

Overview on the Middle East Developments and the New Model of China-U.S. Relations

Shanghai Institutes for International Studies

By YANG Jiemian July 2015

The China-U.S. relationship is one of the most important bilateral relations in the present world and is rich in both context and content. In June 2013, Presidents Xi Jinping and Barack Obama agreed to build up a new model of major power relations, or NMMPR. The NMMRP has since experienced both advances and setbacks. In order to further the NMMPR process, both China and the United States need to find new momentum by, for instance, expanding their cooperation on issues in the Middle East.

Global and regional frameworks for China-U.S. cooperation on issues in the Middle East

The general situation in the world and the Middle East calls for closer cooperation between China and the United States.

First of all, the globalization and information revolution has increasingly bound the world together as a whole entity, which requires China and the United States to join their efforts in order to meet the various challenges ranging from climate change to international terrorism.

Second, the two countries have already built an all-prevailing network of material interests and cultural exchanges. On the positive side, the two countries could benefit immensely from cooperation in various fields such as economic and people- to-people relations. On the negative side, they cannot afford a head-on confrontation, as the stake is too high to come to bear.

Third, because of their involvement in the Middle East, both China and the United States need each other. China is entering a new stage of relations with the Middle East and confronting challenges, including anti-terrorism, religious extremism, and energy security. Two opposing forces are pulling the United States. On the one hand, the United States should continue the course of with-

drawing military forces from the Middle East and reducing its involvement, thus benefiting the shifting U.S. gravity toward the Asia-Pacific region. On the other hand, the United States can hardly shift its strategic concerns from the Middle East and concentrate its strategic attention in the Asia-Pacific region. As a matter of fact, the U.S. Secretary of State John Kerry seems to be busier with Middle East affairs than with the Asia-Pacific region.

Lastly, China and the United States want to ensure more predictability and stability in and related to the Middle East. Both China and the United States are global powers and have the responsibility to ensure peace and stability by responding effectively to issues such as the Arab Spring, the Palestinian/Arab-Israeli conflict, Gulf region instabilities, and newly emerged Islamic State of Iraq and al-Sham, or ISIS, issues.

New developments of the NMMPR

President Xi and President Obama formally endorsed the notion of building up a NMMPR between China and the United States at Sunnylands, California, in early June 2013. Since then, the two presidents, as well as other key officials, have repeatedly confirmed their commitments and worked at translating these notions into reality. Given the fact that the China-U.S. relations have seen both positive and negative developments, the two countries need to expel their strategic suspicions and expand strategic trust in order to advance the course of NMMPR in the future.

The positive developments

China-U.S. cooperation on Middle East issues is of strategic importance. First of all, both China and the United States have more constructive interaction in the Middle East than in some other regions of the world. For instance, in the Middle East, China does not intend to rebalance the United States but rather cooperate with it. The two countries have overlapping interests in the Middle East in maintaining peace and stability of the whole region in general and the Gulf subregion in particular by promoting the Arab/Palestine-Israel peace process; safeguarding the vital energy supply line; and supporting orderly and peaceful transitions of political, social, and economic systems in the countries concerned.

Moreover, both countries are facing new challenges related to international terrorism given the latter's trend toward regrouping and even so-called state building. However, international terrorism is not an isolated phenomenon and is closely related to economic poverty and social stagnation, which results in hotbeds for radical ideologies and extremist movements. China and the United States have realized the seriousness and damage that terrorism and extremism could bring to the region, as well as the world. There has been increasing awareness between the two countries to join their efforts in order to tackle the root causes and symptoms of terrorism.

Furthermore, the two countries must cooperate with other actors on Middle East hotspot issues. China maintains good relations with almost all the countries in the region. The United States is the most important actor in the Middle East. China and the United States, together with the European Union and Russia, succeeded in averting a war on the Syrian chemical weapon issue. More importantly, China-U.S. cooperation facilitated the easing of the U.S.-Iran tensions, resulting in more conducive conditions for the overall improvement of the Gulf region.

Last but not least, China and the United States are conducting regular consultation on Middle East affairs and furthering institution building. According to relevant arrangements of the fourth round of the China-U.S. Strategic and Economic Dialogue, the two countries started the process of consultations on Middle East affairs at vice foreign minister level in August 2012. Although these institutionalized efforts are still at their initial stages, they represent a good beginning.

Difficulties and challenges

However, not all the news is good. As for the NMMPR, there is a possible hard choice. Now, the two countries are confronting the challenge of whether they could continue this course or instead give it up for lower but more achievable objectives. There are also difficulties and challenges in the China-U.S interaction related to Middle East affairs.

First, China and the United States have different—sometimes even colliding—philosophical and guiding principles. China has kept the principle of noninterference in internal affairs, especially in face of sudden and drastic changes resulting from the Arab Spring. The United States has stressed its leadership and the responsibilities to protect. The two countries differed in their policies in the Second Iraq War, the Libyan War, and Syrian Civil War.

Second, the two countries differ in their strategic weights and strategic goals related to the Middle East. So far, the United States is the most important outside player with political, economic, and military leverages, thus adhering to its dominant positions of international involvements. China's strategic goals and actual influence are much smaller and greatly restrained by its limited strength. Therefore, the two countries are actually asymmetrical in their interaction in the Middle East.

Third, both countries have problems readjusting their respective strategies and policies concerning the Middle East. The United States has the difficulties of winding down its involvements in the Middle East and maintaining a balance among different geopolitical forces. It also has to contemplate the extent that it allows China to play a greater role without damaging its vital interests. China is facing a dilemma too. China's stakes in the Middle East have risen in recent years. This calls for China to play a greater role and assume more responsibilities. But this will ask China to change its strategic thinking and actual policies dramatically and, in some cases, drastically. Besides, there is a big gap between China's real capabilities and the expectations from the countries concerned.

China's strategic visions and goals

Despite the fact that the current international situation and developments in the Middle East are undergoing tremendous changes with a lot of uncertainties and unpredictability, we still can detect the general trends and set up strategic goals accordingly.

China's strategic visions

Looking toward to the next 5 to 10 years and beyond, there are three trending developments related to China-U.S. interaction over Middle East issues. The most important trend is the directions of developments in the Middle East. The four-year ongoing upheavals in the region are the combined results of political dynamism, economic stagnation, social instability, religious conflicts, and an upsurge in terrorism. These upheavals have deep-rooted reasons and profound effects and will continue to unfold in the coming years. Moreover, these developments would still evolve in a direction of compound complication. In addition to the perennial Israeli-Palestinian conflict, additional challenges include a new wave of sectarian conflict; terrorist-controlled regimes; and the entangled relations between

and among Iran, Turkey, and Saudi Arabia. Most of all, the Syrian situation could develop in either a more complicated or easing way, which in turn will exert different consequences in regional—as well as international—relations.

Another important factor that will determine trends in the Middle East is how the outside players will interact among themselves and with the region. The most important single player is the United States. In the remaining two years of the Obama administration, the United States will tend to be less active and instead be more cautious. With its attention possibly shifting eastward, the United States could reduce its strategic focus and diplomatic inputs, thus leaving the radical forces in the region to be more dynamic and destructive. The involvement of the European Union, France, Germany, and the United Kingdom will also exert an important impact on the Middle East situation. The French intervention in Libya is a typical case of outside military interference. The European Union's unwillingness to push forward the Union of the Mediterranean represents the nonmilitary aspect of outside influence. Russia has special interests and military leverage in the Middle East. Compared with the aforementioned countries, China has less influence in Middle East affairs. For instance, China is even not a member of the so-called Middle East Quartet. However, China is a permanent member of the U.N. Security Council, or UNSC, and maintains good relations with all sides, which gives it some advantages in diplomatic mediation. Moreover, with its increasing stake and clout in the Middle East, China will enhance its responsibilities and involvements.

The would-be new element is the paralleled—or even coordinated—policies by China and the United States. Based on their common interests and strategic needs, China and the United States could reach a strategic understanding that their coordination and cooperation will benefit both nations. The possible cooperative policies could be in the fields of diplomatic dialogues between the opposing sides in the Middle East, the joint investment in some symbolic projects, the joint efforts in making the P5+1 talks productive, as well as other goals.

China's strategic goals

The Middle East holds important but not vital position in China's overall and global strategy. However, in the coming decades, China will attach growing importance to the region. Mainly, China has four strategic goals toward the Middle East as a whole.

First, China strives to maintain peace and stability in the Middle East. Regional peace and stability is an important part of the world's peace and stability. China has a great stake in the Middle East, as it needs the security and safety of energy supplies and transportations. With more than 55 percent of China's imported oil and gas coming from the Middle East and through the Strait of Hormuz, it is in China's strategic interests to maintain peace and stability in the region. China will not fundamentally change its principle of noninterference in internal affairs, but it will adopt a more proactive posture toward the regional affairs in the Middle East. More deeply, China wants to apply its domestic development-driven stability to the outside world. Therefore, China would further advocate and implement the concept of progresses in stability

Second, China wants to promote energy and non-energy cooperation. Admittedly, ensuring energy supply is one of the top priorities of China's strategic goal vis-à-vis the Middle East. China takes its legitimate right to promote energy cooperation with its partners, including Saudi Arabia and Iran. Moreover, China wants to transcend its economic relations over energy and extend into non-energy sectors such as investments in infrastructure and manufacturing industries. In addition to the bilateral cooperation, China is seeking more institutionalized interregional cooperation. There are a number of China-Middle East cooperation mechanisms, such as China-Arab dialogue, China-Gulf Cooperation Council dialogue, and the Silk Road Economic Cooperation Forum, both on the land and the seas.

Third, China wants to enhance cultural interchanges and civilization dialogues with Middle Eastern countries. Cultural exchanges have a special implication in the China-Middle East mechanism. China wants to enhance the cultural basis for the economic and social relations with the Arab world. China believes in coexistence and complementarities among various cultures and civilization. Besides, China has a sizeable population of Muslims and ethnic minorities. Therefore, external peaceful coexistence also benefits internal social harmony. In addition to China-Middle Eastern cultural relations, China also needs to explore more positive and constructive interaction with the United States and the West as a whole. Only by doing so can China achieve win-win solutions in terms of China's relation with the third parties.

Finally, China has neither intention nor capability to directly become involved with the knotty issues of the Middle East. According to China's own calculation, China will not be a full-fledged global power at the end of this century. Besides, the Chinese diplomatic philosophy and theories will continue to guide China to rely on political, diplomatic, and economic means rather than direct and military involvements. However, China will take a more productive part in international efforts to build up mechanisms and institutions to maintain peace and stabilities in the Middle East.

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The Regional Order in the Aftermath of the Arab Upheaval: Implications and Prospects

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By YE Qing July 2015

Since its outbreak in the beginning of 2011, the Arab transformation sweeping almost the whole Middle East has now entered its fourth year with its geopolitical implications beginning to unfold gradually. The Middle East has remained complex and volatile with the regional system evolving with shifting dynamics, demonstrating typical features of a regional order in transition. With the dynamic of change in the Middle East yet to fully unleash, more changes are expected in the years ahead and they will be accompanied by huge uncertainties and instabilities.

Major features of regional order in the Middle East

In retrospect, the principle characteristic of the Middle East is the interactions among various countries and among the political forces of various factions, as well as the two-way effects between the interactions and the regional architecture. The relations among big powers; between big powers and regional powers; among major regional players; and between the government and society constitute the main axis to ignite, reboot, or aggravate regional contradictions. Against this backdrop, we can roughly summarize the main features as the following.

First, the comprehensiveness, uncertainty, and fragility of regional transformation are still increasing. Comprehensiveness refers to the constant emergence of effects of regional transformation on Middle Eastern politics, economy, society, and religions. Uncertainty refers to the new change in the interconnection of Middle East issues. All issues are intertwined with each other so that a change in one will affect all. As uncertainty grows in each of the hotspot issues, it becomes even harder to predict the trends. Fragility is reflected in the swift shift of crises in different states. Since a situation may develop in the positive direction of political settlement, it may also deteriorate into another crisis. Any accident may become the last straw in disrupting the delicate balance.

Second, the fragmentation and disequilibrium of regional architecture continues to develop. Fragmentation means that—in the context of the shrinking U.S. presence in the Middle East and change of U.S. strategy—the balance of power has been undermined and the trend toward multipolarity seems inevitable both at the level of international systems and at the level of regional systems. In particular, in the process of decreasing strength of traditional powers, the competition for regional leadership has become fiercer. In addition, the original political orders have been broken in many Middle Eastern countries while a new order has not yet been established, and the strength of non-state actors has been growing steadily. As some observers rightly point out, the criteria to assess whether the Arab Spring has been successful or not is determined by whether or not an Arab country can complete the rebuilding of an independent political and social space—and whether such a space will appear in any Arab society—rather than by whether or not a dictatorial regime is toppled. Obviously, this is far from being accomplished. Disequilibrium means that the changing situation in the Middle East has turned the balance of Arab forces and non-Arab forces in favor of the latter.

Third, the simultaneous adjustments of both internal and external conditions needed for stability are elusive: Four years after the Arab upheaval, more and more people have come to realize that the Middle East is only in the beginning of a long cycle of historical transformation. Although the transformation has long been expected, there is the potential that this particular transformation will not bring about the necessary changes to the region. People's aspirations for better lives and governance must be matched with hard work on the ground. How to integrate democratic rules with Islamic values becomes a big challenge. The failure of establishing a Western-style democracy has resulted in a series of setbacks in nation-building efforts, which can be seen in Libya, Egypt, and even Tunisia. The real danger still exists that Arab politics may fall back to what it used to be, as was the case in Egypt after then-General Abdel Fattah el-Sisi became the president, reminding people of the Egyptian tradition of military rule. What's more, the transformation of some regional countries has been carried out against the backdrop of drastic development of political and social pluralism and intermingling of various kinds of contradictions. Middle Easterners aspiring for better lives began the Arab transformation, and a stable and functional political order is required in order to fulfill these aspirations. But the Arab Spring failed to establish a new political and regional order after destroying the old order. Although Iran avoided regime change, it is not immune to this trend. Current Iranian President Hassan Rouhani's overwhelming victory in the presidential election

in 2013 reflected people's desire to upgrade living standards. In the foreseeable future, the struggle for political capital will become the focus of all political powers, which will exert a fundamental effect on Middle Eastern countries to carry out more domestic-oriented policies.

Changes in the regional order

The transformation that the Arab world is undergoing is a historic event that will last for decades. After four years in turmoil, the goals and aspirations that inspired the Arab transformation have not yet been fulfilled. The economies keep declining rather than recovering, while people's living standards continue to deteriorate with more unstable and chaotic social disorder. These setbacks and unfulfilled dreams constitute the fundamental basis of current crises in the Middle East and have a duplicate effect on the evolution of a regional system, while the system itself has been undergoing profound transitions in recent years, especially after the Iraq War.

Conflicts and instability are not new to the Middle East and the region has been consumed by wars and confrontation since the end of World War II. But compared with the past, it has become even harder to predict the evolution of the regional system. The Arab transformation seems to have changed the rules of the game. The collapse of old regimes has set free new forces and new factors, thus adding more political and security risks to the region. Changes in the situation in the Middle East are now mainly reflected in following three imbalances.

First, the geopolitical balance has been broken, and it is the fundamental factor contributing to the shifting balance of power in the region. The Arab transformation has accelerated the pace of regional transition. As the transformation of regional systems continues and adjustments to U.S. policy accelerate, the rivalries between major powers in the region have also intensified in a competition to fill the security vacuum. As a result, the traditional rivalry between Sunnis and Shiites has been highlighted and become a self-fulfilling prophecy. The reassertion of Iran's influence in the Middle East after the Iraq War and Afghanistan War further polarized regional politics. The so-called Iran threat—no matter if it is real or perceptual—has become the main theme affecting the security policy of many Sunni Arab states. Many moves that some Arab countries adopted in the course of the transformation can be seen as an effort to contain Iran. But ironically, the more emphasis placed on Iran, the more influence Iran gains.

The Arab transformation has unleashed new dynamics and momentums in the region, creating space for new political forces to emerge. It also contributes to the resurfacing of old political forces in the Middle East, such as the Kurds, adding to the further fragmentation of the region.

Second, the balance between the government and society has become harder to maintain due to the widening gap between the two. The Arab transformation swept old regimes away and smashed the old pattern of governance, but new institutions have not been established. While taking different paths on their political transitions, some post-revolution countries are now coming to a similar point: social and political polarization combined with economic difficulties.

It is the growing social polarization that becomes the biggest threat behind political cleavage and confrontation. Street politics used to be one of the main features defining Arab politics in the past, reflecting the deep-rooted gap between the state and the society. Now, in the absence of a normal political order in the context of the ongoing transformation, states are becoming even weaker. The people are now fully mobilized, but the political institution cannot sustain itself. And the division and rivalry between the classes and ethnic groups further add to the difficulties of national reconciliation. When a nation state can no longer fulfill its role to protect its nationals, people tend to resort to religious sects, tribes, or other forms of governance or authority—usually accompanied with more violence and security threats—as is the case in Libya, Yemen, Syria, and Iraq.

Third, the balance between religion and nation state has almost been broken. We have observed a contradiction in the rise of political Islam. In the beginning of the Arab upheaval, mirroring peoples' expectations, Islamic parties soon rose to the forefront of the various revolutions, including in Egypt with the Muslim Brotherhood and in Tunisia with Ennahda. But with the military coup in Egypt that ousted then President Mohamed Morsi, the version of political Islam that seeks to seize state power through election seems to lose appeal, giving way to the rise of extremists and terrorist organizations, represented by the emergence of the Islamic State of Iraq and al-Sham, or ISIS, in Syria and Iraq in 2014.

The emergence of ISIS is not accidental and should be seen as a reflection of some of the deep-rooted problems in the region. In other words, it is a symptom of the problem, not the cause of it. There is always a tension between Islam and state in the Middle East. The failure to accommodate Islamic values in nation building led to the imbalance between state and religion and helped contribute to the rise of

extremists and terrorists. If put into historical perspective, the emergence of ISIS doesn't signify a new wave of Islamic renaissance, or al-Nahda al-Islamiyya, but instead the opposite: ISIS is the manifestation of stagnation and retrogression in the Arab world. It is more destructive than constructive and offers no real alternative to resolve the stalemate that the Arab world is facing today.

The Middle East as a platform for U.S.-China cooperation

The Arab transformation has introduced new uncertainty and instability into the region. In the context of greater uncertainty, it is a time full of challenges. However, it is also a moment of opportunity. The rapid development in the Middle East calls for greater cooperation among major powers in order to restore both the internal and external pillar of stability in the region.

First, the necessity and urgency of big power cooperation is on the rise. At the international systems level, the evolution of the regional system has much to do with international restructuring. In many aspects, some of the crises are not Middle East crises per se, but rather they are the result of the projection of global challenges reflecting the problems and issues of the international system in transition such as the shifting balance of power between emerging and status quo powers and the competition of different ideas and values. Therefore, it will surely help address and resolve more profound systemic problems in the process of dealing with Middle East issues. At the regional level, some of the Middle East crises are explosive, contagious, and vulnerable in nature. Take Syria and Iraq as an example: These two countries have now become the eye of the storm since all the forces are locked into a stalemate while Syria and Iraq are caught in the middle and lose control of their own destiny. If the situation continues to deteriorate, this situation will easily transform into a pan-regional crisis since the interests of all parties are at stake. So in order to prevent the crises from spilling over, the international society should cooperate with each other and try to find a political solution rather than offsetting each other's efforts.

Second, the room and scope for international cooperation has been widened. After more than three years of turmoil, both regional powers and big powers have come to realize that they all share the common goal of maintaining security and stability. Moreover, regional countries need outside help to go through this difficulty. So far, the international community has not been able to find ways to deliver meaningful economic assistance in light of the ongoing political turmoil.

Past experience has shown that the big powers should take two important lessons. The first lesson is that no single country can achieve security in the Middle East alone. Second, do not try to resolve political and strategic issues—such as nation building and transforming societies—through military means, which can only be used to achieve pure military ends. If these two important lessons can be well taken, it will help set up the basis for a consensus on greater cooperation and coordination between big powers. The Middle East has provided a rare opportunity and unique platform for big powers to cooperate in the future. It is time for big powers to strengthen cooperation in order to deal with Middle East crises. As one old saying goes, you need power to break an old order, while wisdom is much needed if you want to set up a new order.

As the largest developed country and developing country in the world, both the United States and China share much in common in terms of achieving peace and security in the Middle East. The Middle East provides a unique platform for the two great countries to strengthen cooperation in order to address global issues in the framework of the new model of major power relationship.

First, both the United States and China should work out a framework that may reflect the balance of power in the international system. The trend of power is shifting from the West to the East and from North to the South and will continue for the time to come. Balance of power is also projected into the Middle East, where regional countries are increasingly looking to the East, taking emerging countries such as Brazil, Russian, India, China, and South Africa, or the BRICS countries, as a resource that can be relied on moving forward. The increasing appeal of BRICS and more complementary cooperation between BRICS and Middle Eastern countries will render them with a greater role and responsibility in managing the Middle East crises. In this context, a new framework for better coordination between big powers is much needed.

Second, China and the United States should cooperate more closely in order to launch new initiatives in the security field under the auspices of United Nations. The existing regimes, such as P5+1 and the so-called Middle East Quartet, should be reformed to cope with the new situation and to incorporate more players into the scene. In addition to resolving old issues, such as Palestinian issue, new fields should be exploited such as anti-piracy and safeguarding the sea line of communication, among others. The basic principle should be integrating long-term vision with short-term solutions. For the time being, the emphasis should be put on maintaining stability in order to buy more time for a comprehensive settlement in

the future. And in the meantime, more efforts should be exerted on coordinating aid policies between big powers to help regional countries get through the growing pains associated with transformation.

Third, China and United States should develop certain rules and confidence building measures through cooperation in the Middle East. There is an increasing call from both sides to strengthen cooperation in Middle East affairs. The Middle East could become a touchstone for the new model of major power relationship. In dealing with Middle East crises, big powers can advance bilateral relations through multilateral cooperation, accumulate experience in security fields, and enhance mutual understanding of each other's core interests, eventually contributing to a closer partnership in global affairs.

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China's Energy Security Concept and Its Relevance to the Middle East

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Status and trends of China's energy development

In this century, with the continuous and fast economic growth—especially the scale expansion of the heavy and chemical industry—China's energy consumption has experienced a rapid increase. The consumption has increased from 1.5 billion tons of standard coal equivalent, or btce, in 2001 to 3.76 btce in 2013, representing 8 percent of average annual growth rate, equal to 190 million tons of standard coal equivalent per year. The share of China's primary energy consumption in the world has increased continuously, from less than 11 percent at the beginning of the 21st century to 21.9 percent in 2013. At the same time, China's per capita energy consumption has already exceeded the world's average level.

Recently, China's high-speed energy consumption growth trends have begun to change. The growth rate has sharply decreased to 3.9 percent in 2013 and may reduce further this year. There are several reasons why Chinese experts generally believe that China's energy consumption growth will keep relatively slow. One reason is the economic slowdown during the current in-depth economic adjustment. China is recently making an economic transition from the previous near 10 percent high-growth period to a moderate-growth period. For the next few years, around 7 percent annual growth will be the target. After 2020, the third growth rate will drop further, followed by a lower energy consumption growth rate. The other reason is the increase of additional value ratio during the economic growth model adjustment. China's economic growth can no longer rely on investment expansion or capacity growth. Instead, the increase of additional value ratio will become a main driving force. In the aspect of national income distribution, the share of labors' salary income should be increased, enlarging domestic consumption. In the production aspect, industrial structure needs to be adjusted, raising the proportion of tertiary industry in gross domestic product, or GDP, as well as the proportion of high value-added manufacturing industry in secondary industry. Energy-intensive industries producing raw materials—such as steel and cement—are enduring output saturation. Their production volume will decline in

the future. The industrial sector contributes to nearly 70 percent of China's energy consumption. Among which, energy-intensive sectors—including steel, cement, and others—account for 50 percent of this total. Therefore, once energy-intensive industries as a whole come into saturation, the increase of industrial energy consumption will sharply slow down, consequentially reducing the total energy consumption growth rate.

Among primary energy consumption, coal still accounts for about two-thirds of this total, followed by petroleum. Although hydropower, natural gas, nuclear power, and other renewable energies are developing quickly, their increment is still less than coal and petroleum. In this century, China's fixed-asset investment on energy industry has increased year by year. From 2001 to 2012, the accumulative energy fixed-asset investment has reached 16.7 trillion renminbi, or RMB. In recent years, annual energy investment is more than 2 trillion RMB, stimulating domestic energy-production capacity. China's coal production has already exceeded 3.6 billion tons. Natural gas production has also risen substantially to about 117.8 billion cubic meters in 2013—23 billion higher than 2010. Renewable energy develops quickly too. Installed capacity of hydropower, nuclear power, and grid-connected wind power have achieved outputs of 280 million kilowatts, 14.6 million kilowatts, and 75 million kilowatts and have respectively increased by 16 percent, 36 percent, and 116 percent since 2010. Solar photovoltaic, or PV, has also grown by leaps and bounds, with installed capacity of 14.79 million kilowatts in 2013. However, PV's power generation is limited and only accounts for 0.2 percent of China's total power generation capacity. China's primary energy production in 2013, which was 3.39 btce, is about 2.5 times higher than production in 2000. Since 2006, China has become the biggest energy producer in the world.

With the slowdown of energy consumption increasing, China's coal industry is faced with excess capacity. At the same time, the international coal market is also in oversupply, and China's coal imports aggravate its domestic imbalance. As a result, domestic coal price has fallen sharply, and this situation will last for an extended period.

China is more and more dependent on imported oil and gas. Although China continuously increases its oil investment, its scarcity of resources, low level of reserves, complicity of geological conditions, and high costs of exploration and development together hinder the oil production increase. From 104 million tons in 1978 to 208 million tons in 2013, oil production has only experienced annual growth of 2 percent. Most experts estimate that China's domestic oil production will keep around 200 million tons for a long time. While increasing quickly, China's natural gas production still has large growth potential, as its annual added proven reserves were more than 400 billion cubic meters for the past 10 years. For conventional gas, it is predicted that before 2020, the annual added proven reserves will further increase. For unconventional gas, such as shale gas and coal-bed methane, exploration and development will speed up. Therefore, China's domestic natural gas production will maintain its high growth—perhaps achieving more than 250 billion cubic meters by 2020.

Transportation industries develop quickly in China. More than 20 million vehicles are sold each year, and this number is still growing. Automobiles have already become an important transport means for Chinese households. Meanwhile, air and waterway transportation are growing quickly too. It is noteworthy that the consumption of petrochemicals made from petroleum and gas continues to expand. Because of the more and more severe air pollution caused by massive coal combustion, many Chinese cities naturally shift their energy consumption from coal to clean natural gas. That is why the consumption growth rate of petroleum and natural gas is much higher than the domestic production growth rate. China increases its oil and gas imports year by year. In 2013, its petroleum net imports reached 291.4 million tons, with 58.3 percent of external dependence; natural gas net imports reached 53.4 billion cubic meters, with 31.6 percent of external dependence. Import volume of petroleum and natural gas will further increase. Low coal prices in the international market promote China's energy import. In 2013, net coal imports to China were 320 million tons, and the external dependence reached about 8 percent. There are several reasons that urge China to import different types of energy. China cannot meet its domestic demand for petroleum and natural gas and must import them from international markets in order to satisfy its domestic needs. For coal, in contrast, the competitive international price leads to the import, which also leads to further domestic surplus production capacity. At present, about 85 percent of China's total energy consumption comes from domestic primary energy.

China's energy security concept and energy security strategy

China pays considerable attention to energy security issues, viewing energy security as an important component of economic security and national security; attaching sufficient importance to it; and taking all necessary measures to ensure energy security. The government aims to supply sufficient energy for economic and social development and protect people's production activity and daily life from energy shortage or supply interruption. Energy security also includes supply economy and affordability, thus avoiding too high of a cost for energy. Moreover, energy security should evaluate energy investment risk and try to avoid massive losses induced by noneconomic factors. In the energy security system, investment risk aversion is in the secondary hierarchy.

At the recent National Energy Security Meeting, President Xi Jinping expounded upon China's energy security strategy, asking for the promotion of an energy revolution and the enhancement of international cooperation in order to ensure energy security. China has already made progress on the concept of energy security and realized it must take both the demand side and supply side into security consideration—instead of unilateral supply side—to solve the energy security problem. In addition, China should consider the environmental security problem caused by the energy issue, as well as the challenges for traditional energy consumption and supply system caused by energy technology progress.

To solve the energy security problem, China should promote sustainable energy development and adjust its energy development strategy. President Xi has summarized five key points of China's energy development and security strategies.

First, it should promote an energy consumption revolution and restrain irrational consumption. The reduction of too-fast energy consumption is set to be the foundation of energy security. Only with reasonable energy demand can China ensure energy supply. The Chinese government has identified the policy to “impose a cap on total energy consumption” as an important target and will set national and provincial total energy consumption targets. China will insist on “energy-saving priority” and implement this policy throughout the whole process and in all fields of economic and social development. It should attach great importance to energy saving in the further industrialization and urbanization process. It should establish an energy-saving consumption pattern, as well as a thrifty consumption concept in order to build more quickly an energy-saving society. The specific goals will lead

to a significant decline in China's energy demand and toward a decline in energy consumption that will support economic growth and improve energy services. A lower energy consumption growth rate will be a necessary requirement for China to wean itself off overdependence on coal and oil imports, relieving security pressure from more and more energy imports. It will also benefit clean and low-carbon energy development. Since the beginning of the 11th Five-Year Plan—beginning in 2006—China has set the national and provincial valid energy intensity reduction targets, as well as a package of laws, regulations, and economic measures. China's energy consumption intensity decreased by 19.1 percent in five years. During the current 12th Five-Year Plan period, energy intensity will be further reduced by 16 percent.

Second, China should promote an energy supply revolution and build a diversified supply system. China will continue to rely on domestic resources and diversify its energy supply in order to ensure energy security. China will expand domestic oil and gas exploration and development, including unconventional resources such as tight oil and gas, shale oil and gas, coal bed methane, and others. Also, China will explore and develop offshore oil and gas in the Chinese exclusive economic zones in the East China Sea and South China Sea. China is willing to carry on cooperative oil and gas exploration with other nations, and that may ease and defer territorial disputes on related islands and reefs, which may not be solved easily. China has not set specific goals for offshore oil and gas production. The production volume from the South China Sea is not the core issue of China's energy security. Energy technology progress, especially non-fossil energy technology development, helps China reduce the proportion of coal in its energy mix while also increasing its energy supply at the same time. China will keep expanding the share of non-fossil energy and then establish a diversified and complementary energy supply system consisting of coal, oil, natural gas, nuclear power, and various renewable sources. Nowadays, the coal consumption of China is about 3.7 billion tons and will still be the main energy type in the next 10 to 20 years. China is making great efforts to develop clean and efficient coal utilization technologies. Besides efficient power generation and other conventional conversion and utilization technologies, China has made great investment in advanced coal-to-natural gas, coal-to-liquids, and coal-to-olefin industries and successfully established large industrial demonstration projects. The production capacity of coal-to-liquids, coal-to-natural gas, and coal-to-olefin industries will achieve some scale and will be able to supplement and substitute import oil and gas if necessary.

Third, to realize an energy consumption and production revolution, China should promote an energy technology revolution and make technology progress an important driving force for industrial upgrading. The energy technology development should be green and low-carbon oriented, focusing on high-efficiency utilization; clean and low-carbon energy technology; and improving industrial economic competitiveness.

Fourth, it should promote an energy system revolution and establish a competitive market structure and market system. China is going to boost energy price reform, and as a result, the market-pricing scheme will guide capital investment into those energy-saving, green, and low-carbon projects.

Fifth, China should strengthen international cooperation in all dimensions. Although the precondition of energy security is based on domestic supply, it is necessary to enhance international cooperation in the whole production and consumption areas and create a better global market. China will introduce advanced foreign technologies for energy exploitation, conversion, and utilization and further open its domestic energy market. Meanwhile, to contribute to international supply capacity and strengthen global supply and demand balance, China will enlarge overseas energy investment in all the places that are qualified for cooperation. That may increase global energy supply and enlarge China's import availability.

To cooperate with other countries, China has made great efforts in many aspects. As long as the counterpart has wishes and meets win-win cooperation requirements, China will actively launch energy cooperation. Based on practical condition, China values energy cooperation with neighboring countries. Russia and Central Asian countries are abundant in energy resources. Oil and natural gas export are important for their economic development. As their neighbor, China can import large quantities of energy resources from these countries through land transportation, especially by pipeline. That is why they are the most important energy cooperation partners for China, and they are increasingly playing more and more important roles in terms of China's energy imports. The Asia-Pacific countries, such as Southeast Asian countries and Australia, are close to China in terms of geography. If conditions permit, they will certainly be China's energy cooperation partners. The Middle East and Africa, in terms of their position in the international oil and gas market, are deservedly important cooperation regions for China. At the same time, China is willing to cooperate with America as well. Diversification is a major policy of China's international energy cooperation, and

China does not take political institution or ideology into its cooperation criterion. Energy cooperation must be mutually beneficial and in line with both sides' willingness and interests. From foreign cooperation experience and more than 20 years of increasing energy import practice, China has fully realized the great interest of energy resources for the local countries. Only mutually beneficial cooperation can be sustainable. In energy cooperation and investment projects, one must respect the sovereignty and interests of the local region. Moreover, national and regional peace and stability have significance for international energy investment and cooperation. China has deeply experienced huge interference and destruction in both the international energy market and investment efforts—caused by war or turmoil—during its overseas energy cooperation. Adhering to the Five Principles of Peaceful Coexistence, China will never set energy investment and project cooperation as its motivation and condition for interfering in another country's internal affairs. It is believed that only domestic people have the right to choose their political institution and governance pattern. Even if the counterparts have a different political pattern, China will still respect their choices and smoothly launch the energy cooperation efforts. Risk control means understanding and analyzing one's cooperation counterpart. Promote the qualified projects and reject the others. It is wrong to interfere or change others' political institution or governance pattern just for one's own energy interests.

Analysis of Middle East issues from the perspective of energy security

The Middle East's issues are extremely complicated. Conflicts are always breaking out, and, globally, most of wars fought in recent years have taken place there. It is difficult to judge the relationship between the Middle East's regional situation and global energy security. However, we can still deduce some relatively simple phenomena and conclusions regarding the Middle East's conflicts from the perspective of energy security.

First, the global energy market is in general balanced, and, as a whole, there is excessive supply for the foreseeable future. The energy consumption of developed countries has already peaked. In consideration of climate change mitigation and energy security, their oil and gas import demands are declining. Since the beginning of this century, developing countries, including China, have become major contributors to the global consumption increment. Also, their strong demand keeps the international oil and gas price high. High prices bring large profits for

the industry, which pushes increased investments. Because the explored reserve grows faster than it is consumed, the reserve-production ratio of oil and gas has increased, and the total supply capacity keeps improving. Meanwhile, high oil and gas prices stimulate the development of other energy resources, hastens the transition from traditional oil and gas, and promotes the development of renewable energy at a high speed. Oversupply in the oil and gas market may continue if the price remains at a high level.

Second, previous conflicts in the Middle East have resulted in substantial destruction to the Middle East's oil and gas production capacity. In fact, about 2 million or more barrels per day of oil production capacity have been destroyed or are out of the market. At present, the Middle East's regional tension has already been adapted by the sufficient oil and gas supply in the international market. Some analysts believe that the international oil capital intend to control the excessive oil supply capacity in order to keep oil prices higher, thus resulting in the Middle East's conflicts. Therefore, unless there is large-scale and widespread conflict, the loose supply situation in the international oil and gas market will not fundamentally change. The general regional conflicts will affect oil prices but not cause large-scale supply interruption.

Third, Middle Eastern oil producers and exporters are highly dependent on their domestic oil production. No matter who is in charge of the regime, it is crucial for these countries to maintain domestic oil and gas production and hold its global market share. Oil and gas embargos will no longer be effective or applicable political means for Middle Eastern countries.

For the above reasons, it could be concluded that limited conflicts in the Middle East will not be able to substantially threaten global energy security. But it is a huge risk for energy investment in the region.

The Middle East supplies most of China's imported oil, and it is also an important destination for China's overseas energy investment. As a result, its situation attracts China attention. However, China has its own opinions on the causes of the Middle East's conflicts, on how to release and mitigate conflicts, and on how to promote the stability and sustained peace in this region. China does not intend to be a so-called free rider. Actually, China is not willing to be involved in handling the problem with the current style of forcing intervention. It may be a more effective and long-term alternative to just allow Middle Eastern people to settle their problems with their choice of solution.

As a special and valuable endowment, oil and gas resources should have brought great wealth for the local people of the Middle East. By relying on them in a peaceful environment, Middle Eastern countries could recover and develop quickly. Turmoil and war can only induce destruction and losses, threatening international energy supply. China certainly looks forward to a peaceful and stable Middle East with quick economic development and improvements in living standards. Then, the international energy cooperation will have a supportive environment.

The United States has comprehensively intervened in the Middle East's issues, including direct military involvement. The effect has not been good up to now. At present, conflicts in the Middle East still take place frequently, and there seems to be no bright prospect for peace in the foreseeable future. To bring about a peaceful and stable Middle East, previous policies need to be reviewed. Are they reasonable or valid? Regarding the Middle East conflicts, it is sensible for China to stick to "the principle of non-interference in other countries' internal affairs." That also helps to avoid potential disputes between China and the United States in this region. China will continue its energy cooperation with Iran, not only for the sake of China's import diversification but also for Iran's basic economic and social stability, as well as Iranians' necessity of living.

In many places, China and the United States have broad cooperative space for energy security; energy-saving technology and policy; oil and gas, including shale gas, exploitation; clean energy and non-fossil energy development; and overseas joint investment. The two nations should enhance policy dialogue, discussing the causes and potential solutions for the Middle East's issues. Only then can both sides discover more common interests and launch better cooperation. Without a clear understanding of the reason or with dissent regarding the solution, our two parties' concerted action will lack a consensual foundation.

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