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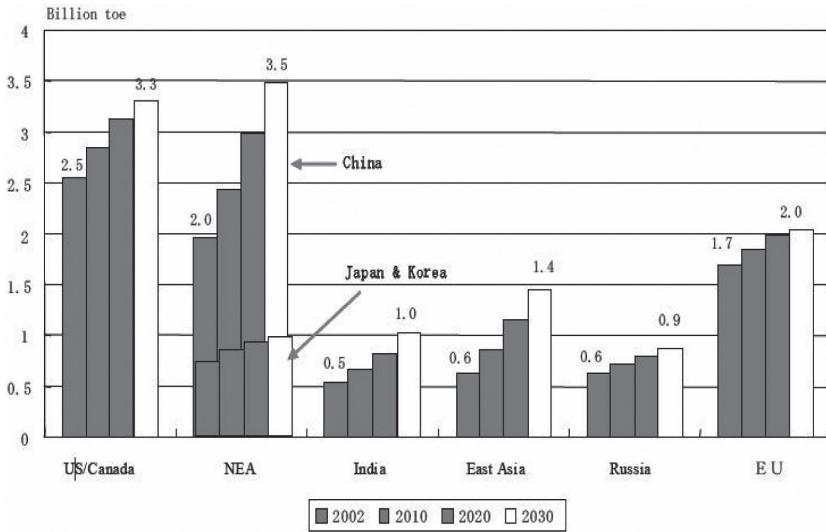
Energy Security Cooperation in Asia: An ASEAN-SCO Energy Partnership?

Christopher Len

INTRODUCTION

Asia, which is understood to mean Central Asia, Northeast Asia, South Asia and Southeast Asia, is as a whole, set for a period of economic, population and urban expansion and this will mean higher regional energy consumption in the years to come, especially in China and India. The International Energy Agency's World Energy Outlook for 2004 through to 2030, indicates that energy consumption in North East Asia is expected to amount to 3.5 billion tonnes of oil equivalent by 2030, a rise of around 1.5 billion tonnes over the next twenty-five years. China is mainly responsible for this projected increase in energy consumption. East Asia's¹ consumption — excluding China, Japan and South Korea — is projected to increase to 1.4 billion tonnes in 2030. Over the same period, India's appetite for energy is also notably increasing. It is expected to consume as much energy as Japan and Korea combined by 2030.² The following figure (Figure 15.1) shows the growing consumption of oil equivalent within Asia in comparison with North America, the European Union and Russia.

Figure 15.1
East Asia and the World Energy Outlook, 2002–30



Source: IEA, *World Energy Outlook*, 2004.³

While the supply and demand of energy resources in Asia has a direct impact on the economic and political development of the region as a whole, energy cooperation among Asian countries has thus far been limited and far from ideal. Energy security is an issue of great importance in Asia and it is increasingly influencing the behaviour of Asian governments. In Asia, the role of the governments in addressing the energy issue is especially important since governments in the region retain considerable influence over their respective energy sectors through policies, regulation, ownership or investment.⁴ As a result, energy security decisions have not been left to market forces alone; instead, it requires a high and concerted level of political engagement by the respective governments. Energy security is in fact lodged within a larger framework of inter-state relations. In the case of Asia, intra-regional rivalry, unresolved territorial disputes and the lack of trust among Asian states as a result of historical animosity is currently restricting Asia’s ability to address its energy challenges collectively. This rivalry and distrust is adding to Asia’s energy security vulnerability as energy security today involves the need to address a multitude of threats that requires enhanced multilateral cooperation.

While the Asian governments recognize the need to establish a multilateral energy security network to address Asia's energy woes, many of the proposals have as yet to be implemented as it requires a concerted effort by all governments in order to make it work. Unfortunately, the lack of finance and the existing inter-state rivalry is an obstacle to such cooperation. A way to overcome the existing inaction would be to tap into existing institutions and expand their commitment to energy security and cooperation and to stimulate greater intra-regional cooperation through them. The two organizations suggested for such a task are the Association of Southeast Asian Nations (ASEAN) and the Shanghai Cooperation Organization (SCO). Both organizations can come together to form an ASEAN-SCO Energy Partnership.

ASIA'S ENERGY SECURITY VULNERABILITIES

Ironically, Asia's ongoing quest for energy security is fuelling greater insecurity and uncertainty in the region. There has been increasing rivalry to secure energy supplies among the energy importing countries, the ones with the most significant regional repercussions being major net energy-importing countries, namely China, and increasingly India and Japan, all of which regard secure access to oil and gas as matters of national strategic consideration. Russia and the Central Asian states, on the other hand, have a significant proportion of the world's primary energy resources and want to increase such exports; however, their use of such resources for geo-political leverage and hedging has also contributed to Asia's security uncertainty.

Asia's energy security vulnerability is complex and wide-ranging. It extends beyond inter-state competition over resources to include other issues such as supply-chain vulnerabilities, questions on sustainable development and alternative energy strategies and over-dependence on Middle Eastern energy resources. Specifically, there are concerns about the long Sea Lanes of Communication (SLOC) in Asia — from the vast Indian Ocean to the Straits of Malacca and the South China Sea — that tankers transit to bring Middle Eastern oil and gas into Asia. Besides concerns about disruption of the supply route as a result of inter-state war,⁵ Asians also have to consider non-traditional threats such as terrorist attacks along the SLOCs or the disruption of maritime trade as a result of instability in Southeast Asia. On a related maritime issue, it should also be noted that some of the most serious territorial disputes in Asia are over offshore territories which are valued not only as Exclusive Economic Zones (EEZ) but because of large untapped oil and gas resources that are said to lie underneath the sea bed. Notable unresolved disputes where energy resources appear as a significant factor include the division of the

Caspian Sea among Russia, Iran, Turkmenistan, Azerbaijan and Kazakhstan, and the East China Sea, between China and Japan, and the South China Sea, which is disputed between various countries.

In Asia, growing energy demand, compounded by high energy prices, created new challenges for the governments struggling to maintain economic growth while preventing social and political unrest. Throughout Asia, there has also been growing interest in the use of nuclear energy as a source for generating electricity, but questions have been raised about the associated risks, such as nuclear proliferation, management of nuclear wastes and safety and management issues. Except for Japan, South Korea and Taiwan, oil stockpiling in the region is far from ideal and this affects the ability to weather sudden disruptions to oil imports. There is a lack of a collective petroleum reserve or stockpiling mechanism for the region, thus making Asia vulnerable in the event of a sudden constriction of supply, particularly from the Middle East, from where Asia imports most of its oil. Pollution stemming from the use of coal, oil as well as gas, is already recognized as a major environmental issue. There is also the issue of the “Asian premium” whereby an automatic surcharge of between US\$1–US\$2 is automatically levied on Asian importers by Middle Eastern oil producers, particularly Saudi Arabia. In addition, the Middle East is recognized as a volatile region and there are constant fears that supplies from the region could be disrupted as a result of inter-state war or terrorist attacks.

One could note the multi-faceted nature of the energy security challenges facing Asia and how they are embedded within the larger Asian security framework encompassing geopolitics, economic, social and environmental policies. The growing uncertainty arising from Asia’s energy security stems from the following: the lack of coordination among governments on energy security issues, which is worsened by the zero-sum approach towards energy security by governments; competition over strategic resources within the region, especially between China, Japan, India and Russia; the lack of integration of the energy market in the region, even within sub-regions; the failure to develop quickly enough sustainable, efficient and environmentally-friendly energy supply systems; over-reliance on oil and gas from the volatile Middle East; the vulnerability of the long sea lines of communication and lack of emergency preparedness in case of a sudden energy crisis. In sum, individual Asian governments, not to mention the region as a whole, are generally unprepared to meet tomorrow’s energy security challenges. This dismal condition can to a large extent be attributed to the lack of institutionalized cooperation among Asian governments in dealing with the region’s rising demand in energy consumption.

BENEFITS OF A MULTILATERAL ENERGY SECURITY NETWORK IN ASIA

Having mentioned energy security repeatedly, it is now important to define what this term means in the Asian context before proceeding further. There are in fact many different interpretations of what energy security refers to. At the basic level, it typically entails two concepts: availability (of supply and demand) and pricing.⁶ For exporting countries, energy security translates into the certainty of market demand in terms of quantity at predictable prices. For import countries, energy security can be understood as the availability of energy at all times, in sufficient quantities, and at affordable prices.⁷ However, such definitions denote energy security within the narrow prism of the market where energy resources are treated as mere commodities. Therefore, it is increasingly inadequate within the Asian context as it fails to reflect the strategic importance Asia governments attach to energy resources and the growing need for cooperation among Asia's energy-hungry states, as well as with and among Asia's energy exporting states. Thus, a broader definition is necessary in examining Asia's energy policy within the context of security. Energy security in Asia is better defined as a stable, cost effective and sustainable supply of energy based on an efficient and environmentally-friendly energy supply system, emergency preparedness and international cooperation.⁸ While such a definition reads like an antithesis of Asia's present energy security situation, it nevertheless provides a suitable framework for addressing Asia's regional energy security woes as it underlines the need for Asia to devise structural and technological responses, not to mention greater inter-governmental cooperation as the way to address its existing energy vulnerabilities.

Ultimately, an Asian energy network should be supported because of the economic and security benefits it could bring. From an economic perspective: (1) it would reduce dependence on the Middle East and cut down on additional costs of the Asian premium; (2) it could facilitate higher levels of financial investment on energy projects in Asia while attaining better economies of scale because of better multilateral coordination and planning; (3) investors would regard the energy market potential from a wider regional perspective, rather than being restricted to the assessment of individual countries. This would draw more capital for the creation of an energy network.

From a security point of view, there are significant potential benefits to be derived from multilateral energy cooperation due to the special nature of energy cooperation:⁹ (1) the construction of emergency stocks and the development of sharing mechanisms and information system for oil supply

crises provide regional stability to the benefit of all; (2) the advancement of mechanisms to develop resources jointly in disputed waters and for deposits which straddle defined borders (for instance in the East China Sea and the Caspian Sea) would create norms for subsequent territorial settlements; (3) cooperation between states and civil societies to reduce the environmental impact of energy production and usage through the joint development on energy efficient and environmentally-friendly technologies and jointly addressing regional environmental issues relating to energy such as nuclear waste, acid rain, marine and river pollution and the emission of carbon dioxide (which leads to global warming), this would help facilitate exchanges leading to greater socialization; (4) the need to safeguard the energy infrastructure against terrorist attacks could enhance greater understanding and foster goodwill among the militaries of the various states; (5) energy cooperation would entail long-term commitments between governments underpinned by legally binding agreements which require closer and more frequent contacts between government officials on all levels, resulting in enhanced interaction.

ATTITUDES TOWARDS REGIONAL ENERGY COOPERATION IN ASIA

There is in fact already broad recognition among Asian governments that the region needs an energy cooperation network. In January 2006, India's Minister for Petroleum and Natural Gas, Mani Shankur Aiyar, gave a speech in Beijing arguing that "Asian countries should speed up the establishment of an Asian Energy Community" and that it would contribute towards the establishment of an Asian Economic Community.¹⁰ At the roundtable for energy ministers¹¹ organized by the Indian Ministry of Petroleum and Natural Gas in New Delhi, India in November 2005, the South Korean Minister of Commerce, Industry and Energy, Hee Beem Lee, was quoted as saying: "The work that is urgently needed is a master plan that links all the points in Asia through what can be called the 'Inter-Asia Oil and Gas Transportation System'".¹² At the same event, participants endorsed a proposal to study the possibility of networking the countries of Central, South and East Asia and elsewhere through the Japanese initiative to promote a Sustainable and Flexible Energy System (SAFE).¹³ In fact, Japan already had preliminary thoughts about transporting gas from Turkmenistan in Central Asia, through China, into Japan as early as 1992,¹⁴ although it was later shelved.¹⁵ In April 2004, Japan also presented a concept for an "Asian Energy Partnership" through its Ministry of Economy,

Trade and Industry (METI). This was aimed at developing cooperation among Asian countries in tackling common energy challenges — namely, a chronic lack of oil stockpiles, uncertainty of energy supplies, volatile prices, environmental challenges and energy efficiency, resource development and transportation — and serves as a main pillar of Japan's strategy for international partnership on energy up to 2030.¹⁶

As for the Chinese, Exxon and China National Petroleum Corp (CNPC) announced in 1995 a joint study on the feasibility of building gas pipelines from Turkmenistan, across China into South Korea, ending in Japan.¹⁷ China in 1996 in fact developed a strategy for energy security called the Pan-Asia Continental Oil Bridge involving the Middle East, Central Asia, Russia, South Korea and Japan. The plan is to establish gas and oil pipelines between Asia and the Middle East, with China serving as an energy hub linking Middle Eastern and Central Asian supplies to East Asian consumers.¹⁸ In 2004, an "Asia Energy Cooperation Forum" was proposed at the Third Asian Cooperation Dialogue (ACD) held in Qingdao, China. At the Fourth ACD in 2005 in Islamabad, China's Foreign Minister Li Zhaoxing indicated China's willingness to host the third ACD Working Group Meeting on Energy Security to discuss how to enhance Asia's energy cooperation.¹⁹ Similarly, at the second summit of the Conference on Confidence-Building Measures in Asia (CICA) held in June 2006, Chinese President Hu Jintao delivered a speech that called for Asian nations to look into economic synergy and to actively enhance cooperation in various fields, including energy.²⁰

ASEAN ENERGY COOPERATION

Energy cooperation also features within the ASEAN network. The organization started a comprehensive six-year plan of action, the ASEAN Plan of Action for Energy Cooperation 1999–2004 (APAEC) beginning from 1999 which for the first time involved the participation of all ten ASEAN countries in Southeast Asia.²¹ The First ASEAN+3 Oil Stockpiling Forum was held in Bangkok, Thailand in 2003, with the aim of strengthening the oil stockpiles of the ASEAN+3 regions.²² In 2004, the first session of energy ministers within the ASEAN+3 (China, Japan and South Korea) framework called the ASEAN Ministers of Energy Meeting + 3 (AMEM+3) announced a joint declaration to strengthen energy infrastructure-building in the region.²³ The Second AMEM+3 held in July 2005 was titled "Promoting Greater Energy Stability, Security and Sustainability through ASEAN+3 Energy Partnership".²⁴ In December 2005, the first ASEAN-Russian Federation Summit in Kuala Lumpur, Malaysia, ended with a joint

statement stressing the need to “undertake collective initiatives to ensure stable energy supplies through large scale development of alternative and renewable energy sources, intensifying oil and gas exploration and the promotion of energy conservation and energy efficiency.”²⁵

RUSSIAN ENERGY

From the supplier’s side, Russia, being abundant in oil and gas is well placed to serve Asia’s energy consumers. It is increasingly keen to focus on the new energy markets in Asia as laid out in “The Energy Strategy of Russia up to 2020”, which was finalized in May 2003. At the 2006 Shanghai Cooperation Organization (SCO) Summit, President Vladimir Putin also called for the formation of an energy club in Asia, using the SCO — which consists of China, Russia Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan — as a vehicle to further develop economic relations with China and the four Central Asian states.²⁶ Russia is keen to export electricity to China and the Koreas in Northeast Asia.²⁷ In addition, Russia is keen to sell its oil and gas to Asia as the market is perceived to be increasingly more attractive than the European market. Firstly, Russia is trying hard to reduce dependence on transit routes as it does not want to pay additional fees to transit oil *via* connecting countries into Europe; the recent gas pricing dispute with Ukraine also underlines the difficulties of dealing with transit countries.²⁸ Secondly, Europe is said to be saturated with Russian oil and Russia loses approximately US\$1 per barrel through a kind of “European discount” which adds up to billions of dollars in lost revenues annually. Furthermore, oil from Siberia is mixed with oil from the Volga area to produce what is referred to as the “Urals” blend, which is priced lower compared with most other oil blends supplied to European markets.²⁹ The Europeans’ fear of over-dependence on Russian oil and gas has also affected Russia’s plan to expand further into the European market.³⁰

Thus, the Asian market, because of geographical proximity of its oil and gas fields in the Far East to Asian importers, and the willingness of China, Japan and South Korea to increase Russian imports and pay more than the European makes Russia’s interest in helping to develop the Asian energy sector a rationale choice. As of the end of 2005, 90 per cent of Russia’s energy supplies went to Europe, but the share of Russia oil exports is expected to grow from 3 per cent to 30 per cent [100 million tonnes] in 2020 and natural gas from 5 per cent to 25 per cent [65 billion cubic metres].³¹ In late April 2006, Russia started construction of the first Pacific-bound oil pipeline outside Taishet in the Irkutsk region as a means to increase exports to

Northeast Asia. The trans-Siberian pipeline will be 4,100-kilometre long and be able to carry 80 million tonnes of crude a year, with 30 million tonnes going to China and 50 million tonnes to be shipped from Russia's Pacific coast to Japan and other Asian buyers.³²

CENTRAL ASIA

Central Asia's primary target for energy exports was until a few years ago thought to be Europe.³³ However, the oil and gas rich Central Asian states, namely Kazakhstan, Turkmenistan, and Uzbekistan, are now keen to diversify away from their traditional pipeline export routes into Europe via Russia; and Asia is increasingly regarded as an important part of this diversification strategy. This measure also reflects a general political shift away from engagement with the West towards engagement with Asia, especially China. There is, in addition, growing appreciation of the need to start a cooperative structure that would take into account the needs of all actors, starting from the source to the consumer. It is thought that Central Asian oil and gas could better service the East Asian market, especially if Iran,³⁴ which neighbours Central Asia, could be part of such a network.³⁵

Among the Central Asian states, Kazakhstan is the most active in exporting to Asia, namely China, and recognizes the significance of the Chinese energy market.³⁶ Turkmenistan has also recently agreed on a deal to sell China its natural gas and to build a pipeline to deliver it.³⁷ China-Uzbek cooperation over energy has also picked up in recent years. For instance, in June 2004, Chinese President Hu Jintao, visited Uzbek President Islam Karimov in Tashkent during which they signed documents to further their cooperation in the oil and gas sector, while China's Sinopec signed a cooperation agreement with Uzbekistan's national oil and natural gas company.³⁸ In July 2006, the Chinese oil and gas corporation, the China National Oil and Gas Exploration and Development Corporation, (CNODC) and Uzbekneftegaz, an Uzbek national holding, signed an agreement on joint prospecting and exploration of oil and gas deposits in Uzbekistan.³⁹ Besides fueling the China market, there have also been plans to connect Turkmenistan's gas with South Asia. India recently raised the possibility of using natural gas supplied through the proposed Turkmenistan-Afghanistan-Pakistan (TAP) gas pipeline that already has the support of the Asian Development Bank.⁴⁰ With India's participation, the project would be renamed the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project.⁴¹

AN ASEAN-SCO ENERGY PARTNERSHIP?

While there is broad recognition of the need to construct a framework of energy cooperation and joint research within Asia⁴² to alleviate the energy security vulnerability, progress towards a pan-Asian energy cooperation network remains slow and at times, not taken seriously because of the lack of finance and geo-politicking among the key actors. Many ideas remain on the drawing board and there is more discussion than concrete activity. Furthermore, there is the daunting challenge of initiating a new pan-Asia energy network from scratch.

While there may be general recognition of the potential for a more closely integrated Asian energy network, the process of starting a new Asian energy institution is likely to be extremely slow as there are so many actors involved. Inevitably, there are worries that it would end up as nothing more than another glorified talk-shop. A more practical strategy would be to tap into existing institutions and expand their commitment to energy security and cooperation and to stimulate greater intra-regional cooperation through them. Specifically, ASEAN and the SCO are two organizations that should be able to complement each other well in consolidating Asia's multilateral security mechanisms.

Contact between ASEAN and the SCO remains limited to date. This is due to two main reasons: First, SCO only came into existence in 2001 and has focused its efforts thus far in consolidating its position in Central Asia. The second reason is due to mutual ignorance, with both sides not being able to share a common understanding of Asian history, let alone a common regional identity. Fortunately, awareness is increasing and the exchange thus far indicates the willingness of both organizations to expand relations. During the Third Meeting of the ASEAN-Russia Joint Cooperation Committee (ARJCC) held in September 2002 in Moscow, ASEAN and Russia agreed to explore cooperation between ASEAN and the SCO and the Special Envoy of the President of Russia was slated to visit the ASEAN Secretariat to brief the Secretary-General of ASEAN on the SCO and its activities, and to identify possibilities for collaboration between the two organizations.⁴³ Last year, in 2005, the ASEAN and the SCO Secretariats met and signed a Memorandum of Understanding at the ASEAN Secretariat in Jakarta, paving way for both sides to initiate substantive cooperation.⁴⁴ The main focus is on transnational crime, including terrorism since this is currently the most notable area of cooperation between SCO members. Nevertheless, energy cooperation, especially hydro-electric power and biofuels

was mentioned as well indicating the willingness of both sides to boost energy cooperation. At the first ever ASEAN-Russia Summit held in Kuala Lumpur in December 2005, Philippines President Gloria Macapagal Arroyo, whose country will host the 2006 ASEAN summit, proposed an Anti-Terrorist Cooperation Agreement between the ASEAN Anti-Terrorism pact signatories and the SCO as a way to strengthen relations between Russia and the Central Asian states. She also touched on the need to enhance ASEAN-Russia partnership in energy security, stating that resource-rich Russia could help ASEAN in this area.⁴⁵

The SCO and its respective members are on their part keen to further develop relations with ASEAN and its member states. The SCO issued a joint communiqué at the end of the 2006 SCO Summit pledging closer cooperation on the world stage and welcomed the signing of cooperation documents between ASEAN and the SCO.⁴⁶ At the latest 2006 SCO Summit, Chinese President Hu Jintao also stated that China will join hands with fellow SCO member countries to push forward substantial cooperation with its Asian neighbours, including ASEAN.⁴⁷ Kazakhstan has also expressed interest in ASEAN previously, going as far as declaring its interest in becoming a full member of ASEAN back in 2003 during the Sultan of Malaysia's visit to the Central Asian state.⁴⁸ Similarly, Uzbekistan is seeking to expand ties with ASEAN member states — Uzbek President, Islam Karimov visited Malaysia back in 2005 to enhance trade, including in the energy sphere. It was stated that one of his purpose is to enhance relations with other ASEAN states through Malaysia.⁴⁹

Intention alone does not provide the necessary conditions for intra-organizational cooperation. What is more important is that synergies are found and mutual interests enhanced. In the case of ASEAN and the SCO, they have complementary characteristics. To begin with, the breadth and profile of ASEAN and the SCO's memberships and their respective external networks mean that energy cooperation would be able to include most of the Asian states. ASEAN which has strong ties with East Asia could draw on its relations with its Northeast Asian partners China, Japan and South Korea. Meanwhile, China and Russia have ties in Greater Central Asia (which includes Mongolia, Iran and Afghanistan) and South Asia. Thus, the SCO could be the grouping to consolidate relations with India, Pakistan, Mongolia, and perhaps even Iran, all of which are already SCO observers, as well as Afghanistan, which has ties with SCO in the form of the SCO-Afghanistan Contact Group.

Table 15.1 provides a list of Asian countries and an overview of membership status and affiliation within the two organizations. If all ASEAN

and SCO members and affiliates are willing to cooperate on the energy issue on the same platform, the plan for a truly Asian energy network could be a step closer to reality. Countries that are neither affiliated with ASEAN

Table 15.1
List of Asian Countries and Affiliation with ASEAN and the SCO

Asian Countries	ASEAN	SCO	Remarks
Southeast Asia			
Cambodia	Member	—	
Brunei Darussalam	Member	—	
Indonesia	Member	—	
Laos	Member	—	
Malaysia	Member	—	
Myanmar	Member	—	
Philippines	Member	—	
Singapore	Member	—	
Thailand	Member	—	
Vietnam	Member	—	
Northeast Asia			
China	ASEAN + 3 / ASEAN-China	Member	
Japan	ASEAN + 3 / ASEAN-Japan	—	
South Korea	ASEAN + 3 / ASEAN-Korea	—	
North Korea	—	—	
Russia	ASEAN-Russia	Member	
Greater Central Asia			
Afghanistan	—	Contact Group	
Kazakhstan	—	Member	
Kyrgyzstan	—	Member	
Tajikistan	—	Member	
Turkmenistan	—	—	Neutral
Uzbekistan	—	Member	
Iran	—	Observer	
Mongolia	—	Observer	
South Asia			
Bangladesh	—	—	
Bhutan	—	—	
India	ASEAN-India	Observer	
Nepal	—	—	
Pakistan	ASEAN-Pakistan	Observer	
Sri Lanka	—	—	
Others			
United States	ASEAN-United States	—	

nor the SCO — namely, North Korea, Turkmenistan, Bangladesh, Sri Lanka, Bhutan and Nepal — would in most likelihood, be drawn to participate in what could be termed the “ASEAN-SCO Energy Partnership”. The reason being that this partnership, if realized, would most likely become the de facto Asian initiative on energy cooperation since it involves all the Asian major importers and exporters.

BENEFITS OF AN ASEAN-SCO PARTNERSHIP

The economic and security benefits of a pan-Asian energy network have already been discussed earlier so this author will focus primarily on the benefits of an ASEAN-SCO Energy Partnership for energy cooperation. Besides membership and network profile, there are other qualities that make this partnership worth considering. Three important ones will be discussed here.

First, the rise of the SCO has been viewed with suspicion, particularly in the West. There are concerns that China and Russia are seeking to dominate the region and that SCO’s formation augments the rise of a hostile, anti-American, Eurasian bloc that seeks to displace America’s status as a super power.⁵⁰ Similarly, there have also been discussions about the growing potential of the Chinese threat to the United States, as well as Russia’s attempts to assert itself using energy as a weapon in the global diplomatic stage. A way for SCO and its leading partners — China and Russia — to improve their image would be to encourage ties with ASEAN, especially in the field of energy cooperation. This would go some way to dispel the notion that the SCO is a “rogue organization” that seeks hegemony in Eurasia and monopoly over Central Asia’s energy resources. A partnership with ASEAN would be regarded by many as a commendable effort to contribute to Asia’s overall regional security architecture and promote the reputation of China and Russia as responsible regional actors. The United States could also draw comfort from such an arrangement, since the threat of the Chinese-led SCO in the region would most likely be diffused within an ASEAN-SCO Energy Partnership and reduce the likelihood of a “sinocization” of Asia at the expense of U.S. influence in the region. In fact, the United States can play a special role to play within the ASEAN-SCO Partnership since it has a stake in Asia’s energy security development as well.

Second, Central Asia is likely to orientate towards East Asia in the long run when the ASEAN-China Free Trade Area (ACFTA)⁵¹ fully takes effect. When completed, ACFTA will be the biggest free trade area in terms of population size and servicing 1.7 billion consumers. The regional Gross

Domestic Product (GDP) is estimated to be about US\$2 trillion and a total trade at approximately US\$1.23 trillion. In such a case, there will definitely be trade opportunities for Central Asia as well.⁵² The formation of an ASEAN-SCO Energy Partnership would definitely enhance trade to the benefit of SCO member states as well since it provides greater security for the Asian region, leading to a better investment climate. In addition, closer and regular contacts between ASEAN and SCO government officials at all levels will likely lead to the acceleration of trade ties between ASEAN and the SCO member states and affiliates.

Third, as a partner, ASEAN could serve as a role model to SCO. The SCO has been described as an “ASEAN for Central Asia” and like ASEAN, “the SCO began as a state-centric fraternal association of neighbouring nations in a developing region, collectively concerned about internal disruption and possible mutual friction. Thus a friendship grouping built on dialogue was formed, emphasizing security cooperation and economic development among members.”⁵³ Since the creation of ASEAN, no Southeast Asian country has gone to war with another. This is mostly attributed, by the Southeast Asian governments themselves, to the “ASEAN Way” of cooperation and consensus building, and the members’ adherence to the 1967 Bangkok Declaration and the Treaty of Amity and Cooperation (TAC), which enshrines the principles of mutual respect, non-interference, and the peaceful settlement of disputes and effective cooperation. At the 2003 Summit in Bali, Indonesia, ASEAN set out a plan of action with the target of becoming a security community by 2020.⁵⁴

The “ASEAN Way” is in many ways, similar to the SCO’s “Shanghai Spirit” of mutual trust and benefit, equality, consultation, respect for different civilizations, and common prosperity. While Central Asia continues to be plagued by economic, political and social instability, and subject to great power rivalry in the region, one also needs to appreciate the giant steps attained by China, Russia and their Central Asian neighbours in fostering greater regional stability. It started in 1996 with the formation of the Shanghai Forum (or the “Shanghai Five”), which was set up to demarcate China’s borders with Russia, Kazakhstan, Tajikistan and Kyrgyzstan. The process of socialization created a basis for subsequent accelerated cooperation between formerly antagonistic countries — Russia and China — in a relatively short period of time. It also established diplomatic norms among the members that subsequently developed into a nascent but promising Central Asian regional identity, at least among the current political elite.⁵⁵ ASEAN, being one of the most successful and oldest regional groupings of developing nations in the world, is well placed to provide assistance and share its experience with one

of the youngest developing Asian sub-regions to surface in the post-Soviet era. ASEAN can play a larger role in the development of Central Asia, transforming it from being an area of concern to one of stability and confidence. This process can be carried through further interaction and joint projects management within the energy partnership framework. SCO could draw from ASEAN's experience in consensus building, security cooperation and economic development as a mean to foster peace and prosperity.

CONCLUSION

Closer cooperation is required among Asian governments to devise both structural and technological responses in order to attain energy security. The pairing of ASEAN and the SCO in the field of energy security cooperation serves to facilitate greater cooperation among Asia's energy-hungry states, as well as with and among Asia's energy exporting states. Realistically speaking, this idea is a preliminary one and it will take some time before a blueprint for such a partnership can be realized. This is because the SCO is still in a process of consolidation and its future geo-political characteristics remains unclear. The Central Asian states also remain preoccupied with their domestic political, economic and social problems. In the meantime, it would be useful if ASEAN and the various member states can increase the level of interaction with the SCO and its members so as to strengthen relations.

NOTES

- 1 IEA's definition of "East Asia" as reflected in Figure 15.1 consists of data from: Afghanistan, Bhutan, Brunei, Chinese Taipei, Democratic People's Republic of Korea, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. It excludes China, South Korea and Japan. However, it also includes additional countries, namely, Fiji, French Polynesia, Kiribati, Maldives, New Caledonia, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu. Nevertheless, these additions will not skew the data significantly since their energy consumption is generally low due to their small populations.
- 2 Peter Drysdale, "The Establishment of an Energy Security System in East Asia", presentation at the Asia Energy Forum, hosted by Institute of Energy Economics of Japan at Keidanren Kaikan, Tokyo, 25 November 2005, p. 3. <http://eneken.iej.or.jp/en/seminar/aef2005/ST_Drysdale_speech.pdf> (Last accessed 1 July 2006).
- 3 Figure is extracted from: Peter Drysdale, "The Establishment of an Energy Security System in East Asia", presentation at the Asia Energy Forum, hosted by Institute of Energy Economics of Japan at Keidanren Kaikan, Tokyo, 25 November 2005, p. 4.

- 4 Philip Andrews-Speed, "Energy Security in East Asia: A European View", presented at the Symposium on Pacific Energy Cooperation 2003, 12–13 February 2003, p. 7. <www.dundee.ac.uk/cepmlp/journal/html/Vol13/article13-5.pdf> (Last accessed 1 July 2006).
- 5 China in particular is worried that its energy supplies would be disrupted if the US blockade or the Straits of Malacca or South China in the event of a conflict over Taiwan. There is also growing concern among Chinese strategists about the growing influence of the Indian navy in the Indian Ocean. In essence, the Chinese feel vulnerable for not being able to protect the vital SLOC between the Middle East and China. Bernard D. Cole, *China Naval Modernization and Energy Security*, prepared for the Institute for National Strategic Studies, National Defense University, 2006 Pacific Symposium, 20 June 2006. <www.ndu.edu/inss/symposia/pacific2006/colepaper.pdf> (Last accessed 10 July 2006).
- 6 This applies to both supply and demand. On the exporter's side, high demand and the inability to deliver supplies to the market leads to high prices, while this generates higher revenues in the short term, it would bring about a world economic slump, leading to a sharp drop in energy demand. On the part of the importers, they need certainty of supply at an affordable price level. It is safe to say that both exporters and importers prefer stability over volatility in the energy market.
- 7 Philip Andrews-Speed, *op. cit.*, p. 2.
- 8 Definition adopted from: Kim Hyun-Jae and Shim Sang-Yul, "Operation and Support of the SOM and Conference for Energy Cooperation in Northeast Asia", *KEEI*, March 2004, p. 9.
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