Re-shaping regional integration and institutionalization in Eurasia: Rising powers’ energy cooperation in Belt and Road Initiative
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This paper examines how China’s “Belt and Road” Initiative (BRI) is re-shaping regional integration and institutionalization in Eurasia with a focus on multilateral energy cooperation.¹ BRI is essentially a Chinese vision of the future regional integration of Eurasia that, crucially, aims to achieve China’s economic, foreign, and security policy interests through a series of smaller initiatives and projects. As a development initiative with strong geo-political and geo-economical dimension, BRI aims at promoting interconnectivity and cooperation in infrastructure, policy, trade, finance and culture among Eurasian countries. The implementation of BRI is expected to involve plenty of investments, infrastructure constructions and industrial integration, especially in the energy sector. Whilst BRI presents clear opportunities for energy cooperation in Eurasia,² challenges ahead will be as diverse as the BRI countries contain significant divergences in operational and investment risks. These risks and other potential political, economic and social risks require careful planning by policymakers and investors. Currently, a web of investment treaty protections overlay the route, providing means of reducing the risks involved in investment. Nonetheless, due to the advancement of transnational energy cooperation in BRI, a more robust multilateral framework for investment and trade protection is needed. Considering its geographical coverage and investment scale, a successful BRI foresees turning China’s engagement in the Eurasia into more of a regional and multilateral engagement strategy. While China tends not to rely on current multilateral platforms in the region led by the West, for example the Energy Charter, it learns from their experience and advocates non-West oriented institutions, for example the Asian Infrastructure Investment Bank, in promoting and protecting investment in BRI. In the long run, rising powers in BRI will re-shape regional integration and institutionalization in Eurasia, defining geopolitics in the region.

BRI energy cooperation will be built on regional and global energy governance. Due to the transnational scale of the energy projects, energy governance on both regional and global levels will become more important for BRI. In recent years, while there has been a substantial increase in China’s overseas energy investment, relevant trade disputes and cross-border transportation problems have also become prominent. Currently, China has an increasing number of transnational energy projects along BRI, connecting multiple countries together, and hence demands further protection of its overseas energy interests. China still lacks a relevant international legal framework to safeguard its overseas energy investments.³ Chinese enterprises in the front line of BRI, such as CNPC, who are responsible for investment and management, have already started studying the precaution

³ One existing international mechanism China could learn from is The Energy Charter Treaty.
mechanisms of potential risks associated with the transnational energy projects. For example, in a dispute over oil and gas transit, China could find itself unable to settle the dispute through current mechanisms, which are more about operational maintenance and are not legally binding.

While China avoids relying on current multilateral institutes led by the West, it tends to learn from their experience and establish a Chinese-led or Asian-led multilateral institute for promoting and protecting its energy cooperation in BRI. According to “Vision and Actions on Energy Cooperation in Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road”, China “will work with other countries and regions to create the Belt and Road Energy Club, and provide a platform for deeper understanding and wider consensus on energy cooperation for more countries and regions involved in BRI.” The Belt and Road Energy Club serves as a common platform to reduce the above obstacles by promoting consensus building, exchange, and information sharing. The function of the Belt and Road Energy Club is similar to that of IEA and the Energy Charter. China is taking the approach of “learning” useful elements from existing international energy organizations and “pasting” them onto its own system after modification. Chinese energy cooperation in BRI is also attached to other organizations, like the Asian Infrastructure Investment Bank, the Silk Road Fund, the Shanghai Cooperation Organization, and the South-South Cooperation Fund on Climate Change. These organizations represent different areas of interest for China, including infrastructure, finance, security, and climate. These organizations may cooperate or compete with the existing institutes in the region. Although such a process may take years, it will impact the role of existing institutes and rebalance the energy governance in the region over time.

In conclusion, a more robust multilateral framework is needed and expected for successful energy cooperation in BRI. While China avoids relying on current multilateral institutes led by the West, it tends to learn from their experience and establish a Chinese-led or Asian-led multilateral institute for promoting and protecting its energy cooperation in BRI. BRI is not a unique case. Its development is similar to the path taken by other regional integration, which often began with regional economic promotion and evolved to regional security maintenance and eventually regional institutional integration. It is just a matter of time before BRI reaches this level. Over time, the establishment of a new regional institution could compete with existing institutes and challenge the current geopolitical order in Eurasia, enabling the rise of China to be unrestrained.

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