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RESEARCH ON ENERGY TRADE BETWEEN CHINA AND FIVE CENTRAL ASIAN COUNTRIES

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Abstract

Energy provides dynamic support for social and economic development. China should fully recognize the importance of energy, strengthen energy cooperation with the five Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan), and enhance mutual trust and mutual benefit, which is of strategic significance in national development and economic upgrading. Under the influence of economic globalization, the energy allocation between countries has gradually increased, and the degree of dependence on energy has increased. However, achieving national security and promoting regional development through energy cooperation has become an important method. Different countries have strengthened energy security within the region. Under the initiative of the “the Belt and Road”, China should expand energy cooperation between countries, enhance participation enthusiasm, and innovate energy trade forms.

Keywords: *China; Five Central Asian countries; Energy trade*

China has a large shortage of energy, so we should find energy partners through diversified ways. The five Central Asian countries and China have significant development potential in energy trade. Through the “the Belt and Road” strategy, China has strengthened economic and trade cooperation in energy with the five Central Asian countries, constantly meeting energy demand, strengthening energy security, and promoting economic development of all parties.

Research on the Energy Cooperation Mechanism between China and the Five Central Asian Countries *Advantage analysis*

The advantages of China and the five Central Asian countries in energy trade cooperation are mainly concentrated in policy, industry, modern science and technology, education and other aspects. Especially when the five Central Asian countries were independent, China recognized their sovereign status and

established normal diplomatic relations. With the joint efforts of both sides, the cooperative relationship has become healthier and more stable, which has laid the foundation for energy trade cooperation. China has a large demand for energy and significant potential for economic growth. In particular, after years of development and improvement of the science and education system, China can export more science and technology to the five Central Asian countries.

Disadvantage analysis

Western, Russian and other consortia entered Central Asia to compete for oil and other resources, occupy the oil markets of different countries, and even set barriers to avoid energy cooperation between China and the five Central Asian countries. Faced with this situation, even though China has some advantages in geography and resources, the energy production, transportation, capital settlement and other systems have not been fully established, which makes it impossible to effectively link up the energy cooperation links, and the energy trade influence with the five Central Asian countries is low, so it is unable to provide a comprehensive trade platform for them. China's energy competitiveness in the international market needs further development.

Opportunity Analysis

In the context of the "the Belt and Road Initiative", China should actively promote its relations with the five Central Asian countries in energy cooperation, especially under the influence of economic globalization. Both China and the five Central Asian countries pay more attention to the development of regional economic integration. With this opportunity, China should continue to strengthen its energy cooperation with the five Central Asian countries, and this is also an opportunity to integrate into the development of economic globalization. China, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and other countries have formed the Shanghai Cooperation Organization (SCO), which plays an important role in maintaining regional peace and security, greatly promotes the rapid development of regional economy, and plays a positive role in the correct handling of international affairs. Both its influence and its speech have been enhanced. The

five Central Asian countries have also made obvious achievements in their economic development after their independence, showing a rising trend of development, and the degree of opening to the outside world has also been gradually improved.

Threat Analysis

The civilization of Central Asia is pluralistic, with many nationalities and different beliefs, and the overall situation is sensitive. In particular, the contradiction between the United States and Russia is prominent in this region, which makes different countries and different nationalities have complex relations, buries security risks, and also becomes an important factor affecting the energy trade between the five Central Asian countries and China. Central Asia has important geographical value and outstanding energy value, and all the major countries are engaged in fierce competition for their own interests. At the same time, the five Central Asian countries are in the transition stage of economic development, and have not yet established a more perfect market economy system. However, the imperfect laws and regulations lead to the inability to obtain stable profits due to the impact of frequent changes in investment and other business behaviors, and the overall investment risk is high.

Problems in energy trade between China and the five Central Asian countries

Unbalanced development of energy trade

The five Central Asian countries are rich in energy resources and have outstanding advantages in energy trade. However, different countries have great differences in energy reserves, development technologies, support and other aspects. Therefore, China needs to make adequate preparations and investigations to carry out energy trade with the five Central Asian countries. Compared with the other four countries, Kazakhstan has the most developed energy trade and closer economic relations with China. This is mainly because the energy trade between Kazakhstan and China is more than 90%, its own economic situation is relatively good, and the infrastructure construction is perfect, which provides sufficient conditions for the devel-

opment of energy trade. The energy trade between China and Kazakhstan has established the usual trading path. The other four countries have relatively poor energy trade with China. This is because the four countries are far lower than Kazakhstan in terms of energy trade volume, their own economic development is relatively poor, their energy extraction capacity is low, and the overall infrastructure construction is not perfect. In view of this situation, China needs to think deeply about how to use the development opportunities of the “the Belt and Road” to strengthen energy trade relations with other four countries and strengthen bilateral economic and trade cooperation.

Single energy trade structure

Among the energy trade between China and the five Central Asian countries, the energy trade between China and Turkmenistan and Uzbekistan is mainly focused on natural gas, with the total trade volume of 99.61% and 86.36% respectively. The energy trade with Kyrgyzstan is mainly focused on oil, with the total trade volume of 87.33%. Energy trade with Kazakhstan is mainly concentrated in crude oil, with a total of 92.71%. From this, we can see that China and different countries have obvious unity in the structure of energy trade, with heavy export products. From a long-term perspective, it is impossible to achieve sustainable development of energy trade in Central Asian countries. However, from the perspective of China, China relies too much on the same country in terms of energy imports, which cannot ensure the diversified development of energy imports, and China's energy security cannot be effectively guaranteed.

Relatively backward development of energy industry

The five Central Asian countries are rich in energy reserves, but they have not yet established a sound energy exploitation system. The development of energy technology is relatively backward, making the energy development not matched. Kazakhstan accounts for 1.8% of the world's oil reserves, 0.8% of the world's natural gas reserves and 3.8% of the world's coal reserves. ± Turkmenistan's natural gas accounts for 9.3% of the world's total. However, due to its poor exploration technology, more resources have not been

explored. Therefore, there will be more energy reserves. Among the numerous energy reserves, the energy exports of the five Central Asian countries have not yet been fully opened. The most important factor is the lack of investment and the establishment of infrastructure. In view of this situation, China needs to take advantage of the development opportunities of the “the Belt and Road”, strengthen the infrastructure construction of the five Central Asian countries, ensure the effective exploitation of their energy, promote the improvement of their energy system, and establish a broader energy trade relationship with China.

Unstable energy trade policy and investment environment

Since the independence of Central Asian countries, they have constantly promoted the improvement of economic level through the development of energy trade, and introduced corresponding policies to attract more investment and promote the development of their own energy industry. However, due to the imperfect laws and regulations and frequent changes in economic policies, China's energy trade with them has been seriously hampered. The economies of the five Central Asian countries still have the characteristics of planned economy. As an important strategic material, energy is highly valued. The formulation of energy policies is more political than purely economic, which brings more uncertain factors and risks to the development of energy trade. The political and ethnic issues in Central Asia are more sensitive, which brings more risks to investment. Among the five Central Asian countries, Tajikistan and Kyrgyzstan have the slowest energy trade with China. The main factor is the poor investment environment of the two countries. The overall political situation in Tajikistan is not stable, and energy and resources have become sensitive issues. China's investment behavior cannot be converted into wealth. Its energy trade is easy to cause ethnic problems, and the safety of Chinese enterprise personnel cannot be guaranteed. In the event of a crisis, Chinese personnel are easy to become the target of local plunder. If China wants to carry out energy trade with the five Central Asian countries, it needs a stable investment

environment, and the Central Asian governments need to provide strong guarantees.

Development strategy of energy trade between China and five Central Asian countries

Use SCO to provide policy guarantee for energy trade

After years of efforts, China and the five Central Asian countries have made outstanding achievements in energy trade. The SCO has played an important role in this. The most outstanding performance is the construction of China's Central Asia energy pipeline. However, affected by the actual situation of the five Central Asian countries, the energy trade between the two sides has not yet been guaranteed by a relatively perfect system, which has an impact on the investment confidence of both sides. This requires the SCO to build an energy trade guarantee mechanism, promote extensive cooperation among member countries in energy trade security, investment and other aspects, and promote sustainable economic development among countries.

Maintaining stability in Central Asia under joint cooperation

The instability of the social environment of Central Asian countries will seriously restrict the stable energy trade between them. And China and the five Central Asian countries should take effective measures in the face of extreme forces to safeguard their own interests. SCO should provide communication channels for the security and stable development of Central Asia. China should give play to its responsibilities and advantages as a major country and enhance social stability within a common framework of cooperation.

Promote the improvement of infrastructure construction in Central Asia

The energy trade between China and the five Central Asian countries in the context of the "the Belt and Road" needs to play a role in basic construction, promote the orderly development of basic construction in the five Central Asian countries, and provide sufficient funds. The Asian Investment Bank and the Silk Road Fund should appropriately increase their investment behavior and guide investment between governments. We should strengthen mutual assistance among

member countries so that economic development can be achieved and broader economic and trade cooperation can be carried out. The energy trade between China and the five Central Asian countries needs to play a positive role of the Asian Investment Bank and the Silk Road Fund. The five Central Asian countries can also use these funds to make up for the lack of infrastructure and promote their own construction.

Building sustainable development strategy of energy trade

The energy trade between China and the five Central Asian countries has a single problem. In order to solve this problem, promote the sustainable development of energy trade and create more energy products. China should diversify its energy trade demand and avoid excessive dependence on a single energy product, which may pose risks to its energy strategy. In terms of cooperation in energy products, we should promote the five Central Asian countries to develop more varieties. China uses its policy advantages to create favorable conditions for energy imports.

Concluding remarks

After China's economy entered the new normal, it has paid more attention to high-quality development, which is mainly reflected in the new demand for energy and more attention to green energy supply. Therefore, the demand for oil will not decrease in a short time. At the same time, oil and natural gas are in short supply in the international market. Strengthening the formulation and implementation of energy strategies has become an important task for China's development. China should make full use of its geographical advantages adjacent to the five Central Asian countries, prepare sufficient funds and advanced technologies for extensive cooperation in energy, so that its energy reserves can be strengthened and more oil and gas energy can be obtained. According to the analysis of the energy cooperation between China and the five Central Asian countries, mining and exploration, cooperative trade, pipeline construction, etc. have achieved stable development. The willingness to cooperate between China and the five Central Asian countries continues to deepen, especially under the influence of the development op-

portunities of the “the Belt and Road”, which provides guarantees for energy cooperation among all parties and objectively promotes the development of Chinese industry. Howev-

er, China should deepen energy cooperation according to the actual situation of the five Central Asian countries and promote the sustained growth of economy and trade.

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