

REPORT:

Foreign Policy Implications of China's Energy Policy:

Clean Energy as Cure for China's Energy Quest

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WASHINGTON, July 25, 2006 - China is increasingly forming its foreign policy and international engagement along its economic interests and energy needs. Its impressive growth is driving its quest for energy resources. China's massive demand for oil is increasing global competition on the stretched oil markets and its efforts to secure supply ties with countries such as Iran, Sudan and Venezuela may put China at odds with the United States and Europe. International energy experts believe that these alliances have important strategic consequences, and that following the fossil energy system also damages China's and the global environment. The US, Europe and China are therefore called upon to collaborate to create a new global system of sustainable energy production and to improve their energy efficiency. This is the result of a recent conference held by the Heinrich Böll Foundation and the Worldwatch Institute on Capitol Hill on July 12, 2006. The discussion was chaired by **Jennifer Turner**, coordinator of the China Environment Forum at the Woodrow Wilson International Center for Scholars.

China's economic growth has been substantial, reported **Pan Jiahua**, executive director of the Sustainable Development Research Centre at the Chinese Academy of Social Sciences, and so has its need for energy resources and its output of carbon emissions. China's development has been relying on the energy-intensive manufacturing industry and the rate of urbanization. "China, however, is aware of its environmental challenge and seeks to improve this intensity. Despite its goal for diversification of energy resources, its overall energy need remains tremendously big", says Pan.

Helga Flores Trejo, executive director of the Heinrich Boell Foundation North America referred to China's immense engagement in Africa as undermining human rights and security concerns of the US and the EU. She pointed out that "China has close ties to some rather troubling governments in Africa such as Angola, Zimbabwe, Sudan, and Nigeria. Within the last few years, China has spent billions of dollars and Chinese companies have invested in infrastructure projects to secure drilling and extracting rights in those countries. Of concern is that Chinese firms go to places where others might not go due to political, environmental or ethical concerns. In Angola, for

example, China has promised 2 billion aid packages in exchange for oil deals which decrease the pressure for reforms from Western countries on Angola's government. A similar situation can be observed in Sudan, and even in Iran, where China has been blocking any kind of sanctions by the UN Security Council."

"Energy is increasingly used by key states as a bargaining chip. Russia is just one of them. Look at this [Western] Hemisphere, a little further South, to Hugo Chavez in Venezuela and to Ivo Morales in Bolivia", said **Heinrich Kreft**, senior strategic analyst at the policy planning staff in the German Federal Foreign Office. With regard to China, he continued, it was widely perceived in Europe that China was pursuing a neo-mercantilist approach in its hunger for resources. Its relationships with "pariah states" ran counter to foreign policy interests of the international community, such as good governance, respect for human rights and the fight against corruption. Moreover, Kreft claimed, the Chinese model of an authoritarian regime with state-guided capitalism seemed highly attractive for emerging developing countries.

Minxin Pei, senior associate and director of the China Program at Carnegie Endowment for International Peace, warned not to overestimate China's ties with so-called "problem states." At the same time, China was also fostering its ties with Australia, Canada and Russia. In the debate over what China is doing in the world, Pei pointed out what China was not doing: China was not undertaking any efforts to physically - militarily - ensure the security of energy supplies and of its shipping lines. China was not seeking any multilateral policy approaches, was not involving itself in international institutions and was not a major voice in international policy debates. "This tells us about China's foreign policy", stated Pei, "She prefers bilateral processes and is highly pragmatic with regard to costs and consequences of its actions."

David Shambaugh, director of the China Policy Program at the George Washington University's Elliott School of International Affairs, alluded to the American understanding of European China policies as well as transatlantic commonalities and differences. In his words, the United States only started paying attention to Europe's China policy during the debate to end the China weapons embargo in 2004; a formal transatlantic dialogue was a recent development and amounted to one day per year. "The major difference is that of perspective", said Shambaugh, "while the European Union is mostly interested in what China is doing inside its borders, such as human rights and environmental policies, the United States is mostly focusing on what China is doing outside its borders, such as its pursuit for resources and its strategic relations with countries such as Iran, Sudan and Venezuela." Both Europe and the US, so Shambaugh, had one thing in common: neither wanted China to fail. They agreed that China needs to be peacefully integrated in the international community on the basis of the rule of law, and that China had to be part of the non-proliferation regime.

At the same event, **Christopher Flavin**, president of the Worldwatch Institute, called for a new global energy system. He sees an intensifying global competition over securing energy supplies with China as the new player and fears that a war, or even a cold war, over energy would be a lose-lose game. "We will not be able to secure oil supplies; and we will neither be able to secure economies nor the environment," said Flavin. "The key is cooperation. The great challenge of the 21st century will be to develop a global post-petroleum energy economy. Oil may have ruled the 20th Century and enabled the rise of the Western industrialized countries, but once you bring China into the equation and realize that if China used as much oil per person as the US does today you would have to double world oil production, just to meet the demands of China; let alone the growth in India and Africa. Yet, nobody sees an increase close to such doubling."

Even China's domestic resource, coal, is not a sustainable solution, as **Yingling Liu**, China fellow at Worldwatch Institute, pointed out. "Currently, coal accounts for more than 60% of the country's primary energy consumption. Every week to ten days, a new coal-fired power plant opens up in China. If not abated, the resulting increase in greenhouse gas emissions will wipe out any reduction achievement elsewhere in the world."

A turn toward nuclear energy would be just as unsustainable, concurred **Jürgen Trittin**, vice chairman of the Green Group in the German Parliament and Speaker of Foreign Affairs, in his keynote address. Apart from critical questions of safety, security and proliferation, economic reasons and effectiveness would render nuclear energy unreasonable. He called for transatlantic cooperation with China to promote renewable energy options and improve China's energy efficiency. "The European Union and China are already involved in an energy dialogue, which goes beyond environmental and climate policies: energy cooperation is foreign and economic policy, which helps secure China's development in a sustainable manner and prevent global energy and security crises", concluded Trittin.

The Worldwatch Institute is an independent research organization that works for an environmentally sustainable and socially just society in which the needs of all people are met without threatening the health of the natural environment or the well-being of future generations. For more information, call 202-452 1999 or go to <http://worldwatch.org/>.

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