

Maintaining Cooperation within Competition: The Inevitable Path of China's Energy Cooperation in the Middle East¹

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Abstract: *The multi-polarization of political situation creates beneficial conditions for Chinese petroleum corporations to enter foreign market of prospecting and drilling of oil and natural gas resources. Chinese petroleum corporations should adopt "Outward Expansion" strategy and directly participate in international gaming over the cooperative development and drilling of overseas oil and natural gas resources. On this aspect, the government should not only enhance its macro strategic guidance to Chinese petroleum corporations, but also offer more support by means of preferential policies so as to provide more encouragement to these corporations. Furthermore, the government should strengthen its toughness and intensity on its extension of energy diplomacy. In order to make some achievement in the reform and evolution of geopolitical pattern concerning energy of the world, China should maximize its national interest on energy strategy through "cooperation against the background of competition," so as to obtain a guarantee on the stable and safe long-term supply of overseas energy for sustained development and smooth rise of China. The model of "Cooperation against the Background of Competition" not only fits for the domestic conditions of China, but also suits the trend of development on the energy market of the world.*

Key Words: *Middle East; Oil and Natural Gas Resources; Chinese Petroleum Corporations; Competition; Cooperation*

For the past 30 years since the beginning of China's reform and opening-up, great achievements have been made in China's economy, which leads to the upgrading of China's overall national capacity and the uplifting of its international status. However, the extensive utilization of the resources of oil and natural gas in China, which is rather inefficient, has depleted a large part of its local resources. Such excessive consumption of native resources, against the background of the drastic fluctuation of energy supplies on the international market, has become a menace to China's energy security and sustainable development. In precise terms,

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the so-called energy security of China mainly refers to "the security of oil supply to China," for China is a country "rich in coal and scarce in oil and natural gas," which means a structural scarcity of oil, not a scarcity in its total amount of energy.

The dramatic increase of China's dependency on foreign oil supplies has become a rather serious problem related to China's security of its energy supply. Actually, China's dependency on foreign energy sources has been increasing very quickly since 1993, the year when China became a country of net import of oil. Until 2007, the total amount of China's import of oil (including end products of oil) reached a sum of 196.8 million tons, approaching the level of 200 million tons.³ Such an increase of China's dependency on foreign oil supply means a much closer interconnection between China's energy problem and the international energy market, with an enlargement of international risk burdening China for its energy consumption. Probing into the causes of China's swift increase of oil consumption shows that local conditions of resource exploitation should be regarded as a significant element shaping and limiting the situation of China's oil consumption, in addition to such structural elements as China's quick economic growth. Guoguang Yang, an academician of Chinese Academy of Social Sciences, has estimated that China's total consumption of oil will exceed 800 million tons in 2050, against a stabilized local annual oil output of 200 million tons due to the limitation of local resource endowments and a maximum domestic capacity of production, which means that China's dependency on oil imports will reach 75%.⁴ The crude oil output of China in 2008 was estimated to be approximately 190 million tons, approaching the level of 200 million tons, only a little higher than 187 million tons, the level of 2007, which indicates that the room for further increase of domestic oil output is very narrow.⁵ Therefore, China must enhance its energy cooperation in the near future with overseas countries that can produce and export oil, so as to ensure its oil supply and protect its economic security.

I. Active Expansion of International Energy Cooperation for a Guarantee of Oil Supplies

Currently, China's development is focused on heavy and chemical industries, with an accelerated process of urbanization symbolized by the fast expansion of the automobile industry and real estate. However, the more and more serious issue

³ E Zhang, "When China's Import of Oil Exceeds the Level of 200 Million Tons," *Chinese Oil Industry and Petroleum Chemical Industry*, No.4, 2008.

⁴ Zhiliang Liu, "Luguang Yan: China's Oil Import Reaching 75% in 2050," *Service of News on China's Industry and Finance*, June 14, 2007, Page A13.

⁵ Gang Liang, "Verified Reserve and Output of Oil and Number of Oil Wells in Operation Worldwide in 2008," *International Oil Economy*, No. 1, 2009, pp.59-60.

of security of oil supplies, an inevitable issue occurring with the takeoff of China's economy, is dealing an impact on China's sustainable development. Under such circumstances, China's petroleum corporations must strengthen their international cooperation with those countries producing and exporting substantial amount of oil, by further liberation of their philosophy of operation, with a guideline of scientific development. But the imbalance of distribution of oil and natural gas in the world has shaped resource allocations of oil and natural gas among various countries in the world, which leads to the conclusion that, only by an internationalization process of oil and natural gas, could the best allocations of such resources in the world be achieved. In recent years, changes have taken place on the supply, demand, and re-allocation of oil and natural gas in the world. This factor provides precious historic opportunities for Chinese petroleum corporations to actively participate into joint probing and exploitation of oil and natural gas resources in overseas countries through their maintenance on the path of reform and opening-up. Chinese petroleum corporations might find favorable conditions and good chances for them to step into overseas market of geological prospecting of oil and natural gas, and to expand their businesses in foreign markets against the background of world multi-polarization and opening policies of some countries owning large reserves of oil and natural gas.

Presently, the forms of Chinese utilization on foreign oil resources includes spot trade and future dealing by Chinese petroleum corporations on the international markets, as well as joint ventures with foreign-funded enterprises for prospecting and mining. A methodology of "Oil-Sharing" has been adopted in many cooperative programs, which means that Chinese petroleum corporations can obtain annual shares of oil output in these programs after they have provided some kind of funding or hold some shares in the local oil-drilling programs. In this way, they are guaranteed to obtain the real products of oil without being excessively impacted by international fluctuations of oil prices during their importation of oil from these foreign countries. The substantial amount of imported oil in this way can offset the impact brought by high oil prices in the international market, and stabilize the expansion of China's domestic petroleum chemical industry. However, China still lacks adequate capabilities to respond to the very drastic fluctuations of oil prices in international markets and the unexpected cutoffs of oil supplies owing to its insufficient capacity of strategic reserves of oil. Therefore great importance must be attached to the security and stability of importing oil, as the amount of imported oil and the fluctuation of oil prices on the international market are increasing. In order to resolve the issue of oil security for China, a hospitable international environment must be constructed, so that its petroleum corporations can step into process of internationalization and participate in the process of the world related to oil.

Among all the tasks that should be fulfilled by Chinese petroleum corporations, the first priority should be given to the all-dimensional participation into international cooperation and competition, so as to decrease the market risk through competition. As for the "Outward-Expansion Strategy" that is being implemented by Chinese petroleum corporations, oil-mining should be preferred to oil-purchasing. Oil-mining can be practiced by means of participation in drilling and developing overseas resources of oil and natural gas with mobilization and maneuvering of existing technologies and the funding of these Chinese petroleum corporations. Meanwhile a pluralized supply of oil should be established so as to avoid harm from fluctuations of oil prices due to an over concentration of oil-supplies on a few sources. Without controlling sources of the oil supply, it is impossible to alter the negative situation in which the domestic oil market is frequently disturbed by even slight ups and downs on the international market. Since 1990s, Chinese petroleum corporations have sped up their pace of implementing the "Outward-Expansion Strategy," expanding their cooperation with various regions and countries that can provide substantial supplies of energy, including Russia, Central Asian Countries such as Azerbaijan and Kazakhstan, South East Asian countries such as Burma and Indonesia, Middle Eastern countries such as Iran, Oman, Libya, and Sudan, and Latin American countries such as Venezuela and Mexico. However, it is extremely difficult for Chinese petroleum corporations to participate in the international competition of oil, because of the drastically shifting world oil market, and the extremely fierce competition from those experienced transnational oil companies for precious oil resources all over the world.

First, the intra-trade competition of oil companies is very brutal and fierce, because all the oil giants of the world are engaged in fights for more spheres of influence among themselves, and almost all the common oil fields of the world have been under the influence of those Western transnational oil companies. Under such harsh circumstances, it is very difficult for Chinese petroleum corporations to squeeze their way into these oil fields, which is exemplified by the failure of China National Offshore Oil Corporation in its attempt to purchase some oil fields on the coast of the Caspian Sea in Kazakhstan, and its failed attempt to compete for a purchase of 9th largest oil company of US with a bid of 18.5 billion US dollars. In the international competition for political and economic objectives, power and potential strength is indispensable. However, power and potential strength cannot play an effective role without the support of determination and confidence to fully demonstrate such power and strength, the implementation of correct policies and tactics, and the assistance of flexible mechanisms of operation. As a matter of fact, political factors are shaping economic evolution everywhere. Second, geopolitics is

now playing a more and more significant role in world economic patterns related to energy supplies and purchases. Since the end of the Iraqi War, great changes have taken place in the geopolitical patterns related to the world energy supplies, and in the global oil market situation.. Therefore, both the Chinese government and Chinese petroleum corporations must make a complete understanding and skillful mastery of the international rules of the competition, by means of meticulous research on and full utilization of subtle international relations, with an end of traditional cold war thought. Only in this way can those Chinese corporations find more space for survival and development. From both short-term and long-term perspectives, China must enhance international cooperation for joint developments of oil and natural gas, since gaps between China's demand for oil and its actual capacity of oil mining and production is widening.

II. Energy Cooperation with Oil Supply Countries in the Middle East: An Inevitable Choice to Ensure Oil Supply to China

In accordance with the situation of oil supplies and demands both inside and outside China, a characteristic of outward-orientation will inevitably appear in China's oil security strategies. Currently, there is a consensus in China that Chinese geographical conditions are not good for mining and development on domestic oil and natural gas resource. China should establish a sense of sustainable and smooth flow of energy consumption with a long-term strategic perspective and a consideration of potential risks and dangers in the future, even if there exists a boom or prosperity in the international oil market supply. As for the "Outward Expansion Strategy" of Chinese Petroleum Corporations, the Chinese government should provide not only macroscopic strategic guidance, but also preferential policies and substantial support, in addition to an enhancement of the intensity and toughness of Chinese energy diplomacy, because it is the strongest player that is always respected in the international community, not those in a rather passive and weak manner. The first priority should be given to Chinese-foreign joint developments on oil and natural gas, so as to make a reasonable utilization of foreign resources of oil and natural gas, seconded by imports of crude oil from international markets. In the aspect of international energy cooperation, the Middle East should be regarded as a region of strategic priority for a relatively long period in the future, because of the special traditional relations between China and those oil supplying countries in the Middle East.

At present, Chinese energy cooperation with foreign countries is concentrated on the Greater Middle East region (West Asia and North Africa), the import of oil from which accounts for over half of the total amount of oil imported into China. But the Middle East has always been a region frequented by endless political

turmoil, sudden disturbances, and unstable factors, which worries many experts and scholars concerning the energy security of China. On the other hand, the possible serious damage to China's smooth economic operation resulting from a shortage of oil supply has been fully understood and evaluated, against the background of quick and sustained economic growth of China. Under such circumstances, the issue of securing oil supply to China must be resolved through international cooperation, which both Chinese government and Chinese petroleum corporations must confront with an active and effective oil strategy and an extensive participation into cooperation and competition in international oil market, so as to ensure the security of overseas oil supplies to China.⁶

III. Directly Confronting Competition: Unavoidable Reality in the International Energy Cooperation Concentrated on the Middle East Region

In order to ensure the reliable supply of oil and natural gas, active participation in international competition for prospecting and exploiting overseas oil and natural gas resource must be made by taking full advantage of such chances as temporary adequate oil supplies and relative stabilized oil prices in the international market, based on an understanding over the globalized allocation of oil and natural gas resources, in addition to an intensified prospecting and drilling of domestic resources of oil and natural gas.

Necessity and priority should be given to a careful survey of regions for future development, a considerate selection of potential partners of long-term cooperation, and a construction of secure oil pipes, with a comprehensive analysis of the geological conditions, potential reserve of oil and gas, geographical conditions for possible development, local cultural and religious background, local legal structures of those countries containing rich resources of oil and natural gas. While selecting key objectives for joint cooperation and development, a concentration should be made on the Middle East and the Caspian Sea, regions boasting vast reserve of oil. More specifically, oil mining and development should be concentrated in Russia and the Middle East, and natural gas mining and development should be locked in for the Far East and Central Asia.

Owning an incomparably rich reserve of oil and natural gas, the Middle East region tops the list of oil-rich regions in the world. According to 2008 data, the intact reserves of oil in this region account for 60.43% of the total intact reserves of the whole world. The total output of crude oil in this region accounts for 37.62% of

⁶ Xianlin Shu & Gaocheng Yan, "Oil: the Core of Chinese Energy Security and Its International Strategy," *Technological Economy of Petroleum Chemical Industry*, Vol.20, No.3, 2004.

the total output in the world, reaching a level of 137.256 million tons, and the oil exported from this region takes a share of over 50% in the total amount of exported oil. The rich oil reserves of this region enjoy fairly good conditions for low-cost mining that can be implemented in many countries of this region, which have traditional ties of friendship with China. Therefore this region is now listed as one of the major targets for China's overseas prospecting and mining of oil and natural gas. In addition to the Middle East region, the region of Caspian Sea in Central Asia also contains rich reserves of oil and natural gas, which has been largely intact but enjoys a great potential of future development. From the perspective of geopolitics, China has established stabilized relations of long-term strategic cooperation with those Central Asian countries neighboring China, through the mechanism of "Shanghai Cooperation Organization," which offers an excellent and realistic basis for future cooperation on oil mining. Among all the countries on the coast of the Caspian Sea, Russia ranks 1st in natural gas reserves among all the countries in the world, and 7th in oil reserves of the world, enjoying a significant status in the world oil market. Moreover, excellent geopolitical and diplomatic relations have been established between China and Russia. Therefore it is geographically and historically convenient for China to participate in the oil mining and development in Russia. As for the geologically uncharted and technologically backward areas of Africa and Latin America, China has established its presence and space for future maneuvers in Sudan and Venezuela, and has obtained its share of local reserves of oil and natural gas, which has laid a cornerstone for future prospecting and further effective expansion in these regions, so as to consolidate China's strategic status in these regions.

Viewed from the practice of Chinese petroleum corporations in its overseas mining and development of oil and natural gas, the Middle East has become a significant stage for Chinese oil companies to expand their business and exchange their comparative advantages with local enterprises for development of oil and natural gas, owing to the unique superiorities of the Middle East of oil and natural gas reserves. Additionally, the traditional ties of friendship of China with countries in this region, all are related to the core status and central role of oil security in Chinese energy security. Furthermore, a better cooperation with Middle East countries on energy development is beneficial not only to the enforcement of the strategic thought of "Two Resources, Two Markets, and Two Kinds of Funds", which are set up by Central Authorities, but also to the sustainable and stabilized development of the Chinese national economy, and a win-win pattern for mutual benefits and joint growth of both Middle East Countries of oil supply and China. Against the background of economic globalization, the new viewpoint of resource security should be enforced by means of a promotion on interdependence, mutual benefits, win-win partnerships, and joint development under a common energy

market system. Therefore Chinese petroleum corporations should make full use of China's traditional friendship with Middle East Countries having an abundant oil supply and should actively expand their cooperation with these countries on oil drilling and mining, so as to construct a win-win pattern, which not only fits the "viewpoint of new resource security" in the international community, but also brings benefits to China's peaceful development.⁷

Among all the Middle East oil supplying countries, Iran with a vast reserve of intact oil that is newly discovered and outweighs the amount of oil already being drilled many times in the past, has a location relatively near the Northwest of China. According to the new data publicized by *Oil & Gas Journal* of US, the oil reserves of Iran are estimated to be around 18.65 billion tons, while the annual output of oil in Iran reaches only around 200 million tons, most of which is exported.⁸ In recent years, Iran has been in a dilemma and difficulties due to its nuclear crisis that brought increasing concern and interference from international community, and caused more and more severe sanction measures. Under such circumstances, the attitude, stand, and policy of Chinese government on Iran's nuclear crisis really mean a lot. Iran has been an important country targeted by Chinese petroleum corporations during their implementation of "Outward Expansion Strategy" for overseas oil drilling, which means that Chinese oil companies have already established some basis for oil drilling and mining in the oil fields of Iran, and have already owned a significant interest in local oil production. Currently, the further enhancement of Chinese oil companies' presence in the international cooperation of oil production in the Middle East may offer historic opportunities and challenges to China. In the final analysis, economic globalization is a process of cooperation and competition outlined by rules of the competition that are established by the strong nations. Under such conditions, cooperation is a kind of subjective response while competition is the objective challenge. Under conditions of globalization, competition will be a sustained and unavoidable process dialectically conformed to development, forming a unity of opposites. Competition is a necessity to development, and only competition can promote it.

Therefore, both the Chinese government and Chinese petroleum corporations must seek a development through active participation in competition constructs a harmonious world with various countries through competition and cooperation. In brief, more support and input must be offered to anti-terrorist actions in Middle East region, especially those in Iran, Iraq and Afghanistan. In this sense, Chinese petroleum corporations should intensify their cooperation and development in

⁷ Bei An, "The Outward Expansion of Chinese Oil Companies Fits for the New Viewpoint of Resource Security," *Xinhua Net* (2005-09-24).

⁸ Gang Liang, "Verified Reserve and Output of Oil and Number of Oil Wells in Operation Worldwide in 2008," *International Oil Economy*, No. 1, 2009, pp. 59-60.

Iran, Saudi Arabia, Iraq, Kuwait, the United Arab Emirates, and other countries that have rich reserves and large outputs of oil.

IV. An Emphasis on Uplifting the Security Coefficient of Overseas Energy Supply

Presently oil still enjoys tremendous significance in the world, just as in the past. Oil is not only the blood for modern economic development, but also a strategic resource for military development and diplomacy, which directly influences the economic growth and political stability of a state. As a non-regenerative and extremely scarce resource, oil has an extremely imbalanced geographical distribution in the world, and even worse, it is usually monopolized and manipulated by some powerful international industrial organizations. Many international conflicts and disputes frequently happen in the world for controlling oil resources.

As many know, the domestic oil reserve of China can no longer satisfy its own demand in its quick economic growth, and oil security has become an important part and factor influencing its national economic security, which is as equally important as the issue of sustainable development. As a result, China's demand on overseas oil is increasing very fast, in pace with the sustained and quick economic growth of China. Therefore great concern is essential about the incomplete system and low level of China's strategic reserves of oil. The insecurity and instability have become a more and more serious problem impacting overseas supply of energy to China, due to drastic changes and soaring prices of oil in the international market for energy products. Under such situation, uplifting the security coefficient of overseas energy supplies is a serious problem connected to China's national security and national interests.

The relation between security of oil supply and dependence of oil import can be summarized in this way: the stronger the dependence becomes, the higher the supply risk will be. Since the 1990s, the geopolitical conflicts of various countries for oil resource have become more and more intense. It has been verified by facts that those regions of the world owning rich oil reserve are always obsessed with enormous turbulence on politics. Those oil-rich countries in the Middle East, Africa, and Latin America have long been trapped in tumultuous changes of their political situations, which have worsened the already intense conditions for the world oil market. Such turbulence in these countries is a consequence not only from internal conflicts and rivalries of domestic interest groups, but also is shaped by the interference of big powers of the world for control of oil. The actual purposes of many wars in these regions, including the Gulf War in 1991 and the Iraq War of 2003 and following, can potentially be summarized as pursuits for more oil. Since

the beginning of this new century, some big powers consuming huge amount of energy, which are represented by US, have intensified their competition for oil resources in the world, in a way of controlling strategic pivots of oil-related geopolitical strategies in various regions of the world, strengthening regional cooperation on oil, accelerating global oil drilling and mining, and comprehensively promoting their global strategic arrangement related to oil. Such fierce competition between big powers further intensifies the political turbulence in some oil supplying countries. In the drastically changing environment of the international oil market, such turbulence in the oil-rich countries and regions has become a potential menace to the security of overseas energy supplies to China. Besides, the competition between China and foreign countries for overseas oil supplies has become more and more intensified, which may lower the security coefficient of overseas oil supplies to China. The rivalry between China and Japan on the arrangement of oil pipes from Russia is a typical example.

Most oil imported to China is transported via sea, passing such strategic maritime channels as the Hormuz Strait, and Strait of Malacca. However, these strategic maritime channels are out of reach of Chinese military and political power, which means an easy submission of China's transportation of oil to foreign hostility. In order to meet these challenges of energy transportation, China must make a reasonable integration for the existing industry of oil transportation by ocean liners, which may be guided to establish long-term strategic partnerships of cooperation with those enterprises importing oil, so as to avoid unnecessary dislocation and confusion. In brief, great importance deserves to be attached to the security of oil transportation, a part of total energy security of China. It is estimated that over 50 super oil liners should be operated for adequate transportation of overseas oil to China in the near future.⁹

Currently, the following two points should be concerned and implemented for the purpose of uplifting the security coefficient of overseas energy supply to China:

a). Substantial, effective, and strategic measures must be taken to protect the overseas energy supply to China and its security of transportation, which should be based on a long-term strategic perspective on the significance of the issue of China's energy security.

Long-term strategic perspectives and flexible strategic measures are needed to resolve the problem of energy security of China, which can not be thoroughly resolved quickly. On the one hand, it is not possible to realize China's energy security by self-isolation, and it is necessary to implement the "Outward Expansion Strategy" so as to compete for favorable positions in the geopolitical

⁹ Gang Liang, "Verified Reserve and Output of Oil and Number of Oil Wells in Operation Worldwide in 2008," *International Oil Economy*, No. 1, 2009, pp. 59-60.

chessboard of energy supply, which means that China's strategic interests of energy supplies could be realized only through its cooperation and competition with various countries of the world. However, profound changes have taken place on the world market of oil and natural gas, which is shaped by economic globalization. Those transnational oil companies of developed countries have preemptively occupied many oil fields in the oil-rich regions, which poses serious difficulties to Chinese petroleum corporations implementing the "Outward Expansion Strategy" and seeking overseas investment, whose leaders find it extremely difficult to seek projects, to establish connections, and to ensure security. The reality shows that "Outward Expansion Strategy" is not equal to "Inward Import Strategy". A kind of new model and new path must be invented, which should be totally different from the old path of colonialism.¹⁰

b). Flexible Combination of "Outward Expansion Strategy" and "Pluralism Strategy" for a more favorable position in the construction of new patterns of world energy and more quick and efficient realization of Chinese energy security

Implemented since 1990s as a very important part of the Chinese energy strategy, the "Outward Expansion Strategy" is not an expedient, but a strategically important measure for a long-term, secure, and stabilized energy supply to China so as to ensure an adequate strategic reserve of energy for China during its rise in 21st century, which was drafted from a perspective of long-term development. Past practice has proved the effectiveness of the "Outward Expansion Strategy" and the appropriateness of the "Pluralism Strategy" in its adaptation to the domestic condition of China and future trends of world energy technologies. In the "Pluralism Strategy", pluralism should be applied to oil sources, oil production, categories of oil products, and strategic structures of oil, all of which should be integrated into a unity, so as to make the "Pluralism Strategy" play an ultimately full role. In order to meet the challenges of energy supply, it is necessary for China to develop both friendly relations with African and the Middle East countries so as to offer help for maintaining local political stability and economic development, and the close relations of strategic cooperation with Russia and countries on the coast of the Caspian Sea in Central Asia based on substantial exchanges on economy and trade. China will have to share the limited oil resources with all the other major countries of oil consumption in the world, which means inevitable competitions and conflicts of interests on the world energy market. As for China, there are both profound realistic significance and long-term strategic meaning in the implementation of both "Outward Expansion Strategy" and "Pluralism Strategy" based on "Cooperation against the Background of Competition".

¹⁰ Xingqiu Zeng, "Clear Understanding on Trends of Market, and Controlling on Impetus of Market Competition," *Paper of Chinese Petroleum*, August 24, 2007, p.4.

IV. Interaction with the World: Maintaining Cooperation within Competition

At present, the issue of energy security has been considered as a problem connected to world economic development and global stability. First, almost all the net oil importing countries are confronted with the problem of how to get adequate oil at reasonable prices, no matter large powers like the US, Japan, and China, or medium and small countries like Israel and South Korea. Therefore, oil security is collective security, not security for any individual country. However, China in its process of peaceful rising feels more urgently pressed on the issue of oil security.¹¹In today's world, the issue of energy security is closely connected to the general trend of economic globalization, which cannot be solved in an isolated market system, and can only be solved by a mutual articulation and general balance of interests among all the participatory parties through competition against the background of active and effective competition in some kind of bilateral or multilateral mechanism. Second, energy security is not an issue of economy, but a strategic problem associated with foreign strategy, national security, strategic interest of economy, and diplomatic means of various states. The actual development of the world energy market in recent years proves that "Cooperation against the Background of Competition" is regarded as a major trend and the most popular model of the energy issue of the world. Based on such a concept, China could realize its strategic interest through "Cooperation against the Background of Competition" and at the same time could avoid unnecessary international conflicts, by following a principle of "Peace, Cooperation, and Development" in its pursuit for overseas energy supply.

In the Middle East, the most important but also most turbulent "Oil Tank of the World", China should adopt an energy policy containing both active expansion and comprehensive consideration of all aspects, which means that China must on the one hand avoid face-to-face confrontation and conflicts against the US, the major hegemony of the world, and on the other hand, seek a balance of relations and a common interest with those western countries led by the US. In recent years, western countries led by the US, have paid close observation and have had a serious concern about China's pursuit of energy in the Middle East, which has influenced the strategic relations between China and Western countries, including the US in this region. Furthermore, such non-substantial factors to energy as culture and religion should be removed from impacting or influencing bilateral long-term cooperation between China and of oil supplying countries in the Middle East. China should make an effort to gain more strategic interests and long-term

¹¹ Honghua Men, "The Strategic Significance of Ensuring China's Energy Security," *Pacific Academic Journal*, No.1, 2005.

stabilized supplies of oil and natural gas in the Middle East by an active promotion of bilateral mechanisms for energy cooperation and a correct positioning on the energy supply in this region.

In addition to its enhancement of energy cooperation with oil-rich countries in the Middle East, China should at the same time extend more energy cooperation with other countries and regions in the world. In Africa, the traditional friendship between China and Africa should offer a guarantee to a stabilized energy supply of oil to China. Actually, China has gotten important energy supplies in such oil-rich countries as Sudan and Nigeria. However, China's oil prospecting and oil drilling in these countries have been frequently disturbed and damaged by Western countries led by US in the excuse of violating human rights and support to dictatorships. The actual purpose of such disturbances and damage is in large part their competition against China to control oil resources in Africa. Therefore, China's Africa policy is faced with serious challenges. Based on traditional friendships, China must extend "Cooperation against the Background of Competition" with other powers of the world, coordinating and balancing interests of various parties, so as to smoothly promote China's interests of energy supplies in Africa.

China has some advantage in the energy cooperation with Russia and the five countries in Central Asia, which is reflected first on the relationship of partnerships for strategic coordination between Russia and China, and secondly on the "Shanghai Cooperation Organization". As the largest country of energy export in Europe, Russia has been steadily increasing its energy export to China in recent years. Therefore, one of the most important chains of 21st century China-Russia relations is considered to be the further promotion on the partnership of strategic coordination between China and Russia by development of China-Russia economic and trade cooperation, especially the cooperation in the field of energy supply. One of the important roles of China's energy strategy in Central Asia should be China's energy cooperation with these Central Asian countries within the structure of the "Shanghai Cooperation Organization".

Southeast Asian countries, another traditional source of energy supply, should be considered as another strategically significant region of energy supply to China. However, China's energy strategy in this region has been disturbed on two aspects since the beginning of this new century:

a). Southeast Asian countries worry about the rise of China as a major world power. Currently, the "China Threat" thesis is to some degree widely accepted in these countries. So, China will have to first eliminate the negative influence of the theory from the "China Threat", in order to get continued and stable energy supplies in this region. China should actively promote the China-ASEAN strategic cooperative partnership and play a role of "Stabilizer for Asia-Pacific Economy", by means of substantial cooperation of mutual benefits with those energy-rich countries in this region, so as to re-obtain the trust and confidence of some "alienating countries" in this region.

b). "Blockade by US-Japan Alliance" is intensified continuously. Southeast Asia is not only an important source of overseas energy supplies to China, but also a strategically important channel of transportation for China to import oil from the Middle East and Africa. However, the US and Japan have been strengthening their strategic alliance with some Southeast Asian countries since the beginning of this new century, for the purpose of ensuring continuous effectiveness of their maritime blockade against China, owing to their psychology of safeguarding themselves against China's rise as a world power. So, a breakthrough in the direction of the Asia-Pacific region serves a dual strategic role: on the one hand obtaining important overseas energy supplies in China's neighboring region, and on the other hand ensuring the strategic security of the transportation channel of overseas energy supplies to China.

Currently, countless unpredictable variables roam the world energy market and the geopolitical pattern of energy supplies in the world, which has even worsened the situation of energy security for China. As a large country of both energy production and consumption, China is formulating its energy strategy that is considered as an important element influencing the geopolitical balance of both Asia and the whole world in the 21st century.¹² China should take a strenuous effort to realize a pluralized pattern of overseas sources of oil supplies by means of taking advantage of the important period of providing strategic opportunities in the near future, accelerating the promotion on the construction of a national system of secured oil supplies, and perfecting the national mechanism of strategic oil reserves, so as to obtain a more favorable strategic position in the world pattern of energy distribution, and to maximize China's strategic interests on energy guided by the concept of "Peace, Cooperation, and Development". In this way, a long-term, secure, and stabilized supply of overseas energy could be provided for the sustained development and smooth rise of our country.

In summary, it is not feasible for China to adopt a policy of either pure competition without cooperation or non-competition for the purpose of establishing international energy cooperation concentrated on oil-rich countries in the Middle East. The model of "Cooperation within Competition" not only fits the domestic conditions of China, but also suits the trend of world energy market. Against the background of overwhelmingly quick pace of economic globalization and mutual integration of the interests of various countries on energy supply, the issue of energy security of any individual state has become a globalized issue which cannot be resolved by separate actions of any individual state or group of states, and which can only be resolved through international cooperation.¹³

¹² Honghua Men, "The Strategic Significance of Ensuring China's Energy Security," *Pacific Academic Journal*, No.1, 2005.

¹³ Yuanhua Yang, "From Oil Era to After-Oil Era," *Party and Executive Forum*, No.2, 2006.