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Potential Energy Trading Efficiencies of China in Collaboration with Japan and South Korea in Eurasian Energy Markets

Emre G. Bozdağ^{a*}

^aGazi University, Ankara 06500 Turkey

Abstract

Recently, the oil and gas prices globally are down in the world. The price of energy partly depends on economic recession in People Republic of China (precisely China). It is an macro economical circumstance. In this study, with taking to consider the seventeen years period, it is trying to find an answer to: if China independently or in coordination with another super economies- Japan and South Korea (precisely Korea) can be overcome with energy safety and can be an important part of the oil and gas bargaining in Eurasian (Central (Middle) Asia, Azerbaijan, Iran, and Russia) oil and gas markets with taking a stand against the other superpowers which are also the big players of the energy market in the world. Today the problem is about recession – and decreasing energy demands. But on the next years the problem will be as an increased energy costs in boom cycle period of economies. The energy investments are crucial for economic growth. In this study, it is focused on, geographical closeness, which is so important for energy investments. Because of this, Eurasian energy resources are more important for China, Japan and Korea.

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* Corresponding author. Tel.: +90-312-216-1130.

E-mail address: emrebozdag@yahoo.com

1. Introduction

The study is about the collaboration efficiencies of energy cooperation between China, Japan and Korea. All of these countries are three of the big developed countries. Also, because of this, their energy consumptions in industry and in households' environment are larger than the developing countries. All these three countries have a large importation energies from the big petroleum (crude and derivatives) and natural gas exporters in the World. China Japan and Korea are the neighbors in the same geographic part: East Asia. Especially, China has also owned a rapid economic growth for at least twenty years. Calder (2005) and Katz (2013) summarized the contemporary trade relationships between China and Japan. Zweig & Jianhai (2005) explain the awareness of Chinese bureaucracies of the importance of agreements of China, Japan, and Korea on the crucial role of geography for safe energy transportation to North East Asia. Also, Liao (2007), has considered the historical experiences could make possible of energy cooperation between China and Japan. On the contrary that, Hu & Ge (2014) has pointed to Russian clashes with EU would make intensify of the North East Asian market especially between China and Japan.

Sustainability of this economic growth is depending on energy safety which is an important factor in income growth. China, Japan and Korea are giving importance to make easy to obtain cheaper energy and to make safe energy trade lines (whether by pipelines or by maritime transports). For two decades and a half the new oil and gas fields in Russia, Caucasus, and Middle Asia (precisely Eurasia) have been new alternative energy resources in the world. China and other developed countries -European Union (EU), USA and India- have contended with each other on oil and gas concession and distributing arrangements by their companies in the Middle Asia (Kazakhstan, Turkmenistan) and Azerbaijan. Although China has geographical advantages in this contest, she was late to invest directly in energy industry in the Middle Asia. Asian, European, American and Russian companies have important part of the large energy consortiums in Eurasian reservoirs, which are in operation. However, China and Russia have led an outstanding economic institution, namely "Shanghai Cooperation Organization" (SOC) since April 1996. This cooperation has provided energy agreements and linkages between the China and some former Soviet Union countries Kazakhstan, Russian and Uzbekistan (three founder members of SOC) which are the active (or potential) oil and gas exporters. China has developed energy trading and investment relations with especially Kazakhstan, Uzbekistan, even with Iran (an Observer State of SOC) and Turkmenistan (a Guest Attendance State of SOC) (Christensen 2011).

Japan is one of the most important economies in the world and she is not far from the Eurasian energy fields which are mentioned above. But there is a sea "Japan sea" between the Japan and Russia-China where are near and owner of the energy fields. Even though Japan is trying to decrease her dependency to foreign energy sources because of a planning to make less carbon emission for her ecology, needs energy more for economic sustainability. Japan did not make significant relationships with Eurasian countries in energy case. But the EU and other developed countries (especially China) which have invested to alternative oil and gas resources in Eurasia. These energy fields are the new discovered oil and gas reservoirs rather than Gulf countries'. Euroasian reservoirs are nearer than the North African and American reservoirs to the China, Japan and Korea. Therefore all the three of them need to these Eurasian resources. Their challenges with other developed countries on oil and gas energy is inevitable in these circumstances (Jisi 2005).

2. Methodology

The study is about the efficiencies of energy collaboration possibilities for China, Japan and South Korea by opposite to other big oil and gas importer economies in the World. These possible opposite (rivalry) economies on energy importation are European Union (27 Countries), USA, and India. The strategic oil and natural gas regions concerned in the study are on the Asia, which are Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan. The period which is interested in, is interim of 1995-2012. The framework of the study is based on Two Player Zero Sum Game Theory Analysis (Henderson & Quandt 1986; Dorfman et. al. 1987).

The analysis is taken on in three parts.

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