China Oil Policy in the Middle East

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Abstract

The paper discusses China oil policies in the Middle East region according to the changes in the global energy balance and the resulting geopolitics which have in recent years emerged as a result of the interplay of factors such as the rapidly increasing world's energy consumption and the shift of the source of consumption eastwards to the countries like China. The apparent shortage of oil is exemplified by the "peak oil" theory, signaling a global struggle for oil and the need for new oil production, despite the apparent investor's insecurity to commit under the current geopolitical and economic conditions. The energy shortage is not a general shortage but a structural imbalance. In recent years, China's dependence on foreign oil supplies keeps increasing to meet the needs of China's rapid economic growth. China's top leadership, for this goal, has committed itself to energy diplomacy and vigorously promoted China's energy cooperation with Middle East oil rich countries. The hypothesis of the article is that in current global energy balance and the underlying geopolitics, China seeks improving cooperation with oil producing countries in Middle East as a tool for its Energy security but achieving to this goal needs some changes to traditional China foreign policy toward the region.

Key words: Geopolitics, energy, China, Middle East, foreign policy

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Introduction

Energy supply has long played a prominent role in world's international affairs. The forces of globalization, market liberalization and technology have created a global economic engine that is now engaging massive populations in the developing world, especially in Asia. As the globalized markets of today have been very much energized by the affordable and available transportation fuels, oil and natural gas are expected to dominate the world geopolitics in the years to come. In addition, with the economic rise of China and India, the world's energy balance has undergone substantial changes over the last few decades, in terms of both demand increase and its "shift eastwards" – changes that will without doubt further enhance the role of energy in international politics, moving the energy security up the political agenda and intensifying the campaign for the remaining resources.

The global struggle over energy, especially the control over the flow of oil and gas from the Caspian region to the markets in Europe and United States, is only expected to intensify. While there appears to be an urgent need to invest in new oil resources, especially in the OPEC region, the current economic and geopolitical climate combined with environmentalist's decarbonization desires and the corresponding agendas makes the potential investors reluctant to engage in energy projects.

This study examines these changes and how they affect the China oil policy in Middle East? The hypothesis of the article is that in current global energy balance and the underlying geopolitics, China seeks improving cooperation with oil producing countries in Middle East as a tool for its Energy security.

Geographical shift of oil consumption

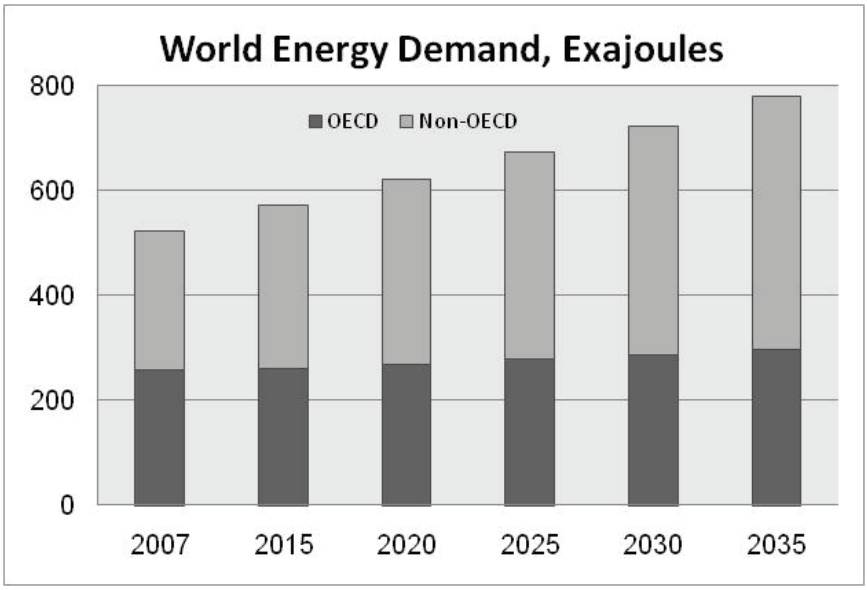
In spite of the fact that there is no imminent shortage of world energy supply, the sharp increase in consumption is often quoted as a major concern from both the geopolitical and environmental viewpoints. World's energy consumption is currently around 500 exajoules/ year, or on average 55 kWh per person per day. By 2035 the worldwide requirement for primary energy is expected to rise by 49% relative to 2007 (DOE EIA, 2010, page 1).

However, it is the shift in the source of consumption, and particularly of the oil consumption, that made substantial changes to the world energy balance, which can naturally be followed by a shift in the geopolitical and

economic power from west to east. This process may be gradual, but its potential consequences are profound. The economic crisis in the West, if it continues, can only accelerate the trend, and it may turn out that the year 2008 was the turning point.

As shown in Figure 1, the energy consumption of the OECD countries is expected to rise only marginally by 2035. The main increase will occur in the developing nations of Asia, and especially in China. The non-OECD nations account for 84% of growth in energy use between 1990 and 2035 (DOE EIA 2011, Figure 50). While China's share of the global energy consumption was only 8% in 1990, compared to US's 24%, China is expected to equal US in 2015 at about 18% of world's energy, and to dominate in 2035 at 24%, compared to USA's expected 16% share. Both countries will undoubtedly rate their energy security as a national interest of the highest priority.

Figure 1 World energy demand projection (DOE EIA, 2010)



As regards its oil consumption, China emerged from being a net oil exporter in the early 1990s to become the world's third-largest net importer by 2006. Its oil consumption growth accounted for about a third of the world's oil consumption growth in 2009 (EIA, 2010).

China consumed 8.3 million barrels per day (Mbpd) in 2009, while producing only 4 Mbpd. Its import in 2009 was 4.3 Mbpd, compared to

US's 9.6 Mbpd (EIA, 2010). Chinese oil demand will have reached 9.6 Mbpd in 2011, and its imports will rise to 5.6 Mbpd. At this growth rate Chinese oil imports may reach that of the US by year 2016.

China role in the oil market

The rise of China, as an influential consumer and a possible US's competitor for the remaining oil, has several important geopolitical consequences. In addition to the emerging struggle for resources and the risk of crossing the boundaries of diplomatic contests, the specific Chinese campaign for resources creates a peculiar economic effect – a change in energy trading methods, which some authors describe as "market suppression", caused by special bilateral deals. China's approach to energy markets in Africa and Central Asia often involve special, not so transparent government-to-government agreements, which is in contrast with the market-based approach to energy security, favoured by the market economies. It is feared, largely in the West, that the grants, special loans and infrastructure development projects that the Chinese government routinely offers to its resource-rich business partners distort the workings of the market (Klare, 2008 ;12).

However, some authors assert that this Chinese practice is neither exceptional nor at all harmful, arguing that if the Chinese energy sector bring more supplies onto the global market, all consumers will benefit in the long term (Victor,Yueh, 2010). These authors hope that China will appreciate that the flows of the new supplies will be more reliable if they came from countries with well functioning governments. It is believed that to enable such development in Chinese attitude towards energy markets, the investment standards should be developed that align China's interests in its energy security with the Western norms of well-functioning markets.

The response – increased awareness of energy security The five largest energy consumers, and at the same time the economically strongest powers and actors on the world geopolitical map (US, China, EU, India, Japan), are all short of conventional energy supply. Government's concern about the energy security causes them to take energy to the top of their political agendas. The fragile government become sensitive to lobbying in favour of one option or the other. For example:

- Following Fukushima nuclear reactor explosions, Germany decided to abandon nuclear power by 2022 (Pidd & Goldenberg, 2011). The

announcement came only months after Angela Merkel's government decided in autumn 2010 that their nuclear power stations should continue to operate until 2035, which overrode a decision to quit nuclear energy by 2022 made by the government of Social Democrats and Greens in 2001.

- At the same time France made a new commitment to nuclear power (Willsher, 2011)
- In the UK, the Severn Estuary tidal power project was abandoned (UK Department of Energy and Climate Change, 2010).

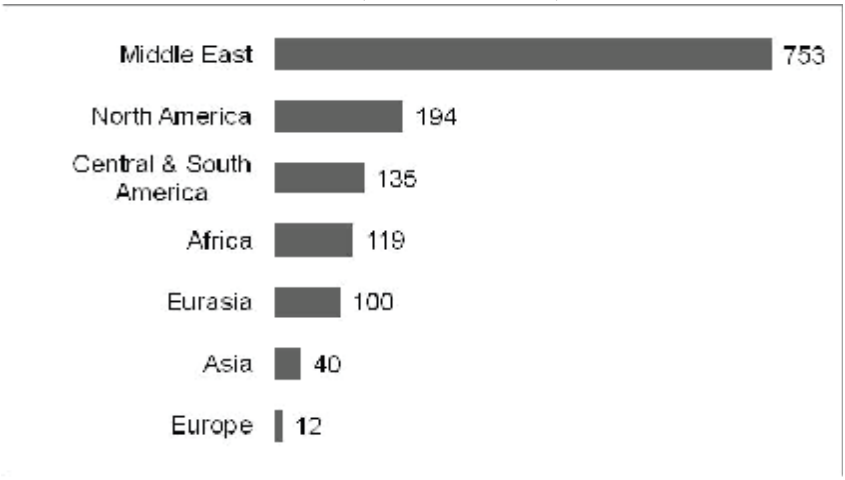
The changing geopolitics of energy

Some of these moves are in sharp contrast with the environmentalist's desire to switch to low-carbon energy and many governments verbal agreement to action on this, in spite of expert's warning that the switch may be a very slow process with a limited effect (Kramer and Haigh, 2009).

The supply side - world oil reserves Although there is no imminent oil shortage on the world stage, the "peak oil" alarmists are still active. The scare mongering is assisted by the lack of transparency concerning world's oil reserves and the perception of a production "peak", followed by a decline. The so called "Hirsch report" has been quite influential in this respect (Hirsch et al., 2005).

The world's oil consumption is expected to be around 88 million barrels per day (Mbpd) in 2011, providing around 34% of the global energy demand. Of this,23% will be consumed in the USA, 10% in China, 18% in the EU and 5% in Japan. (EIA 2011a, Table 3a)The proven oil reserves are estimated at 1.3 trillion barrels. The distribution of the reserves is shown in Figure 2 (DOE EIA, 2010). Relatively few fields have a major influence on global crude oil supply, and their gradual decline is an area of concern.

Figure 2. World oil reserves distribution, billion barrels
(DOE EIA, 2010)



As the oil production in the non-OPEC countries is expected to increase only marginally between 2010 and 2030, it is the call on OPEC to provide for the new production.The production rates expected from OPEC vary from analyst to analyst. OPEC's own predictions quote 49 in 2030 (Hamel, 2007:3), while DOE predicts 47 Mbpd by 2035 (DOE EIA, 2010).Assuming a 1.5 %/year depletion rate of the existing fields, the OPEC's projected shortage in 2030 will be around 16.5 Mbpd, equal to 150% of the current production of Saudi Arabia.

Propensity to Invest - Investing in the Uncertain World

There appears to be an urgent need to invest in new oil, and it is the investment, not the resource that seems to be critical. However, the political and economic instabilities set constraints on the propensity to invest, and have caused apparent investor's reluctance. While most of the oil reserves are in regions that are politically unstable (Figure 2), it is prohibitively expensive to invest in oil fields in stable locations. According to OPEC, the expansion of non-OPEC capacity is on average 2-3 times more costly than for OPEC, with this gap widening over time, as costs in non-OPEC regions gradually rise faster than in OPEC. The highest-cost region is the OECD, which also experiences the highest production decline rates (Hamel, 2007: 5).

Another investor's dilemma is that the producing countries may question if the demand is certain to justify the large investments. The environmentalists discourage new oil investment, and in particular the "climate change" activists doubt future fossil fuel usage, albeit without offering a clear alternative. Finally, the intrinsic instability in energy pricing, due to the currently prevailing speculative mechanisms of oil pricing makes planning and deciding about energy investments increasingly more difficult.

For a couple of decades, until about 2004, the price of oil had been basically determined by OPEC, through an administered system of fixed prices. Since early 1980s, large producers moved to a "benchmark" pricing system, trading in crude futures. This brought in new players from the financial sector, including large hedge fund speculators and index investors. As the price of oil has become the main drivers of price have increasingly included financial market indicators, such as equities and exchange rates.

Shale gas revolution

The breakthrough in natural gas supply in North America is one of the most important changes in the global energy image. Several old and new technologies combined to enable shale gas extraction: hydraulic "fracking" of rock to open pores and allow extraction, improved horizontal drilling, improved seismic exploration, and, most importantly, gas extraction from deep shale by using "slick" (low viscosity) water and send mixture to fracture the rock combined with horizontal drilling to expand the reach of the well (Ridley, 2011).

Oil and gas companies have more than doubled the discovered shale gas resource base in North America in the past three years and they have scaled-up production dramatically. Total potential resources are now thought large enough to meet current consumption levels for about a century. In an unprecedented move, the Royal Dutch Shell declared to have become a "gas company" (Lestak,2011).

As shale gas is uniformly distributed, other countries are now encouraged to search for new gas resources themselves. The global unconventional gas resource base must still be proven, but with the EIA estimating a potential recovery worldwide at 185 trillion cubic meter (tcm) (EIA, 2011), it will clearly be a game-changer.To put this shale gas resource estimate in some perspective, world proven reserves of natural

gas as of January 1, 2010 are about 187 tcm, and world technically recoverable gas resources are about 450 tcm (excluding shale gas).
Thus, adding the identified shale gas resources to other gas resources increases total world technically recoverable gas resources by over 40 percent to 635 tcm. The largest addition comes from the USA – the estimates vary from 24 tcm (EIA, 2011), to 31 tcm (IHS CERA, 2010). In Europe, Poland is currently quoted as richest in shale gas reserves, followed closely by France. The estimates for Poland vary from 1.3 tmc (Wood Mackenzie) to 5 tmc (EIA). As a reference, Poland's natural gas consumption is 14 billion m /year, and EU demand is about 550 billion m /year.

The success of shale gas projects that are already in the US underway will give governments, investors and consumers the confidence to commit to natural gas in the long term. It is not difficult to take these forecasts one step further and foresee that natural gas may gradually replace coal as the power generation fuel, and also replace oil as land transportation fuel via gas-to-liquid (GTL) partial oxidation, followed by the Fischer Tropsch process.

Energy sector in China

Promoting diversified development and strengthening mutually beneficial cooperation in international energy is one of China's energy development strategies. In the process of China's energy development, being different from development and utilization of other energy, the oil industry has its own particularity. In China's energy consumption structure, the proportion of coal is, for a long-term, high. In 2005, the consumption of coal accounted for 68.7%, oil and natural gas 24%, hydropower and nuclear power 7.3% (Qiu, 2007: January); In 2009, the consumption of coal represented 70.3%, oil 18.0%, natural gas 3.9 %, hydropower, nuclear power and wind power 7.8%(National Bureau of Statistics, 2010: May).

The situation remains the same. The ratio of oil and coal is close to 1:3, but their contribution rate to China's economic development is self-evident. The consumption structure of coal-based shows that China is still in the low efficient and poor benefit Coal Age, which remains outside the main trend of world development energy. It produces an adverse effect on China's economy, utilization of energy, the ecological environment and

the quality of people's life. China's energy shortage is not a general shortage, but a structural shortage.

From the structure of energy storage, China is rich in coal, but insufficient in petroleum and gas. The petroleum shortage can not be replaced by coal or other energy in the short term. To protect its economic security, China must give priority to protecting the security of its oil supply. In addition, due to the limit of resource conditions and producing capacity, China's domestic oil producing capacity has reached the maximum 200 million tons. The consumption of oil will grow rapidly owing to economic development. When domestic producing capacity remains the same or increases slightly, the growing consumption of oil in future will increase the China's oil consumption gap and the dependence on import of oil.

According to the National Development and Reform Commission statistics data, China's crude oil production was about 189.4 million tons in 2009, which can only meet half of domestic demand. The Ministry of Land and Resources announced that China has become the 4th largest oil-producing country in 2009, next to Russia, Saudi Arabia and the United States, accounting for 5.4% of world crude oil production. According to information released by China's General Administration of Customs, China imported a total 204 million tons of crude oil in 2009, the ratio of dependence on oil reached 52%, the highest in history, up 13.9% on 2008 (the same below). The imports of crude oil worth 89.26 billion US dollars, down 31%; import average price was 438 US Dollars per ton, down 39.4%. The top three sources of imports were Saudi Arabia, Angola and Iran. Among them, China imported crude oil of 41.86 million tons from Saudi Arabia, up 15.1%; Angola 32.17 million tons, up 7.6%; Iran 23.15 million tons, up 8.6%. If taking the refined oil into account, China's dependence on foreign oil was even higher. China's rapid economic development constituted one cause of the increasing dependence on foreign oil.

Besides, the resource condition of oil producing is a severely restraining factor. According to the estimation of Yan Luguang, an academician of CAS, China's oil consumption will exceed 800 million tons in 2050, while domestic oil production due to constraints of resource and capacity, will stabilize at about 200 million tons in annual production. The ratio of dependence on foreign oil will reach 75% (Liu, 2007: June). China's current crude oil production is nearly 200 million

tons and has no space to increase. This means that in future years, China must continue to promote oil production cooperation with foreign countries thus effectively solving the growing shortage of oil supply.

The preferred way of obtaining foreign oil is cooperative exploitation, and the second choice is engaging in import trade. For the development and utilization of oil and gas resources in the Middle East, Chinese experts have persistently different views. The situation in the Middle East is complex and long-term instable; therefore quite a few experts have advocated the diversification in oil sources as soon as possible, avoiding undue reliance on Middle East oil and gas. They also claim that China's dependence on foreign oil should be controlled within 1 / 3. Then, China imports its oil from Russia, Central Asia and the Middle East (Mei & Wang, 2005: 248-250). This program is actually a bit idealistic. From the current situation, Russia and Central Asia cannot achieve the immediate goal of the experts, let alone the achievement of long-term goals. At present, in the field of storage and production of the oil and gas, the Middle East oil-producing countries' main force status cannot be replaced. In terms of oil prices, transportation and geographic factors, the Middle East oil should be China’s main source of oil. Although in recent years, oil production in Central Asia, Africa increased, the Middle East crude oil is still dominant in the world oil market. The resource conditions and production in central Asia, in any case, can not meet China's 1 / 3 of the external demand for oil (Qian, 2007: May). Thus, under current conditions, it is inevitable that China should carry out cooperation with Middle East oil-producing countries or list the Middle East oil as a source of China's According to incomplete statistics, the following is the situation of China's crude oil import from major Middle East oil-producing countries:

Two opposing movements dominate the world energy outlook: (1) fear of shortage of energy, especially shortage of oil, and the geopolitical contest for the remaining resources; (2) a dramatic increase in the availability of unconventional natural gas as world’s primary energy resource for centuries to come.

How these two forces will be reconciled remains to be seen. However, the world’s energy problems are relieved by shale gas revolution to an extent unimaginable only several years ago. A switch from coal to gas and from oil to gas appears imminent, in a word in which the choice of

fuel for electricity production seems to be gas, and the future of transportation the electric car.

The optimism in world's energy affairs has been desperately out of fashion over the last twenty or so years, although there has never been a clear and a scientific rationale behind such sentiments and beliefs. The shale gas solution to world's energy problems will certainly encounter formidable opposition from oil, coal, nuclear, renewable and other energy industries, politicians, the green movement, the global warmists and other environmental pressure groups. Not to be ignored is the desire to dominate the world geopolitics by the energy producing countries, who will not welcome shale gas as a competitor.

China reliance on Middle East oil

In 2009, Middle East oil-producing countries' proved oil reserves were 112.199 billion tons, accounting for 60.48% of total world reserves. The proved oil reserves of West Asia were103.2 billion tons; the proved oil reserves of North Africa were 8.999 billion tons. Oil production of the two areas was 1.244 billion tons, accounting for 37.25% of world oil production, up -0.1% on previous year. The oil production of Western Asia, North Africa was 1.044 billion tons and 0.2 billion tons respectively (Liang, 2010: January).

Currently, China is actively pursuing the policy of diversification in energy sources. From the reality of energy supply, the Middle East has been the main source of China's overseas oil. The resources in other areas or countries are supplementary resources for diversification.

The table does not include the data of UAE and other countries. If coupled with imports from these countries, China's imports of crude oil from the Middle East were certainly more than 50% of total imports in 2008.

It is inevitable and safe that China promotes energy cooperation with Middle East oil-producing countries. The Arab countries are main oil producers in Middle East. In the past, Arab national cohesion and the specific cohesion of the Islamic Muslims, have been the underbelly of the over-concentration of energy sources. But now the geopolitics of Middle East countries has already changed. Under the Western power politics and the strong cultural impact and influence, the original cohesion of Arab countries and traditional culture have disintegrated. Moreover, Iran had a long-term discordant relation with other Middle East oil-producing

countries. Therefore, currently, China engages in cooperation with the Middle East oil-producing countries which should not be seen as a tight unit, but with the different independent countries upholding their own interest. Middle East oil-producing countries are now no longer monolithic. The case in which they carried out joint operations to deal with western countries in the 1970s was already history.

Energy Cooperation between China and Middle East countries

After July 2004, China negotiated with the Gulf Cooperation Council on the establishment of a free trade zone. By the end of December 2005, Kuwait's oil minister and OPEC delegation visited China; in January 2006, King Abdullah of Saudi Arabia came to China. In April 2006, President Hu Jintao with a delegation paid a return visit to Saudi Arabia and OPEC member Nigeria. Through the frequent contacts of state leaders of both sides, it is not difficult to conclude that China needs a continuous oil supply from the Middle East while the Middle East needs this huge oil consumption market.

China's energy diplomacy gained immediate results. In a project bidding of gas exploitation in Saudi Arabia’s desert region, Sinopec beat American companies, becoming one of the four authorized mining companies in that region. In addition, when the project of China-Myanmar oil line had no result after long-term discussions, Chinese oil companies decided to open a new path, through Gwadar Port of Pakistan, transporting the oil from Saudi Arabia, Iran to Xinjiang. Thus it strengthened the marine security of the Malacca Straits. In Fujian Province, China, a 3.5 billion US Dollars oil refinery, invested by Sinopec, Exxon - Mobil and Saudi Arabia, commenced construction. In addition, Saudi Arabia was also prepared to invest in some of the oil reserves and oil refining project in Hainan, Qingdao, and Dalian. These projects constitute the basic framework for energy cooperation between China and Saudi Arabia.

By the end of 2005, Kuwait and China signed a "Memorandum of Understanding", which intended to invest 5 billion dollars in building a joint venture oil refinery near Guangzhou. It was designed to process 30 million barrels of crude oil from Kuwait per day. Once the refinery project is passed, it will exceed the CSPC Nanhai petrochemical project in which 4.3 billion dollars were invested, and it will be China's largest joint venture project. On March 29, 2006, Kuwait Oil Company set up

offices in Beijing and had close contact with Chinese oil companies. It was a win-win result. China's "going out" strategy not only promoted the cooperation with the oil-producing countries, but also attracted capital and technology of oil-producing countries in China's petrochemical project, which resulted in a symbiotic relation with oil-exporting countries.Ignoring the will of the Americans, Kuwait invested in China and pursues the energy cooperation, which set a model for other Middle East oil-producing countries.

All the other Middle East oil-exporting countries followed to contact with China that promoted the energy cooperation between China and the Middle East. On May 22, 2007, China Gas Holding and its shareholders, Oman national oil company signed a strategic joint venture agreement involving imports of energy products from the Middle East to help China Gas Holdings to obtain stable energy supply. The joint venture's authorized capital totaled 40 million US dollars, with each holding 50% equity in the joint venture (Tan, 2007: July). On May 23, world-class supplier of ethylene -Qatar Petrochemical Co., Ltd. established its fifth office in Guangzhou, and in the following Beijing, Shanghai, Taiwan and Hong Kong. At present, in the South China market its main product of ethylene is in short supply (Li, 2007: May).

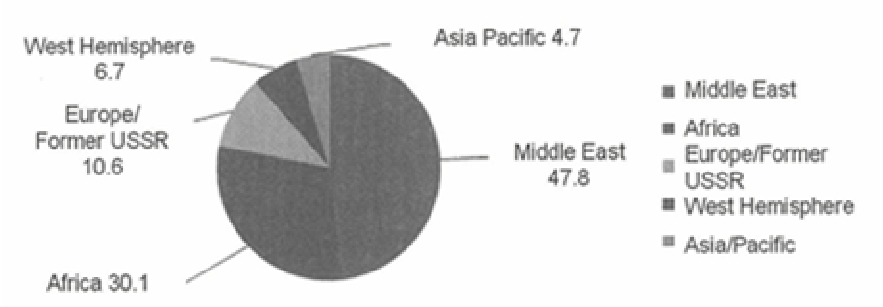
On June 20, Iraqi President Jalal Tabarani visited China. During the visit, the Iraq oil ministers consulted with China on the investment in Iraq's oil fields. This consultation has not yet led to agreements, but the Iraqi ambassador made it clear that the coming of an "oil law" would open the Iraq oil fields to international companies, and China will become one of the beneficiary countries. A frozen oil contract between China and Iraq, signed in 1997, will soon be activated (Chen, 2007: June). The facts show that energy cooperation between China and the Middle East oil-producing countries have entered a new period with increasing and large-scale cooperation projects.

China’s energy security is mainly about oil security, and her oil security is mainly the security of geopolitics in MENA. In 2009, China’s oil consumption recorded 8.3 million barrels per day (mb/d),whereas production capacity in the same period recorded 4 mb/d, lacking 4.3 mb/d with over 50% of foreign dependence rate. It is expected that China's oil consumption in 2012 would reach 9.6 mb/d, while production capacity would only be 4.2 mb/d, with foreign dependence of over 56 percent. According to FACTS Global Energy, China's oil import reached 4 mb/d

in 2009, of which 2 mb/d came from MENA with 50% of foreign dependence rate. Seven countries among the top ten oil exporting nations to China are in MENA: Saudi Arabia, Iran, Sudan, Oman, Iraq, Kuwait and Libya respectively, and they have a significant influence on China's oil supply and energy security. Moreover, MENA is China's dominant supplier of LNG and fuel oil as well. Although China is implementing diversification strategy on energy supply to avoid energy supply risk, it is still necessary for China's energy security to assure a presence in MENA, considering the unprecedented position of the region in world's energy market, as well as its importance for China's energy security both in the short and long terms.

China's Investment in the MENA is considerable With the deepening of China's ''Going out'' strategy on energy, investment on oil and gas in the MENA has become increased, including risk exploration, oil and gas development and exploitation, refineries, plant construction, pipeline laying and port building. These investments are usually in the form of joint-ventures, securing equity oil while avoiding geopolitical risks and their impact on energy supply. Currently, China's oil and gas business cover nearly all the main oil counties, including Block B gas field in the Saudi Arabian desert, Iran's Yadavaran oil field, Iraq's Rumaila, as well as the founding of Red Sea Oil Company, the Greater Nile Petroleum Operating Co. Ltd., Khartoum Refinery and other oil refining companies. In particular, China's oil and gas investment in the Sudan has become industrialized and include exploration, production, refinery, transportation and distribution, producing 0.25 mb of oil per day.

Chart 1: Source of China's Crude Oil Imports in 2009 (Unit: %)



The Challenges of energy cooperation between China and Middle East Countries

The situation in the Middle East has always been volatile, and the conflicts have been very complex. The world's great powers and the world's major oil companies competed for their profits in the Middle East. The competition was increasingly fierce in the background of the deepening globalization. Therefore, in the process of cooperating with Middle East countries, China encountered various complex constraining factors.

The great powers intervened in the Middle East to constrain China's energy cooperation. Presently, the turmoil of Iraq, the Israeli-Palestinian crisis and the turbulent Lebanese politics lead to an uncertain situation in the Middle East. Under this background, the great powers, driven by political, economic, security factors, intervened in the Middle East affairs, increased their competing efforts, considered the Middle East as the key part of its global strategy. US focus on establishing a new world order dominated by him. The overall goal is "relying on America", "dominating Asia" and "controlling the Middle East". Through the "road map", "two war fields", "three diplomatic supports", the US exerted pressures on the Middle East step by step.

Taking energy cooperation as the starting point, the EU actively involved in Middle East affairs. They viewed the Middle East as a tool for seeking an important position in the world. For more than a year, the diplomatic actions of the EU in the Middle East were extremely active. On the Iranian nuclear issue, Israeli-Palestinian conflict and other Middle Eastern affairs, the EU kept an appropriate distance from the United States, highlighting its political independence, and trying to break the dominance of the US, the EU expanded its sphere of influence on the Middle East.

The Middle East area is the strategic relationship to Russia. These areas also ease and balance the US strategy of squeezing the Russian strategic space in Central Asia. Properly dealing with the Middle East affairs is expected to improve their own geo-strategic situation and to constrain NATO and the EU. Taking the Iranian nuclear issue and the Palestinian-Israeli issues as starting points, Russia implemented a pragmatic diplomatic policy on the Middle East. In some issues, Russia stood in the opposing positions of the United States to resist the

infiltration, control and pressure of the Western countries (Huang, 2006: December).

The Middle East oil is a crucial strategic material of big countries for economic development and their national power. So the United States, the European Union, Russia and Japan, spared no effort to strive for their own strategic interests in the Middle East energy, and their political, economic and military effects on the Middle East have been deep-rooted. Being wary of China's and other countries' energy cooperation in their orbit, the four countries strived to prevent their own orbit from meddling by outcomers; especially the United States' actions are the most prominent.

The United States has always regarded China's energy cooperation with Middle East oil producing countries as a threat to its energy and global strategy. Therefore, the U.S has always taken the attitude of containment and exclusion to China. In addition, Western countries, including Japan with its Western orientation, sought and maximized their own benefits according to their strategy. They created obstacles for China's energy cooperation with the Middle East. After the Iraq war, the United States greatly enhanced its control of the energy in the Middle East, which was more detrimental to China. It helped the US to constrain China's normal energy cooperation in the Middle East.

Conclusion

From the perspective of energy security, obtaining adequate, stable and diversified oil and gas supply at a reasonable price is the strategic goal of China’s energy security. Oil supply disruptions and soaring raise and fall of international oil prices are the largest risks of China’s energy security. Historically, the international oil and gas issues and the stability of supply are always in trouble, and the international oil prices have never been stable, or are only relatively stable. These are not only the fundamental issues of market supply and demand. International energy geopolitics cannot be ignored either, and to a considerable extent, the impact of geopolitical forces on world oil markets is as large as economic factors.

International Energy geopolitics can affect any part of the supply chain and international oil prices. The recent geopolitical changes in MENA have posed a great warning about international energy security and China’s energy security. The current situation in MENA is only the geopolitical representation of its structural contradictions; neither the United Nations nor the United States nor China can resolve the structural

geopolitical conflict, which means that the safety and adequacy of oil and gas supply in the Middle East and North Africa will remain unstable. Besides, it indicates that international oil prices will not stabilize at any level, and that China's energy security will long be influenced by geopolitics in the MENA, as well as other countries.

In general, China lacks the capability of dealing with international energy politics and risks. China's foreign policy of ''non interference in other countries' internal affairs'' does not allow China to accomplish much on the international energy geopolitical issues. Just like the MENA policy posed by the western countries make them become ''self-trap victim'', China's own shortcomings and related policy may be put at risk of being ''hostage'' to international energy geopolitics, which may further affect the country's ''going-global'' strategy and external energy cooperation as well as energy security interests as a whole. Ultimately, it would form a paradox between strategic theory and practical sense on this issue, leaving behind the difficulty that traditional principles are unmatched with practical interests.

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