

Editor's Note

Dear Colleagues and Friends,

This is the first issue of the CEF Quarterly under new directorship. The former editors, Matthew Oresman and Malia Du Mont have stepped down. We are very grateful for their work and will try our very best to continue the success of the China and Eurasia Forum. Besides ensuring the quality of the CEF, we would also like to explore new ways to reach out to our members and to make news and information on China-Eurasia more accessible. Since taking over, we have developed the homepage and introduced a weekly newsletter for our members. Readers are invited to visit our homepage and utilize the news archive.

Concerning the CEF Quarterly, we decided on a topical approach so that every issue would cover a particular topic in-depth, even if we still accept interesting off-topic articles. The China-Eurasia region is currently under-going a lot of change and the respective governments are faced with a numerous challenges. In this issue, we focus on the topic of Energy and Security. Energy security has become one of the most important issues in international relations today. Demand for energy is on the increase, especially in Asia, where rapid modernization has led to rising consumption. As a result, there has been growing competition between states to secure their energy supplies with access to oil and gas becoming increasingly a matter of national security. The recent U.S. reaction to the Chinese bid on Unocal underlines the impact of energy security on politics. Oil and gas markets have become strategic assets in a political and economic struggle over influence and domination, at least this is what many states and policy institutions perceive as the reality.

In no region is this more apparent than in China-Eurasia. With energy security a major consideration for the governments in this region, the energy sector has not been left to market forces alone. Governments retain strong control of the sector through regulation, ownership and state investment. With high and concerted levels of political engagement by the respective governments, energy security considerations naturally resonate through the foreign policies of these governments. The lack of cooperation in these issues in the region is very apparent and cooperation that is initiated is either bilateral or trilateral. Multilateral structures that has been initiated has either excluded a region, such as APEC Energy Working Group, that do not include Central Asia despite its importance for Northeast Asia in energy terms, or has stagnated due to political considerations. This point to that Eurasia is in a dire need of an effective organization that could coordinate energy cooperation and tie together

both economic considerations and affect the political landscape positively with strong regional integration.

Parts of the region have also been blessed with significant energy resources, energy resources that has not been fully developed by all actors and which in many cases has problems reaching its potential customers. Transit of oil and gas from Central Asia to customers in Europe or in Northeast Asia has been marked by problems, partly due to the lack of economic incentives and partly due to the lack of cooperation between consumers, providers and transit states. This has partly changed as the energy market has passed a level where profitability of pipelines and refineries can be reached, if the different actors begin to cooperate and jointly utilize pipelines and refineries.

As this CEF Quarterly issue illustrates, energy security considerations could draw states closer together when energy interests converge, or become a source of friction when such interests collide. The Middle East factors considerably in Asia's strategy for energy security. Kent Calder discusses how Asia's dependence on Middle Eastern oil and gas could transform the Asia-Middle East relationship, Phar Kim Beng and Vic Li examines how China's dependence on the Middle East would affect Asian security, while J. Brandon Gentry zooms in on the growing role of energy as a bond for strengthening Sino-Iranian relations.

China's growing energy consumption, increasing import requirements and acquisition activities has been a major factor in fuelling the uncertain political outlook of the region. Zha Daojing provides us with an account of how China's growing energy demands from abroad has led to a more pro-active foreign policy. He notes how China's energy-driven diplomacy has caused much anxiety among many observers and suggests measures the Chinese government could adopt to alleviate the worries of the international community, especially through better governance of the energy sector. Also on the topic of governance, Gaye Christofferson offers a piece on Sino-Japanese competition for Russian oil resources, tracing the steps taken to manage this rivalry through the issuance of principles, norms and rules and how this would eventually form the basis of a regional regime. Maria Kielmas, on the other hand, tackles a fundamental economic question - whether China's present aggressive and high-cost energy asset acquisition strategy is sustainable in the long-term. Meanwhile, Vladimir I. Ivanov writes about new natural gas-based technologies in Northeast Asia while Arthur S. Ding focuses on China's exploration activities in the East China Sea and how this has affected Sino-Japanese relations.

While China and Japan have been actively working to secure its long term energy supply, Russia and the Central Asian states have, on the other hand, a significant proportion of oil and gas resources that they

would like to export. Niklas Swanström points to the need of cooperative structures and the possibility of an “Asian Oil and Gas Union” to succeed with this task. However, access to Russian and Central Asian oil and gas is fraught with political pitfalls and strategic maneuvering. As Stephen Blank’s article will reveal, despite the growing relationship between China, Russia and Kazakhstan, and even though all three are members of the Shanghai Cooperation Organization, China continues to face numerous official obstacles in its attempt to penetrate the energy sectors of these two states. Finally, the last article of the journal by Christopher Len examines Japan’s entry into Central Asia. The article examines the motivations, prospects and implications of Japan’s role in the region.

For your information, hardcopies of the CEF Quarterly is now available free-of-charge. However, we only have limited stock so we may not be able to fulfill every request. In order for us to be able to print more copies and to continue our work, we would very much appreciate contributions to the China and Eurasia Forum. So if you believe in what we are doing and would like to help us grow, please get in touch with me.

For regular news updates regarding China and Eurasia, you can sign up to receive our weekly electronic newsletter by contacting the newsletter editor Nicklas Norling at <nnorling@silkroadstudies.org>. Alternatively, you can access our homepage at <www.chinaeurasia.org>.

Finally, on behalf of the CEF team, we hope you enjoy your read.

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