

# Analysis of the Current Situation and Countermeasures of Energy Industry Cooperation Between China and ASEAN

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**Abstract:** This paper focuses on the general situation of China and ASEAN (ASEAN) in the energy field, reviews the development process and current situation of the energy industry in China and ASEAN, introduces the advantages and existing problems of development, the policies for the development of the energy industry and the impact of the energy industry cooperation between the two sides on their respective economic development. Supplement and summarize the overall situation of the cooperation in the energy field between China and ASEAN through SWOT analysis. Finally, some suggestions are put forward for the further development of China's energy industry cooperation.

**Keywords:** ASEAN; Energy; Industrial Cooperation

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## 1. Introduction

In late 2013, China proposed a new global cooperation initiative, the Belt and Road (B&R), which involves regions that are major sources of global energy resources. <sup>[1]</sup>Within these regions, many countries have complementary financial and technological and energy endowments with each other. For most of the less developed regions along the route with great economic growth potential, energy industry cooperation has broad development prospects. Facing the complex and changing environment of the global energy market, regional energy cooperation among countries along the route is of great significance to optimize the allocation of energy resources and create closer national relations.

## 2. Current Situation of Energy Development in China

China is located in East Asia, adjacent to ASEAN countries with rich energy reserves and Russia with rich natural gas reserves, with a vast territory and complex topography. <sup>[2]</sup>Although China's energy industry has been developing for a short period of time, the vast land area has led to an uneven distribution density of energy in China, and the rate of energy extraction and utilization in China is still difficult to match the rate of increase in the soaring energy demand of the people due to objective conditions. China's energy efficiency is very low, only one-half of that of the United States. This huge gap in energy efficiency shows that China has a long way to go to improve energy efficiency and save energy in the future.

To unlock the dilemma now facing China and to establish a stable, safe, economic and green energy supply system, it is necessary to find suitable alternatives to deal with various aspects of insufficient resource supply as well as environmental pollution.

## 3. ASEAN Energy Industry Development Status

ASEAN has four countries that are the world's major oil producing countries, and natural gas exports account for two-thirds of the world's total exports. <sup>[3]</sup>Although ASEAN is very rich in both traditional and non-traditional energy sources, it is not able to fully exploit ASEAN's advantages in this area due to objective conditions such as financial investment and backward technology. Financial support and technical help from emerging economies are needed to bring ASEAN's advantages into play.

In order to help the development of the energy industry and improve the quality of industrial cooperation, ASEAN member

countries have also formulated a series of regulations one after another. In 2019, the Philippines described in a joint news report that it will make "energy" one of the five key areas of cooperation with China's "Belt and Road" to promote the development and utilization of clean energy and create a favorable atmosphere for cooperation between the two countries. In addition to ASEAN countries, ASEAN organizations have also issued various regulations in the field of energy or for individual types of energy, but they are still insufficient to form a system.

## **4. Current situation of energy industry cooperation between China and ASEAN**

The energy industry cooperation between ASEAN and China is stable and continues to strengthen and change in terms of breadth and depth of cooperation. <sup>[4]</sup>The cooperation between China and ASEAN has achieved many world-renowned achievements. The cooperation in crude oil trade between China and the Philippines opened a window of cooperation with ASEAN countries, but the volume and value of trade were relatively small. After the 1990s, China's energy demand grew rapidly due to rapid economic development, China's position in the energy supply and demand market gradually rose, and the scale of ASEAN's energy exports to China gradually expanded. Finally, the overall situation of China's cooperation with ASEAN in the energy sector is summarized by SWOT analysis.

### **Strength(s)**

In terms of policy, China and ASEAN have promulgated a series of regulations and guidelines to support cooperation in the energy industry between the two sides, and there are fewer obstacles to cooperation between the two sides politically. In recent years, individual ASEAN countries have also introduced regulations on investment promotion to encourage investment in ASEAN countries. Economically, China and ASEAN have a 30-year-long experience of cooperation. Technologically, China and ASEAN have complementary advantages, with China having more advanced energy development technologies and ASEAN countries having abundant energy resources and experience in cooperation with developed countries such as Japan and South Korea.<sup>[5]</sup>

### **Weak (W)**

There are conflicts among different groups within some ASEAN countries, which hinder the cooperation process. And it cannot be ruled out that there are cases that some ASEAN countries are driven by interests to break the cooperation contract. Economically, although there are significant changes in the economic situation of ASEAN countries, there is still the problem of uneven economic development. Socially, the interests of the central government and local ethnic groups in some countries are not consistent, and the unstable domestic situation greatly affects China's investment in ASEAN.

### **Opportunities (O)**

China is now investing more money in non-conventional energy sources, and in addition to the energy transition initiatives already undertaken by China, ASEAN countries are beginning to shift their goals to include the promotion of sustainable energy development in their national energy master plans. Influenced by the trend of counter-globalization, the regional trade model between China and ASEAN is better suited to the current situation and reduces the risks that may be suffered due to external geopolitical changes. <sup>[6]</sup>The China-ASEAN Free Trade Agreement was reached, which has boosted the economic growth and export trade of ASEAN countries, and the economic dependence has added more opportunities for cooperation between the two sides.<sup>[7]</sup>

### **Threats (T)**

Potential threats posed by the outside world include the impact of a trade war between the U.S. and China, and conflicts between other countries that could interrupt the implementation of energy cooperation projects and undermine cooperation between the two sides. The presence of multiple political threats could reduce the willingness to cooperate internationally and shift more financial investment to the domestic level. Economically, it will also take some time for economic growth and investment levels to recover, as it will take some time for people to return to normal life after the outbreak.

## **5. Suggestions for countermeasures**

### **5.1 Taking advantage of distance and domestic infrastructure to further increase trade and investment**

ASEAN's proximity to China in the north provides many advantages for the transportation of energy. In addition to land borders,

the Lancang and Mekong rivers also connect China to the countries of the Central and South China Peninsula, and the long coastline is dotted with ports that facilitate maritime transportation. It is very convenient whether by land, sea or air. Guangxi has also basically formed a railroad network connecting inland, ports and Vietnam at the same time. The advantages of distance and domestic infrastructure not only improve the convenience of energy transportation but also greatly save transportation costs, and these advantages will enhance the willingness of both sides to cooperate and further expand trade.

## **5.2 Follow the trend of the times and increase the investment in new energy industry**

In recent years, many countries have been reorienting their energy industries. <sup>[8]</sup>Many international oil giants are turning to clean energy investments, and the UAE will continue to invest \$160 billion in clean energy in the future. Although the investment in the field of renewable energy is already at record levels, but according to the International Energy Agency's forecast, to achieve the countries committed to carbon neutral, at the current rate of view, in a few decades is not achievable. To enhance the soft power of energy and control climate change, we must continue to invest heavily in the development of clean energy.

## **5.3 Promoting multi-industry cooperation and strengthen the cooperative relationship between the two countries**

After the founding of New China, China has signed as many as 400 bilateral and multilateral agreements with Southeast Asian countries. The China-Myanmar Oil and Gas Pipeline Transportation Agreement makes specific arrangements for pipeline transportation between China and Myanmar, a project that benefits the people of both countries and serves as a good model for cooperation between China and ASEAN. <sup>[9]</sup>Although a number of agreements have been signed, there is a lack of basic institutional documents that can be used, and there are no restrictions and guarantees of relevant mandatory laws.<sup>[10]</sup> In recent years, the scale of cooperation between the two sides has become larger and larger, which makes it more necessary to improve the cooperation system to provide a basis and guarantee for the subsequent cooperation and weaken the risk of default by the partners.

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