EEU and the Silk Road Economic Belt can be developed along with each other. As China-Russia Joint Declaration on a New Stage of Comprehensive Strategic Partnership says,

“Russia thinks that the Silk Road Economic Belt proposed by China is very important and they highly appreciate China’s willingness to consider their interests when formulating and implementing the proposal. Both sides will seek converging points between the Silk Road Economic Belt project and the EEU. To achieve this, both sides should continue to deepen cooperation between the respective governmental departments concerned, including joint projects in carrying out regional traffic and other infrastructure projects.”

40 李新[Li Xin], 《中国与俄罗斯在中亚的经济利益评析》 [“A Review and Analysis of Economic Interests of China and Russia in Central Asia”], 《俄罗斯东欧中亚研究》[Russian, East European & Central Asian Studies], Issue 5, 2012, p. 39.

Specifically, approaches to the OBOR energy and resources cooperation can be diverse and flexible. Not only can bilateral and multilateral cooperation be carried out between China and Central Asian countries, these types of cooperation can also be applied in the possible China-EEU framework. To allay the worry of the Russian side that China’s activities in the region may hinder and weaken the Russia-dominated EEU process, China can initiate cooperation with the EEU by adopting the “ASEAN+N” pattern. In this light, “EEU+1 (China)” or “EEU+2 (China and India)” can be gradually established to facilitate China’s cooperation with the EEU. To combine China’s economic development competence with Russia’s security maintenance capacity can bring stability and prosperity to Central Asian countries, Russia’s Far East and Novosibirsk Oblast.

**B. Promoting participation of South Asian and Southeast Asian countries**

1. **Enhancing China-Pakistan energy and resources cooperation**

China and Pakistan face many common challenges in energy and resources security, such as acute imbalance in energy demand and supply, fierce international competition, an international energy market dominated by developed countries, and continued high price of energy and resources worldwide. Compared with China, Pakistan faces a more daunting energy situation: fragile electricity supply, insufficient oil and gas reserve, the low utilization level of coal and clean energy, weak energy and resources industry and infrastructure, and a rising demand for energy and resources. Therefore, Pakistan is in dire need of developing its energy and resources on a large scale while China, with its relatively developed energy and resources industry and good infrastructure as well as substantial capital, has what it takes to conduct this functional cooperation with Pakistan. In addition, traditional friendship abounds between China and Pakistan with a high level of mutual political trust, thus providing a good foundation for bilateral energy and resources cooperation.

To firmly promote China-Pakistan energy and resources cooperation, priorities should be given to the following aspects. First, the two sides should push forward the construction of China-Pakistan oil and gas pipeline. Consideration should

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42 陈利军 [Chen Lijun], 《中巴能源合作问题探讨》[“Discussion on Sino-Pakistan Energy Cooperation”], 《云南财经大学学报》[Journal of Yunnan University of Finance and Economics], Issue 1, 2012, p. 73.
be given to the Pakistani side regarding the transit fees, taxation and gas supply. Intergovernmental agreements should be established to maintain the pipeline security. Gwadar port in Pakistan is only 400-odd kilometers from the Strait of Hormuz. Therefore, an early completion of the oil and gas pipeline connecting Gwadar to Southwest China can help a lot in bailing out China from its “Malaccan Dilemma”, thus enhancing China’s energy security. Besides, the Baluchistan Province, where the Gwadar port is located, and most of the areas along the pipeline under construction have been experiencing economic difficulties. So accommodating the Pakistani interests in employment and investment can, on the one hand, reduce the pressure and resistance from indigenous forces, and on the other hand, alleviate the nationalist attitude of the extremists and get rid of the factors leading to extremism in Baluchistan Province.

Second, both countries should expand cooperation areas and develop new models of electricity cooperation. China’s advantages in capital, technology as well as abundant exploitation, development and managerial expertise can be fully utilized to make practical achievements in such cooperative areas as hydroelectricity, wind power, nuclear power, coal-generated electricity, photovoltaic power and transmission of electricity. Pakistan is rich in hydroelectric and wind resources but lags behind in the development of energy industry. Many enterprises in the industry are short of capital and technology. The whole country faces a grave shortage of electricity. Meanwhile, China’s energy and resources industries are well developed, and there is a great complementarity between the two countries in the energy and resources sector. Participation of the Chinese companies in Pakistan’s hydroelectricity and wind power development can promote the balance of the electricity supply and demand in Pakistan, and reduces its dependence on the electricity generated from oil and gas, thereby guaranteeing the volume of future oil and gas inflow into the China-Pakistan pipeline. Besides, relevant power generation and transmission business corporations can gain economic benefits in the process.

Third, the two sides should give full play to China-Pakistan Energy Cooperation Working Group and upgrade its level. In January 2014, the Working Group has convened their third meeting and signed the minutes of the third China-Pakistan Energy Cooperation Working Group and the first CPEC Energy Cooperation Working Group meeting. The two sides have reached much consensus

43 Ibid.
in the fields of nuclear power, electricity, coal and renewable energy, and they have agreed to establish an energy planning working group … with emphasis on the planning of coal energy development, the exploration, production, storage and transportation of oil and gas, and the layout of power supply and grid, promoting energy infrastructure construction along the CPEC, enhancing the connectivity of electricity grids, and identifying key projects and maintenance mechanisms.”

As an important mechanism between China and Pakistan, the Energy Cooperation Working Group has made outstanding achievements in coordinating energy cooperation between business corporations and in large projects. By making full use of the mechanism, a path can be paved for bilateral business cooperation.

Finally, in developing CPEC and China-Pakistan Free Trade Area (CPFTA), energy enterprises of both sides should be encouraged to conduct cooperation. The financial cooperation included in the construction of CPEC and CPFTA can also facilitate financing, settlement and currency exchange for energy and resources cooperation.

2. Promoting China-ASEAN “Diamond Decade” energy and resources cooperation

The ways of energy and resources cooperation between China and ASEAN include mainly energy trade and investment, security maintenance of maritime transit routes, energy connectivity and joint development of energy and resources in South China Sea.

Trade and investment are the traditional forms of China-ASEAN cooperation on energy and resources. In Southeast Asia, Vietnam, Indonesia and Malaysia are China’s major sources of imported crude oil whereas Singapore is China’s largest source of refined oil. In recent years, China-ASEAN crude oil trade has witnessed a downward trend because of the quotas imposed by ASEAN member states on oil export. Meanwhile, China has increased its import of natural gas from Indonesia, Malaysia, Thailand and Brunei. ASEAN member states have also become new destinations of China’s new energy products. Besides, China-ASEAN cooperation on oil, gas and hydropower investment has a good foundation. The two sides have
in-depth cooperation in upstream and downstream industries in the energy and resources sector, including exploration, development, refining, marketing, etc.

It is an important way for substantiating China-ASEAN “21st-Century Maritime Silk Road” and creating the “Diamond Decade” to continue expanding trade and to develop new channels of investment and financing. Steady, secure and substantial energy and resources supply from its neighboring areas are indispensable for maintaining China’s energy and resources security. Therefore, active diplomatic measures must be taken to avoid further restrictions imposed by some ASEAN countries on the export of energy and resources and to expand bilateral investment and trade when the ASEAN countries are increasing their oil and gas production vigorously. It is the right way forward for both sides to conduct cooperation in upstream and downstream oil and gas industries, further open the industrial chain, link each other’s economic interests and create a shared destiny. Efforts should also be made to promote sensible investment in biomass, hydropower, photovoltaic and solar thermal energy so as to broaden cooperation channels.

There is another important area where China and ASEAN can cooperate, i.e. to build the “21st-Century Maritime Silk Road”, which includes maintaining the security of energy and resources transport routes on the sea and enhancing connectivity of energy infrastructure. Over the years, piracy activities have been rampant around the Malaccan Strait with lingering threat of violence and terrorism. To address the issue, China and ASEAN should continuously promote various kinds of non-traditional security cooperation and strive to institutionalize them, conduct joint exercise, training and personnel exchanges in the fields of counter-terrorism and anti-piracy, so as to gradually achieve joint security maintenance of the energy and resources transport routes. By tapping such sub-regional cooperation mechanisms as the GMS Economic Cooperation and the Pan-Beibu Gulf Cooperation Framework, China and ASEAN countries can continue to carry forward the development of large-scale projects in highroads, railways and seaports to facilitate the transportation of energy and resources based on the existing oil, gas and electricity transmission facilities.
C. Further intensifying energy and resources cooperation with the mechanisms and countries in the Middle East

The Middle East is China’s most vital source of imported oil and gas. Related Chinese companies have cooperated with their Middle East counterparts in building infrastructure and developing upstream and downstream oil and gas industries. However, a pronounced feature is that, though many investment projects exist, China faces the following difficulties: limited stock ownership and real share of the resources, low proportion of equity oil in the overall imported energy, and daunting geopolitical challenges in investment and supply security.46

1. Consolidating energy and resources cooperation with the Middle East countries

Geographically, the Middle East is where the Silk Road Economic Belt and the 21st-Century Maritime Silk Road meet. It is also China’s most important source of oil and gas imports. At present, there is a small surplus of energy supply than energy demand globally, and the oil and gas production in North America has increased substantially. Therefore, the Asia-Pacific market has been gradually gaining weight in the oil and gas export market of the Middle East and many countries in the region are increasingly “looking east” for export market. China can take this opportunity to increase the proportion of equity oil in its total oil imports, conduct more cooperation in upstream industries, safeguard investment security and strengthen its relationship with countries in the region in the fields of energy technology and labor service.

First, China should try to secure the quality oil and gas assets in the Middle East and increase the share of equity oil in its total oil imports. Chinese oil companies have already conducted investment, exploitation and production in the region, but their number and operation scale are rather limited. Due to political and historical reasons, Chinese oil companies can hardly get the opportunity to invest in major equity oil productions.47 In the changing global energy context, sustained diplomatic efforts should be made on the Chinese side to change the external energy policies of many Middle East countries which feature securing the Chinese

46 吴磊 [Wu Lei], 《中东能源结构性矛盾与中国—中东石油合作》 [“The Structural Contradictions of Energy in the Middle East and China-Middle East Oil Cooperation”], 《阿拉伯世界研究》 [Arab World Studies ], Issue 6, 2012, p.28.
market for energy exports while being reluctant in opening domestic energy industries to Chinese companies. By doing that China can get more oil and gas assets in the newly developed fields or the newly increased capacity of the existing fields in the region. Besides, the fact that the long-term trade contracts signed under the existing intergovernmental frameworks are susceptible to political factors makes it inevitable for China to substantially improve its share of equity oil and gas so as to minimize the adverse impacts on China.

Second, China should participate in the regional affairs of the Middle East to actively maintain regional stability and safeguard the security of its investment and energy imports. The geopolitics in the Middle East features cyclical turbulences, which pose threats to China’s energy security. Meanwhile, the U.S. policies toward the Middle East will become flexible as the country has increased its domestic energy production and reduced its reliance on the region. This changing reality requires China to engage in regional affairs in the Middle East proactively and make some achievements in maintaining regional stability.

Third, China should expand natural gas cooperation with the Middle East countries. In 2013, China’s import of liquefied natural gas (LNG) from the Middle East and Africa reached 12.8 billion cubic meters, accounting for 52.2% of China’s total LNG imports.\textsuperscript{48} The Twelfth Five-Year Plan of Natural Gas Development of China predicts that China’s annual gas imports will reach 93.5 billion cubic meters by 2015 with an import reliance rate of over 40%.\textsuperscript{49} Therefore, China should make full use of its rapidly increasing market for natural gas to actively participate in the development of natural gas and LNG production capacities in the Middle East, and strive to reach long-term cooperation agreement with countries in the region.

2. Upgrading cooperation with the GCC

First, China should try to promote China-GCC cooperation in new energy development and energy infrastructure construction, and increase LNG exports from GCC member states.\textsuperscript{50} The natural gas exports of GCC member states are restricted by their production capacity and their own domestic consumption.

\textsuperscript{48} BP Statistical Review of World Energy, June 2014, p.28
\textsuperscript{50} The GCC has six member states, namely, the United Arab Emirates (UAE), Bahrain, Saudi Arabia, Oman, Qatar and Kuwait. See the Website of the GCC Secretariat General. <http://www.gcc-sg.org/eng/index64c.html?action=GCC>
The overall natural gas reserve of GCC countries accounts for 20% of the world aggregate, but their production capacity constitutes less than 10% of the global output, thus promising a great potential for tapping energy resources. Most of the natural gas produced by GCC countries is consumed through power generation, desalination, petrochemical production and civilian use. Natural gas accounts for over 45% of the total primary energy consumption in GCC member states. The proportion of electricity generated from natural gas takes up 90%, 88%, 75%, 59%, 54% and 47% of all the electricity generated in Qatar, Bahrain, Oman, the UAE, Kuwait and Saudi Arabia respectively, all surpassing the global average rate by a large margin.

From 2007, China has successively imported LNG from Oman, Qatar and the UAE, and signed contracts with Qatar on a long-term basis. Built on this momentum, a continued China-GCC cooperation in new energy as well as energy and resources will, on the one hand, increase the production capacity of natural gas and LNG in GCC countries, while on the other hand, replace natural gas gradually with solar energy through photovoltaic power generation and solar desalination. The GCC countries are rather sufficient in capital and solar resources while China has advantages in traditional energy industry, photovoltaic and solar heating technologies, thus promising future cooperation in the area.

Second, efforts should be made to facilitate China-GCC FTA negotiations. At present, the GCC has launched FTA negotiations with the EU, Japan, India and South Korea. Bahrain and Oman have signed free trade deals with the United States independently. The advantages of establishing China-GCC FTA outweigh its disadvantages. Recent years have witnessed the rising competitiveness of Chinese petrochemical companies in the international market. To promote the establishment of China-GCC FTA so as to acquire an advantageous position in international competition, China can adopt more flexible policies on such controversial issues as opening petrochemical industries to foreign companies.

Third, China should cooperate with the GCC in capital and technology transfer
aspects. Currently, the GCC countries face the economic tasks of upgrading its industries and industrialization. China can render help to them in investment and technology transfer, which would be conducive to strengthening the economic ties between the two sides and laying a solid foundation for bilateral energy and resources cooperation.

**D. Enhancing cooperation with international financial institutions**

Global financial institutions like the World Bank, the ADB, the IDB and the African Development Bank (AfDB) have played outstanding roles in promoting regional cooperation and facilitating financing for large projects. The OBOR energy and resources cooperation naturally involves many basic surveys, infrastructure development and large connectivity projects construction. China should make full use of its rising influence in the World Bank and the ADB to promote their participation and support for the energy and resources cooperation between China and Central Asia and between China and Southeast Asia. One possible approach is to persuade the two banks to set up special projects aimed at promoting regional economic integration and conducting surveys and construction in interconnection. Besides, China should carry out active cooperation with the IDB and the AfDB, which can not only promote regional economic development and provide financial support for the OBOR energy and resources cooperation, but help China and relevant countries and regions to enhance their cooperation level and deepen mutual understanding.
V. Fostering a Favorable International Environment

To foster a favorable international environment for OBOR energy and resources cooperation, China need not only properly handle such regional issues as transnational terrorism, energy transport security, and border and water resource disputes, but actively practice its new concept of neighborhood diplomacy featuring amity, sincerity, mutual benefit and inclusiveness, as well as the right concept of morality and benefits. By that doing, China can build a sound regional legal environment, foster favorable international public opinions, and gain the support for OBOR energy and resources cooperation from the international community.

A. Actively addressing regional issues

1. Combating transnational terrorism and extremism

The non-traditional security threats are quite prominent in Central Asia, due to such factors as rampant terrorism, separatism and extremism, domestic instability of Afghanistan and its possible spillover effects, as well as the return of terrorists to the region and their collusion with local extremists. This may pose threat to the stability of Central Asia and China-Central Asia cooperation, especially to the safe operation of China-Central Asia oil and gas pipelines. We should give full play to the SCO in dealing with terrorism, separatism and extremism to stave off their disruption to pipelines so as to foster a favorable environment for OBOR energy and resources cooperation.

2. Ensuring energy transport security

China imports energy mainly through overland pipelines and maritime transport. Political, economic and legal factors affecting the pipeline transport security mainly involve political upheavals in energy suppliers and transit countries, energy and
foreign policy shifts, domestic and international conflicts, violent terrorist attacks, and vague intergovernmental rules regarding transport security of transnational energy pipelines. Pipelines in Central Asia are exposed to potential terrorist attacks and political upheavals in Central Asian countries. The China-Myanmar Oil and Gas Pipeline is influenced by Myanmar’s ethnic local militants and the country’s foreign policy adjustments. Central Asian, China-Myanmar and China-Russia pipelines go through regions with complicated natural and geographical environment which is prone to natural disasters. China’s maritime energy transport routes are sensitive to geopolitical changes and exposed to non-traditional security threats such as piracy and terrorism.

At present, China can work on the following aspects: Coordinating the political, academic, and industrial communities to conduct research into the risks facing China’s transnational oil and gas pipelines and maritime energy transport routes; establishing a scientific risk assessment indicator system and assessing risks on a regular basis so as to support sound decision-making. A joint mechanism with energy transit countries should be established to ensure the pipeline security, and specific rules should be formulated for the implementation of the principles of free movement, non-discrimination and non-interference. Moreover, China should strengthen maritime non-traditional security cooperation with countries along its energy transport routes on the sea to safeguard the security of its energy transport routes in more active manner.

3. Handling border and water resource disputes properly

There remain unresolved territorial disputes both on land and at sea between China and India as well as between China and Central and Southeast Asian countries. Some disputes involve a large area, high political sensitivity and broad domestic attention, thus leaving little room for compromise. Some major foreign countries take advantage of these territorial disputes to stir up conflicts and cause troubles in order to poison China’s neighboring environment. In May 2014, when China and Southeast Asian countries were working together for the “Diamond Decade”, Vietnam and the Philippines challenged China with maritime disputes almost at the same time, behind which the influence of a certain power was obvious. These constitute barriers to advancing the OBOR energy and resources cooperation.
The OBOR energy and resources cooperation requires a relatively stable neighboring environment. To this end, both economic and security policies should be adopted. To be specific, in energy and resources cooperation, China should pay more attention to the concerns of small and medium neighboring countries, even those in territorial disputes with China. Bilateral ties should be consolidated through economic reciprocity. China should also establish a crisis management mechanism to deal with relevant problems, and prevent emergency incidents from spiraling into hotspot issues. Meanwhile, China should take more decisive, prompt, and tough measures in such fields as economy and security to stop the provocative actions of certain countries in deliberate attempts to disturb regional order.

Disputes over the utilization of water resource exist between China and Southeast and Central Asian countries. China should fully explain its policies and accommodate the legitimate concerns of other countries. For example, the Ili and Irtysh rivers spanning China and Kazakhstan are of great importance to the development of China’s north-west region and are a matter of life and death for Kazakhstan. On the basis of equality and mutual benefit, China should pay more attention to the legitimate concerns of Kazakhstan by setting up a water distribution and compensation mechanism serving as the foundation for resolving disputes over water resource between the two countries. In parallel, China should promote the development of energy and resources connectivity, enhance cooperation between the two countries in terms of the construction of electricity facilities, and sign agreements between enterprises with regard to cross-border power transmission, and power generation fueled by new energy and other fields, which is also helpful in reducing Kazakhstan’s demand for water resource.

Water shortage puts restraint on the economic and social development of Central Asia, while disputes over water resource among some Central Asian countries represent an outstanding problem affecting their relations. Under new circumstances, China may adopt a more proactive approach, focusing on alleviation of water shortage in Central Asia by improving water conservancy and irrigation technologies, strengthening the training of water conservancy technicians, coordinating the distribution of water resource, gradually improving the consumption structure of water resource in the region, and expanding the cultivated

areas of water-saving crops. The purpose of doing so is to continuously enhance water efficiency and adjust the layout of water-intensive industries.

At present, in-depth research and investigation can be conducted into the historical, natural and geological background of related problems. With “Integrated River Basin Development” at the core, China should work with related countries to formulate a working program taking into account such factors as hydro-power, irrigation, flood prevention, environmental protection, sediment, soil, climate, and living organisms. Great efforts should be made to forge new consensus during the process of water resource management. Flexible methods can be adopted with equal emphasis on multilateral and bilateral means to advance related work after considering the interests of all parties. A just and fair water resource management plan is conducive to fostering political trust among various parties, and actively providing public goods in this area is helpful for China to establish a good image in Central Asia and clear the obstacles facing the OBOR energy and resources cooperation.

B. Shaping a favorable legal environment

1. Opposing over-strict treaties and laws on energy and resources trade

Bulk trade of energy and resources is distinctly strategic, thus over-strict treaties, laws, and fiscal, tax, environmental and heritage policies should be avoided with regard to energy and resources export, transit, and big projects construction. This is of strategic importance to ensure China’s security. In recent years, some Southeast Asian countries have imposed increasingly restrictive policies on the export of energy products despite their growing production. It is mainly because of the lack of effective regulation by the international community on the energy export restrictions. Due to the lack of thorough consideration in institutional design or irreconcilable divergence of interests among parties in negotiation, almost all international organizations and treaties have not incorporated energy products into the list of tariff reductions, which leaves room for contracting parties to impose or increase energy export tariffs. Although a lot of treaties prohibit in principle non-tariff restrictions on the export of energy products, the prohibition exists
in name only due to the ubiquitous existence of different exception clauses. Moreover, under the influence of a few major countries outside the region, some neighboring countries of China often impose excessive restrictions in the names of environmental protection, heritage conservation or taxation on energy and resources projects involving China.

The formulation of favorable bilateral and multilateral international treaties and laws concerning energy and resources cooperation and the construction of related big projects are of great significance in pushing forward the OBOR energy and resources cooperation. Therefore, China should vigorously promote the formulation of treaties and laws as well as detailed rules for implementation with regard to the trade, transport, investment and project operation in the energy and resources sector, so as to maintain a relatively loose legal environment for energy and resources cooperation within the frameworks of China + ASEAN and the SCO.

2. Establishing protection mechanisms for cross-border oil and gas pipelines

Cross-border oil and gas pipelines in China’s neighborhood are confronted with many traditional and non-traditional security threats, without protection by intergovernmental treaties. Meanwhile, they are also subject to policy changes of transit countries. Such factors as the adjustment of transit fees and value added tax (VAT) policy not only increase the prices China pays for imported energy, but set a bad example, which may probably affect the order of transnational oil and gas pipeline transports in a negative way. To secure its energy imports, China should strive to place the oil and gas pipelines connecting itself and neighboring countries under the protection of treaties and agreements, thus setting good examples to encourage cooperation from other (potential) transit countries. At present, we may start with the emergency response measures regarding natural disasters and technical problems by reaching agreements on less tricky issues, such as entry visas of related emergency technicians and the entry of equipment, laying the foundation for the establishment of multilateral agreements on oil and gas pipeline security.

3. Participating in regional and global energy mechanisms

China has long been in a weak position in global energy governance and has little

say in the formulation of global and regional energy treaties. Enhancing China’s position in the international energy landscape may start with more participation in regional energy affairs.

As a large energy importer in Asia, China has to pay for the “Asia premium” and be faced with the security threats to its oil and gas import sources as well as the transport, just like other importing countries in the region. Therefore, besides treaties and laws regarding pipelines, China shares common interests with other energy importers in Asia in such aspects as enhancing the bargaining power over oil and gas prices and pushing for a more open market for oil and gas trade. With increasing importance of Asian energy consumption market in the global energy landscape, energy importing countries in Asia should cooperate with one another so that their bargaining power can be enhanced and a more reasonable bargaining mechanism can be established.

China should take advantage of the OBOR energy and resources cooperation to promote the emergence of a unique section of energy supply and demand, which consists of China and its neighboring countries, so as to ensure China’s favor in oil and gas flow and volume, and to create a multilateral energy cooperation mechanism for the region and formulate relevant international treaties and laws. By that doing both the market security of energy exporters and the import security of energy consumers could be taken into consideration, which might lead to mutual benefit and win-win outcomes.

C. Winning support from international public opinions

1. The challenge of public opinions faced by the OBOR energy and resources cooperation

China’s rapid economic growth has aroused doubts and misgivings of some neighboring countries, which does not come quite unexpectedly as it conforms to the general pattern of international politics. Normally, these doubts and misgivings can be cleared or reduced through effective official and people-to-people exchanges.

In recent years, however, some political forces have kept playing up the “China Threat Theory” and “China Economic Threat Theory”, claiming that China’s
surging economy poses threat to industries, market, monetary and financial sectors of China’s neighbors and to the economic interests of other major countries outside the region. They also say that over-reliance of neighboring countries on China will worsen these countries’ security situation. They even label China’s overseas investment and export of labor services as “neo-colonialism”, which would create “vassal states”, neglecting the fact that China’s investment has brought benefits to local economic development. They claim that China’s investment aboard aims at exploiting energy and resources and turning recipient countries into the dumping ground for cheap and inferior Chinese goods. When the Chinese firms obtain major local projects and prepare for implementation, these political forces often make a big fuss about such issues as environmental protection and heritage conservation, so as to disrupt the implementation of these projects.

Although this sort of propaganda couldn’t fundamentally stop the ongoing trend of deepening energy and resources cooperation between China and the countries along the OBOR, they have indeed much negative impact. The forced cancellation of some hydro-power and high-speed rail projects undertaken by Chinese enterprises in Southeast Asia has something to do with the havoc caused by this kind of propaganda.

2. Coordinating the publicity of China’s policies

It is advisable to integrate official diplomacy, Track II diplomacy and public diplomacy to publicize China’s policies on OBOR energy and resources cooperation in an authoritative, accurate and consistent way and actively respond to the harmful public opinions that aim at disrupting the aforementioned cooperation.

Official diplomacy is the main channel to expound China’s policies to the governments of target countries. Through mutual visits and exchanges between government-affiliated think tanks and research institutions, Track II diplomacy serves as a platform to dissipate doubts and misgivings and a useful supplement to official diplomacy. China can improve its public diplomacy by encouraging its diplomats and scholars to write articles, give interviews and attend TV programs on the mainstream media in related countries, using plain and amiable language as well as vivid pictures to illustrate the benefits that the development of OBOR will bring to them.
3. Strengthening people-to-people exchanges

Closer high-level exchanges represent one of the highlights of relations among countries along the OBOR. China has already forged strategic partnerships, established regular meeting mechanisms between leaders, and maintained good communication on multilateral occasions with many countries along the OBOR. In the future, China may make frequent official exchange visits, establish and consolidate working contact and mechanisms among government departments. In addition, local governments as “sub-national governments” can play a greater role in diplomacy by employing their own advantages to enhance transnational cooperation and people-to-people exchanges at the provincial level.

The key to sound relations between countries lies in the amity between their peoples. Frequent people-to-people exchanges embody close cooperation between China and countries along the OBOR. Friendship among countries along the overland and maritime Silk Roads has been growing ever since thousands of years ago. Thanks to modern transportation and logistics as well as information technology, the construction of OBOR will increase the frequency of trade in goods and services, flow of capital and people-to-people exchanges. In particular, China should enhance cultural exchanges among countries along the OBOR and increase the number of official, industrial and academic exchange visits as well as students studying abroad, so as to foster an atmosphere featuring knowing each other and amity in these countries’ societies. China should also foster sincerity, mutual understanding and amity in the academic and policy-making communities of different countries through academic exchanges and policy discussions at various levels.

D. Putting China’s new diplomatic concepts into practice

China pursues an independent foreign policy of peace and sticks to the path of peaceful development with the Five Principles of Peaceful Co-existence as the basic norms. China’s fine diplomatic traditions have been widely recognized by different countries in the world. Since 2013, President Xi Jinping has proposed new concepts for China’s foreign policy such as “amity, sincerity, mutual benefit and inclusiveness”, “the right concept of morality and interests” and the Asian security concept, which constitute an enhancement of the foreign policy that China
unswervingly pursues. The OBOR energy and resources cooperation provides a broad platform for putting such new foreign policy concepts into practice, and incorporating these concepts into the construction of OBOR provides a fundamental solution to promoting real progress in the initiative and fostering a favorable international environment.

1. To handle the relationship between morality and benefits in a right way

In the OBOR energy and resources cooperation, China should give as much consideration as possible to the interests of small and medium countries. Political interests should be given priority, and in term of economy, the policy of “giving more and taking less” and “giving first and taking later” should be observed so as to deliver tangible benefits to small and medium countries and promote their sustainable development in various fields, including economy, society, and the people’s livelihood. Only by winning extensive trust can the OBOR energy and resources cooperation make constant progress. China should help countries along the OBOR improve their infrastructure and enhance connectivity through energy and resources cooperation, and reach agreements on the trade of goods and services as well as on financial cooperation. China should fully demonstrate its sincerity in sharing the fruits of economic growth and delivering benefits to neighboring countries by providing exactly what they need in terms of social and economic development to promote the progress of these countries in multiple fields including transport, agriculture, science and technology, and financing.

As the fine tradition of the Chinese nation in upholding morality and justice dictates, China judges international affairs independently, with the consistent standard of telling right from wrong objectively. In his speech at Seoul National University, President Xi Jinping proposed to practice the right concept of morality and interests in international relations. He said,

“As a Chinese saying goes, ‘A state should value righteousness, not interests’. In international cooperation, we should attach importance to interests and attach more importance to morality. It is advocated by the Chinese nation that ‘a superior man in everything considers righteousness to be essential’ and that ‘wealth and rank attained through immoral means
are to me as empty as floating clouds’”.

At a joint press conference with Foreign Minister Mankeur Ndiaye of Senegal following their talks on January 10, 2014, Chinese Foreign Minister Wang Yi pointed out,

“China will take morality and justice as the priority for its relationship with African countries. China will insist on equality, sincerity, friendship and commitment with African countries, and beyond this, should speak out for Africa’s legitimate rights and reasonable appeals. Benefits refer to the mutual benefit. For its relations with the African countries, China will never plunder as the colonists did, will never follow those capitalists to be mercenary, and will never merely pursue its self-interest, like some countries do. China is willing to seek common development and common prosperity with African brothers.”

2. To embrace differences

The OBOR spans vast territories with different civilizations, cultures and religions interacting with one another. Different political and economic systems coexist in the area. All countries in the region should embrace cultural differences and learn from each other while treating different countries equally. China should work for the mutual respect and harmonious coexistence of different civilizations, and make the exchanges and mutual learning between civilizations a bridge for promoting friendship among peoples, a driving force for the progress of human society, and an instrument for maintaining regional peace. Countries along the OBOR boast of rich civilization and cultural resources. To make full use of these resources, China should establish and promote regular cultural exchange mechanisms, and facilitate the flow and integration of different carriers of culture including literature, painting, music, dancing, drama, etc. By that doing we can effectively promote mutual understanding and enhance friendship between different countries. Countries should also learn from each other on the basis of mutual respect in terms of political


and economic systems, explore the path suitable for its own development and ways appropriate for bilateral or multilateral cooperation, and seek common ground while reserving differences on political issues not involving core interests.

3. To practice new security concepts

On May 21, 2014, in his remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA), President Xi Jinping said,

“We need to keep pace with the changing circumstances and evolving times. One cannot live in the 21st century with the outdated thinking from the age of Cold War and zero-sum game. We believe that it is necessary to advocate common, comprehensive, cooperative and sustainable security in Asia. We need to innovate our security concept, establish a new regional security cooperation architecture, and jointly build a road for security of Asia that is shared by and win-win to all.”

In July 2014, during his visit to Latin America, President Xi Jinping pointed out in his speech at the National Congress of Brazil,

“History teaches us that the law of the jungle will not lead to peaceful coexistence in human society and that the arbitrary use of force cannot make the world a better place. All countries should follow the principles of equality and mutual trust, inclusiveness and mutual learning as well as mutually beneficial cooperation, make joint efforts to uphold international fairness and justice, and promote the building of a harmonious world of lasting peace and common prosperity... We should advocate the idea of a community of common human destiny. A nation should address other countries’ rational concerns while protecting its own interests, and it should, while seeking for development for itself, promote common development of all the countries and promote the establishment of a new type of more equal and balanced global development partnership. We should advocate the concept of common, comprehensive, cooperative and sustainable security, respecting and guaranteeing the security of every country. We should strengthen international and regional cooperation.

addressing jointly the increasingly growing non-traditional security threats.”

Incorporating the concept of common, comprehensive, cooperative and sustainable security into the OBOR energy and resources cooperation requires us to take into consideration both exporters’ market security and consumers’ import security, both energy and resources security and overall security, both short-term security and long-term security, with the purpose of safeguarding energy and resources security for all countries through cooperation. This is also helpful for establishing a more equitable and reasonable international energy governance mechanism.

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VI. Conclusion

It is a common cause for China, Eurasian and even East African countries to work together to build the Silk Road Economic Belt and the Maritime Silk Road of the 21st Century. The ancient Silk Road was never completely suspended in history, though it went through a number of tests of blood and fire. In ancient times, transportation and technology fell far behind today, yet merchants, sages, students and envoys overcame great difficulties to travel across rivers and over mountains with remarkable fortitude and courage, which led to the existence of the Silk Road. The spirit of the ancient Silk Road is characterized by unity, mutual trust, equality, mutual benefit, inclusiveness, mutual learning, and win-win cooperation. When such a spirit is brought into energy and resources cooperation among countries along the OBOR in the 21st century, it will not only bring enormous economic and social benefits to all participating countries, but also contribute to promoting friendship between them.

Disagreement, competition and contradictions are normal in international politics, and the OBOR energy and resources cooperation is no exception. As the initiator of the OBOR initiative, China welcomes the participation of countries along the OBOR and countries outside the region in the initiative with the spirits of openness, inclusiveness and mutual benefit. The purpose of the OBOR initiative is to coordinate different interests and make plans for regional development. China fully respects the legitimate interests of all countries along the OBOR and will never harm other countries for its own benefit. The OBOR energy and resources cooperation calls for solid and long-term work, including dialogues at various levels and practical cooperation in multiple fields. This is also in the common interests of related countries.

(This report is translated by Zhu Hongtao, He Dan, Zhang Bei and Peng Lu, reviewed by Zhu Hongtao.)
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No.1 *Ruan Zongze et al.*: Toward a New Type of Major-Country Relationship Between China and the US: Challenges and Opportunities, 58 p., Beijing, December 2013.


No.4 *Cui Hongjian / Jin Ling / Wang Yi*: Changes of the EU’s International Status and Influence, 70 p., Beijing, October 2014.

No.5 *Shi Ze / Yang Chenxi*: China’s Diplomatic Efforts to Promote Energy and Resources Cooperation Along the “One Belt and One Road”, 65 p., Beijing, May 2015.
About the Authors

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In 2013, Chinese President Xi Jinping made two important proposals, i.e. to jointly construct the Silk Road Economic Belt and the 21st Century Maritime Silk Road, which are known as “One Belt and One Road” (OBOR). In view of the economic and social development needs of China and its western and southern neighboring countries as well as their complementary advantages in economic development, energy and resources cooperation should be given priority in implementing the OBOR initiative. To promote energy and resources cooperation under the framework of OBOR, China need seek support from key countries, coordinate with countries in the region as well as international mechanisms, and actively build a favorable international environment.

First, China should plan and manage major-country relationship relating to energy cooperation within the framework of OBOR, which include deepening China-Russia energy strategic partnership, promoting China-U.S. cooperation on large projects and effective communication between the two countries on hot issues, and expanding China-India common interests on energy security and development.

Second, China should coordinate its relations with countries and international mechanisms in the region. In Central Asia, China should consolidate its energy cooperation with Kazakhstan and Turkmenistan through coordination over pipelines, trade and distribution of water resource. It should also maintain practical political and economic relations with the newly launched Eurasian Economic Union. In South Asia, China should give full play to China-Pakistan Joint Energy Working Group, steadily push forward the construction of pipelines connecting the two countries and strive for substantial success in their cooperation on power generation from new energy sources. In Southeast Asia, China should increase trade and investment scale of energy and resources with ASEAN countries and carry out joint maritime security operations with the latter. In the Middle East, China should strive to acquire high-quality oil and gas assets, expand cooperation on natural gas, and actively maintain regional stability. China should also push forward negotiations with the Gulf Cooperation Council on FTA and conduct cooperation with its member states on new energy and infrastructure construction.

Third, China should endeavor to build a favorable international environment for energy and resources cooperation among countries along the OBOR. To achieve the goal, China need actively address regional issues and work out fairly flexible regional laws on energy and resources trade and investment, promote the formulation of laws on the security of cross-border oil and gas pipelines, and actively participate in regional and global energy governance. It is also necessary for China to integrate its official diplomacy, track II diplomacy and public diplomacy in publicizing its policies so as to foster favorable international public opinions for energy and resources cooperation within the framework of OBOR.