



THE JAMES A. BAKER III
INSTITUTE FOR PUBLIC POLICY
OF
RICE UNIVERSITY

JAPANESE ENERGY SECURITY AND CHANGING GLOBAL ENERGY MARKETS:
AN ANALYSIS OF NORTHEAST ASIAN ENERGY COOPERATION AND JAPAN'S
EVOLVING LEADERSHIP ROLE IN THE REGION

*CHINA-RUSSIA ENERGY COOPERATION:
IMPETUSES, PROSPECTS AND IMPACTS*

XIA YISHAN

CHINA INSTITUTE FOR INTERNATIONAL STUDIES

PREPARED IN CONJUNCTION WITH AN ENERGY STUDY SPONSORED BY
THE CENTER FOR INTERNATIONAL POLITICAL ECONOMY
AND
THE JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY
RICE UNIVERSITY – MAY 2000

I. Energy Cooperation Between China and Russia: An Overview

Russia has abundant oil and natural gas resources in Siberia and its Far Eastern region. However, these resources had been irrelevant to China for a long time. Sino-Russian cooperation in the energy sector was only made possible by changes in the international situation in general and in Sino-Russian relations in particular during the early 1990s. Since then, such cooperation has been growing steadily.

1. The natural gas project at Kovyktin in Irkutsk, Eastern Siberia

Prospecting, Production and Pipeline Construction

The two sides have completed the preliminary feasibility studies of this project, including the construction of a pipeline from Irkutsk to China. The research findings show that the project is technically and economically feasible, either in terms of the total volume of Kovyktin's gas reserves or with a view to China's growing needs for natural gas. To expedite the feasibility studies, the two sides have decided to undertake supplementary prospecting at the field. The feasibility studies are mainly undertaken by the China Petroleum and Natural Gas Corporation and the Russia Petroleum Company. Some other oil and gas companies in Russia that are interested in the project are also involved. South Korean companies may be invited to participate in the studies. The feasibility studies are to be completed by next year so that the construction of the gas field and the pipeline construction will begin as soon as possible, and gas may be supplied to China and possibly Korea and other third countries.

2. The gas project at Urengoy in Western Siberia

Prospecting, Production and Pipeline Construction

China and Russia have begun conceptual studies on this project. The China Petroleum and Natural Gas Corporation and the Russia Natural Gas Industrial Company Limited have respectively completed their research reports and had an exchange of views. The two sides are planning to prepare a joint report this year, and will review and revise the report in the first half of next year, with an assessment of the maximum supply from this field and the unit price and how much natural gas China needs from Russia.

3. The Chayankin and other gas fields in the Sakha Autonomous Republic

Prospecting, Production and Pipeline Construction

The China Petroleum and Natural Gas Corporation and the Sakha Oil and Gas Company have jointly undertaken analyses and studies of the reserves and the exporting capacity of the field. The two sides have taken an on-site survey of the direction of the pipeline, preliminarily determined the geographical locations of the potential consumers and reviewed the potential natural gas markets along the pipeline. The two companies have successfully cooperated and made great progress in the preliminary feasibility studies of the project. The preliminary studies on the pipeline from Sakha to China will likely be completed in the middle of this year. The next phase, namely the feasibility studies, may begin thereafter.

4. Construction of an oil pipeline from Eastern Siberia to China

The China Petroleum and Natural Gas Corporation, Russia Pipelining Company and Yukos Petroleum Company have by and large completed the preliminary feasibility studies of this project. The research findings indicate that the project is both technically and economically feasible. The two sides are prepared to take up feasibility studies as soon as possible and complete these studies by the end of next year. Oil may be supplied to China as early as the year 2005.

5. Exporting Sakhalin off-shore gas to China and exporting liquid natural gas to South China

The two sides have decided to begin discussions soon, exploring the possibilities. The Prefectural government, the Russia Petroleum Company, and some other Russian oil companies are very much interested in this project.

6. Extensive cooperation between China and Russia in oil and natural gas will be carried out in the following areas:

1) The Russian side is to provide China with crude and refined oil in specified quantities on an annually increasing basis and at mutually beneficial prices and transportation expenses as agreed upon by both sides.

2) In exchange for crude oil that China produces at Akchubinsk Oil Field in Khazakistan, Russia's Yukos Company will export its crude oil to China or other countries.

3) China and Russia will carry on technical cooperation in laying natural gas pipelines and taking on other infrastructure projects, setting up a nation-wide power supply network and improving the existing natural gas supply network in China.

4) The two sides will carry out scientific and technological cooperation in underground gas storage, designing and operation of long-distance natural gas pipelines, etc.

5) The two sides will continue to cooperate in prospecting natural gas and constructing gas fields in both countries.

7. China-Russia cooperation in other sectors of energy

1) The two countries are jointly building a nuclear power station at Lianyungang, Jiangsu Province with an installed capacity of 2 million kw. The project, which was initialed in September 1999, is proceeding very well.

2) The two sides have made progress in erecting power transmission lines and in analyzing and assessing the project of transmitting electricity from Irkutsk Prefecture to China. Preliminary research findings show that the project is both technically and economically feasible.

3) Russia will provide equipment to Chinese power plants and stations and participate in technical innovations in some of China's energy projects.

Owing to the support and encouragement from the two governments and with joint efforts by the local authorities and the companies concerned, China and Russia are making steady progress in tapping oil and gas resources. Bilateral cooperation is broadening and deepening with the following characteristics:

- It is broadening in scope now incorporating exploration, production, storage, pipelining and supply network instead of pipelining alone.

- All-round technical cooperation covers all areas including production, transportation, storage and multi-purpose utilization instead of trading alone.
- There is an increased number of oil and natural gas fields in Russia that are involved in cooperation with China. Bilateral cooperation began with the Kovyktin Gas Field in Irkutsk. Followed by other oil and gas fields in Eastern Siberia including those in Sakha. Now a number of oil and gas fields including the Urengoy Field in Western Siberia and those offshore fields in Sakhalin in the Far East are also included.
- A growing number of Russian companies are participating, in addition to the China Petroleum and Natural Gas Corporation and the Russia Petroleum Company, so as to speed up the feasibility studies of the Kovyktin Gas Field.
- Efforts are being redoubled to expedite the feasibility studies on the project of shipping oil and gas by pipeline from Eastern Siberia to China. The studies are scheduled to be completed by the end of next year. The two governments will sign agreements based on the feasibility studies. Oil and gas will be exported to China from Eastern Siberia earlier than from Western Siberia and Sakhalin. There are broad prospects for China-Russia cooperation in oil and natural gas.

II. Impetuses

There are both domestic and external factors, and both economic benefits and politico-security concerns that drive China-Russian cooperation in oil and natural gas.

1. The easing of tensions in Northeast Asia and in the world after the Cold War was ended, and the improvement and furtherance of Sino-Russian relations provide a good environment and necessary conditions for bilateral energy cooperation. During the Cold War years, the overall environment for such cooperation simply did not exist as tensions ran high in Northeast Asia and the world, and China and the Soviet Union parted as allies and moved toward confrontation. As the Cold War came to an end, the two countries began to develop a new type of state-to-state relationship. Since the establishment of diplomatic relations between China and the new Russia in December 1991, the relationship has been upgraded three times. It was characterized as “good-neighborly and

mutually beneficial” in December 1992; as “constructive partnership” in September 1994; and as “strategic partnership of coordination” in April 1996. The strategic partnership of coordination, a totally new type of state-to-state relationship, has the following features:

1) It is not based on the commonality of ideology. Rather, it is free from ideologies. Entirely based on national interests, the relationship is solid and long lasting.

2) It is non-allying, non-confrontational and not against any third country. Non-alliance means that the two countries do not form any alliance, nor will they in future. By non-confrontation, it means that the two countries maintain friendly ties instead of confronting each other. Its focus being not against third countries means that such a partnership is exclusively for safeguarding the national interests of the two countries and is by no means aimed at opposing any third country. Such a relationship, therefore, conforms to the trends of the time, helps both countries improve and develop relations with third countries and is conducive to peace and stability in Asia and the world. In the past four years, this relationship has been growing in depth, encompassing all areas -- political, economic, cultural, scientific/technological, diplomatic, etc. Sino-Russian relations are better than ever before. It should be noted in particular that upon assuming office as Russia’s top leader after Yeltsin, President Putin announced that he would continue to pursue his predecessor’s China policy and take measures to strengthen Russo-China strategic partnership of coordination. Smooth development and good prospects of Sino-Russian relations will provide the political guarantee for bilateral cooperation in oil and natural gas between the two countries.

2. The fact that Russia has abundant oil and natural gas reserves in Siberia and the Far Eastern region and that China has a growing demand for oil and gas forms a realistic basis for Sino-Russian cooperation in this area. Russia is second only to the OPEC in potential output and export of oil and natural gas. Russia accounts for 13% of the world’s total petroleum reserves and 45% of natural gas reserves. In the next few years, Russia’s annual natural gas output will remain about 660 billion cubic meters, and its annual petroleum output will continue to be the present level of 361 million tons. Russia’s oil and gas resources are mainly located in Siberia. Western Siberia has 1200

billion cubic meters of proven natural gas reserves, of which 870 billion cubic meters are in Eastern Siberia. The combined output of natural gas in these two regions accounts for 92% of that of all Russia. The petroleum output of the two regions is 67% of that of all Russia. This shows that Siberia has sufficient extra oil and gas for export to China.

For the past two decades, China's economy has been growing rapidly, with a steady increase of oil and natural gas consumption. But China's domestic production cannot fully meet such needs, leaving a huge gap between demand and supply. In 1993, China became a net petroleum importer for the first time. Since then, the gap has been widening with each passing year. China imported 9.81 million tons of oil in 1993, 13.93 million tons in 1996, 33.85 million tons in 1997, 29.22 million tons in 1998, and 43.81 million tons in 1999. It is estimated that imports will total 50 million tons in 2000. China began to use natural gas rather late at a low level of consumption. Natural gas accounts for only 2.1% of China's total energy consumption. In 1989, China only consumed 13.7 billion cubic meters at an annual growth rate of 5.22 since that year. The natural gas consumption was 13.99 billion cubic meters in 1990, 14.91 billion cubic meters in 1991, 14.81 billion cubic meters in 1992, 15.574 billion cubic meters in 1993, 17.342 billion cubic meters in 1994, 17.74 billion cubic meters in 1995, 18.488 billion cubic meters in 1996, and 19.566 billion cubic meters in 1997.

The government is trying hard to change China's composition of energy consumption with more consumption of clean fuel for better care of the environment. One may conclude, therefore, that there will be a considerable increase in China's natural gas consumption in the future with a much greater proportion of gas consumption in China's total energy consumption. In recent years, China has accomplished a great deal in exploring natural gas fields. Huge oil reserves have been discovered in the Bohai Gulf waters with a potential yield almost as large as the Daching Oil Field. Abundant natural gas reserves have been discovered in Tarim Basin, Xingjiang, Qaidam Basin in Qinhai Province and the border areas of Shangxi and Gansu Provinces and the Ninxia Autonomous Region, and the Chengdu-Congqing Basin with combined reserves of 2.6 billion cubic meters. However, all this is far short of meeting China's growing demand for oil and natural gas. It is estimated that there will be a shortage of 50 million tons of petroleum in 2000, which will gradually increase to 100 million tons by the year 2010.

The shortage of natural gas in 2000 would be 25-30 billion cubic meters, and it will reach 60-97.7 billion cubic meters by 2010, and 200-231.3 billion cubic meters by 2020. The Yangtze River Delta is the area where the need for natural gas is growing the fastest. According to an economic survey, the annual natural gas consumption in this area will reach 4 billion cubic meters by 2003, 10 billion cubic meters by 2005 and 20 billion cubic meters by 2010.

3. Russia is eager to increase energy cooperation with China in order to overcome its economic and social crises. Russia has been plagued with economic and social crises ever since the breakup of the former Soviet Union. Its GDP has dropped by 50%. According to Soviet and Russian documents, the GDP of the Soviet Union was 69 % of the U.S. and Russia's GDP is only 10% of the U.S. now. (See the Russian newspaper Independence December 30, 1999 and Putin's article entitled Russia Enters the New Millennium published on the Internet). By some Russian scholars' estimates, it is even less. The Russian economy is in the worst condition in their history.

The energy sector plays an important role in Russia's economy, and energy export is a major source of the government revenues (50%). However, investment in energy development has sharply decreased due to the nationwide economic crisis. Such investment in 1996 was less than 50% of 1990, and consequently the oil and natural gas production dropped continuously. Compared with the record level at the end of the 1980s and the beginning of the 1990s, oil output in 1998 had dropped by 48%, and natural gas by 6%. Outdated production facilities and technology, frequent occurrence of accidents and low efficiency in the use of energy in Russia, in addition to the sharp decrease of oil prices in the world market during 1997-98, have inflicted extreme difficulties on Russia. The decreasing revenues of the federal and local governments have aggravated the conflicts between the federal and local governments and in society, causing social unrest and turmoil. The rebound in the world oil prices in 1999, reaching US\$30 a barrel, brought about huge extra earnings from petroleum exports from Russia, about US\$14 billion in total. But most of the money was spent on paying for overdue salaries and pensions and the war in Chechnya. Only a tiny portion was invested in technical innovations for the energy industry.

Russia's energy sector is still suffering from a serious shortage of funds, outdated technologies and low productivity. To ease economic difficulties and social conflict, it is necessary for Russia to increase investment in the oil and natural gas industry, raise production and increase sales. Energy cooperation with China, therefore, will help Russia reinvigorate and develop its energy industry and recover its economy as a whole. Siberia and Russia's Far East will benefit directly from Sino-Russian energy cooperation with ensuing marked improvement in the local economy.

In the meantime, Russia's energy security situation has deteriorated and become more complicated. According to Russian experts, the problems are, inter alia:

1) Certain countries and major corporations take a discriminatory approach toward Russia in the international oil and gas market.

2) Barriers have been created for Russia's oil and gas export through territories of third states or straits.

3) Unstable situations in certain places where Russia's oil gas fields are located, or in areas through which pipelines pass, threaten normal production and transportation.

4) The sharp drop of oil and gas prices in the world market has struck a heavy blow at Russia's oil and natural gas production. Earnings from oil and gas exports were reduced by about as much as US\$ 10 billion in 1997-98.

5) Some of Russia's border areas rely upon foreign countries for energy supply.

To ensure its energy security, Russia needs China's cooperation in oil and natural gas in the areas of exploration, production, transportation and marketing. The reasons are:

- As China and Russia share a common border, oil and gas pipelines need not run through any third country. Transport, therefore, is convenient and low-cost.
- The situation is stable in the regions where oil and gas fields are located and the pipelines pass, thus ensuring secure production and transportation.
- 3) With growing oil and natural gas consumption, China is a large potential market for Russian oil and natural gas.
- 4) Good state-to-state relations ensure for long-term cooperation in oil and gas between China and Russia.

With a view to overcoming its economic and social crises and ensuring its energy future, Russia finds it necessary to make vigorous efforts to strengthen energy cooperation with China. For this reason, Russia's Federal Government and the local governments concerned take a great interest in such cooperation and call for wide-ranging and in-depth cooperation with China.

4. Energy cooperation with Russia in oil and natural gas and increased imports from that country conform to China's policy of diversifying its energy supply and enhancing its energy security.

China's energy policy can be summarized as follows: Mainly relying on domestic efforts while increasing international cooperation; utilizing both domestic and foreign resources and markets; vigorously carrying out various forms of international cooperation on the basis of equality and mutual benefit; exploring for foreign oil and gas reserves; undertaking construction and labor projects in foreign countries; establishing a stable import and export oil market; and ensuring a long-term and stable supply nationwide. With the implementation of this policy, China has made giant strides in the development of its domestic oil and gas industry in recent years. By 1998, China's annual oil output had reached 161 million tons, ranking 5th in the world and 23.2 billion cubic meters of natural gas, ranking 19th in the world. In the future, China will make greater efforts to develop offshore oil, maintain the level output of its oil fields in East China and speed up development of its oil fields in West China, so as to ensure 60-70% of its energy needs. China will also expand exploration and the scope of use of natural gas to substitute a portion of oil consumption.

In February of this year, to implement its strategy for massive development of China's west, the Chinese Government decided to initiate a giant project of piping natural gas from the fields there eastward. China's natural gas reserves are mainly located at the Tarim Basin, the Qaidam Basin, the Shangxi-Gangsu-Ninsha border areas and the Sichuan Basin, with total reserves of 2.6 billion cubic meters, which is 86.7% of all natural gas reserves on the Chinese mainland. This project is meant to pipe natural gas from those regions to the Yangtze River Delta and the vast expanse of central and eastern

China. The Tarim Basin possesses an accumulated proven reserve of 419 billion cubic meters of natural gas. About 600 billion cubic meters more may be discovered in the next 5-10 years. That would add up to a total of accumulated proven reserves of 1,000 billion cubic meters. That will provide additional insurance for gas supply to central and eastern China from China's western region. The major part of this project is the pipeline from Xinjiang to Shanghai, which is 4,200 km in length. By mid-2001, the construction of the pipeline and the gas production facilities at lower ranges will begin simultaneously. Gas supply will begin in 2003 with an annual supply capacity of 12 billion cubic meters for the first few years. It will gradually increase to 25 billion cubic meters by 2010 with further prospecting and the expansion of the market at the lower ranges. Stable supply will be assured for three decades and more. Investment in the project for the first phase is earmarked for RMB 120 billion (US\$14.4 billion). The completion of this project will improve the balance between demand and supply in Central and East China, and particularly in the Yangzhe River Delta, and increase the proportion of consumption of natural gas in China's pattern of energy consumption.

The project may greatly ease the short supply of natural gas in Central and East China, but it will not fully meet the need for natural gas in this vast area. For instance, Shanghai alone needs 3.8 billion cubic meters by 2005 and over 7 billion cubic meters by 2010, and it will continue to increase thereafter. In view of this, China is vigorously engaged in oil and gas production in some foreign countries in order to diversify its sources of oil and natural gas. The Middle East and Africa are the major regions China is engaged in oil and natural gas production and imports oil and natural gas from both. In 1999, China's petroleum imports from the Middle East accounted for 46.2% of its total oil import, while 19.8% was from Africa, 18.7% from the Asia-Pacific region, and 15.4% from other regions. As far as China-Russian oil trade is concerned, except for some barter trade, China only imported 14,000 tons of light diesel oil from Russia in 1999. There is a relatively high risk for China to engage in oil production, purchase and shipping oil from the Middle East and Africa. This is because these two regions are unstable, shipping through the Strait of Malacca is vulnerable, as armed pirates frequent the seaways, the shipping route is long, and expenses are high. China is therefore prepared to shift from the Middle East and Africa to neighboring countries for outside

production, purchase and import of oil and natural gas. China has taken measures to enhance cooperation with Russia by speeding up the exploration efforts and construction of oil and natural gas fields in Siberia to increase imports of Russian oil. This will help China diversify its energy supply and ensure for stable supply and national energy security.

III. Unique Features of Sino-Russian Cooperation in Oil and Natural Gas

Increased cooperation between China and Russia in this area has the following features:

1. It is mutually complementary. Russia has rich oil and gas deposits while China has a huge, ever expanding market for oil and gas. Russia can get funds necessary to revitalize and develop its economy while China can get energy supplies from Russia for the modernization of its national economy and the improvement of the people's life. The two countries are not rivals, but beneficiaries in this cooperation.

2. It is massive in scale. All joint projects, whether the natural gas fields in Eastern and Western Siberia, or the oil project in Irkutsk, are very big. Including the gas fields in the Sakha Republic and the oil and gas fields in Sahalin, Russia will eventually provide to China more than 50 billion cubic meters of natural gas and over US\$30 billion for investment. The completion of these projects will help raise the level of Sino-Russian economic cooperation and trade to a new high.

3. Energy cooperation has vigorous support and encouragement from the two governments, local authorities and companies concerned in both countries. It has been one of the top agenda items at every meeting between the two premiers. During the upcoming meeting, the two sides will sign an agreement on research and implementation of the natural gas projects in Eastern Siberia and make decisions on other matters of bilateral cooperation in oil, natural gas and other energy sub-sectors. Siberia and Russia's Far East have big stakes in Sino-Russian oil and gas cooperation, which is

naturally backed up by the Prefectural governments and the governments of all autonomous republics in this region. The Sakha Autonomous Republic government takes a very active approach toward Chinese participation in the natural gas projects in the republic and with satisfactory results. An increased number of Russian petroleum and natural gas companies have joined.

4. This cooperation is becoming more and more extensive. It covers exploration, R&D, transport, storage, utilization, pipeline construction, investment, technical exchanges, etc. in the upper, middle and lower reaches of the industry.

5. China-Russia energy cooperation is not exclusive though it is mainly bilateral in nature. It is open to other states, for investment, technology, joint prospecting and exploration, pipeline construction at all reaches -- upper, middle and lower. Companies from the U.S., Japan, South Korea and other countries have for many years undertaken feasibility studies on joint development of oil and gas resources in Eastern Siberia and on building oil and gas pipelines to China -- ready to join in multinational cooperation. Earlier, BP Amoco bought 10% of the shares of Russia's Siberia Far East Petroleum Company (SIDANKO) under the supervision of Russia's United Import and Export Bank. Therefore, the project of exploring and transporting Russia's oil and gas in Siberia is actually a multinational one. However, China and Russia play the major role. This is only natural as Russia owns the resources, and China is the biggest consumer of Russian oil and gas. Anyhow, without China and Russia, it would not be possible to undertake the project. Meanwhile, as this project may cost over US\$10 billion, participation by big, experienced companies from the U.S., Japan, South Korea and Europe is necessary. Multinational corporations not only provide funds and technology, but also share the ventures. China, Russia, the U.S., Japan, South Korea and other partners should work together to strengthen coordination for joint development and shared benefit.

IV. Impact of Russian Oil and Gas Cooperation

Sino-Russian cooperation is growing in scope and depth with the participation of other foreign partners. Successful cooperation will benefit not only China and Russia,

but other partners; it will bring about not only enormous economic returns, but have major social impact; it will not only promote prosperity and stability in Northeast Asia, but it is conducive to peace and development in the world as a whole.

The major impact of Sino-Russian cooperation in oil and gas is manifested in the following:

- 1.** It will increase Russia's export of oil and natural gas, bringing in huge foreign exchange earnings, easing up the fiscal and budgetary deficits of the Federal Government and local governments and help to bring about the recovery of Russian economy, thus promoting social stability in the country. Siberia and Russia's Far East are the biggest beneficiaries from this cooperation. Persistent political and economic crises, since the new Russia was born, have rendered the whole country into an economic recession. The situation in Western Siberia and the Far East region has been more serious than the rest of the country. The GDP of these two regions has dropped by 60%. Due to bad conditions, including the weather and transportation, in addition to the withdrawal of the preferential treatment and subsidies given by the central government of the Soviet Union, the life of the people there is extremely difficult. Many people have moved out of the regions, and the birth rate and life expectancy have been gradually decreasing. As a result, the local population has decreased by 20 % over the past eight years. Sino-Russian cooperation in oil and natural gas will create tens of thousands of jobs for local people, meet the energy needs of the localities the oil and gas pipelines run through, facilitate the development of related industries and all economic sectors in the locality, and promote prosperity, better living conditions and social stability in the entire regions.

- 2.** It enables China to have one more source of stable oil and natural gas supply. It will help China diversity its import of oil and gas from abroad, enhance its energy security and ensure for steady and stable development of its national economy. Until now, China has invested in petroleum production in and imported oil from the remote Middle East, Africa and South America. As oil has to be shipped across the vast oceans and past instability in the producing countries along the shipping routes, safe production and transportation cannot be assured. In such circumstances, China needs to seek new

sources of oil supply. It is all the more necessary to import oil and natural gas from neighboring land countries. China has purchased most shares of Kazakstan's Ahkchubinsk and Utin Oil Fields and is ready to undertake the project of building a pipeline from Kazakstan to China. Moreover, China has decided to invest in oil and natural gas production in Russia and import oil and natural gas from that country. This is very significant to China for the diversification of oil and gas imports and for the insurance of overseas supply and safe transport.

3. Sino-Russian oil and gas cooperation is not exclusive of other countries. Companies of the U.S., R.O.K., Japan and Europe are all encouraged to join in with investment and technology and will benefit from such multinational cooperation. This is particularly the case with Korean and Japanese companies, because the R.O.K. and Japan are big potential consumers of Russian oil and natural gas. It will help facilitate relations of friendship, cooperation and mutual trust among the participating countries.

4. Sino-Russian cooperation with the participation of other countries as mentioned above will not only help promote peace and stability in Northeast Asia, but also contributes to peace and stability in the world as a whole.

Russia's Siberia and Far East region are very different from the Caspian Sea countries in terms of oil and natural gas production. International media customarily describe all forces entering that region for the rivalry of energy resources there. This region is considered to be one of the world's potential unstable regions, for there are numerous outstanding problems -- historical, legal and geopolitical. There are no such problems in the regions and localities where China and Russia cooperate. There are no territorial disputes in the areas where oil and gas fields are located and neither is there any conflict of interest among the countries concerned. There will be only commercial competition without big-power rivalry in the development of the energy industry there. Therefore, the fact that other countries join Sino-Russian cooperation will help facilitate multinational cooperation, promote prosperity in the localities and promote peace, stability and development in Northeast Asia and the world.