



New FPC reports challenge conventional wisdom on China's energy demand and global economic impact

Attention: foreign news desks, diplomatic editors, economics and business editors, trade and energy correspondents

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The domestic regulation of China's energy use is the issue of greatest significance for global energy markets; and analysts have underestimated China's impact on the global economic system, two incisive new reports from the Foreign Policy Centre (FPC) argue.

Energy and Power in China by Australian economist Angie Austin and ***China Goes Global*** by Professor Yongjin Zhang, head of Asian studies at the University of Auckland, are the latest publications from the FPC's programme of work on China and Globalisation, generously supported by **Accenture**. They are released ahead of a major unofficial EU-China summit organised by the Foreign Policy Centre with its partners in Beijing on 18-20 May 2005.

China consumes five times more energy per unit of GDP than the US - and 12 times more than Japan. In ***Energy and Power in China***, Angie Austin assesses the geopolitical implications of how China manages its energy challenges and makes an in-depth analysis of domestic mechanisms for energy regulation. Foreign policy specialists should focus on internal regulation and improving efficiency, the report argues, rather than on classic 'hard security' geopolitics and energy supply.

- Pricing mechanisms are failing: price signals should be altered to incentivise investment and promote energy efficient consumption
- Substantial new investment in electricity distribution and transmission is needed to improve network inter-connection; government inter-agency co-ordination is minimal and must be improved
- Britain and the EU should increase cooperation with China on energy sector reform and regulation assistance

'How China resolves its energy challenges will be felt not just within the country but will reverberate around the world,' Gong Li and Mark Spelman of Accenture argue in the preface. *'The domestic regulatory framework for China's power sector may be a more urgent and important subject for foreign policy specialists than China's growing oil imports from the Middle East.'*

In ***China Goes Global***, Yongjin Zhang looks at how engagement with globalisation is changing the Chinese state - and how China in turn is affecting the global economy. He argues that China's astronomical growth figures have obscured its transformative effects.

**For briefings, interviews or copies of the reports,
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- Accession to the WTO has led to a massive increase in trade – but also to a growing commitment to free trade and the global economic system
- Chinese companies are ‘going global’, acquiring energy assets, listing in international stock markets and becoming serious global investors
- As ‘the world’s factory’, China is now shaping the changing dynamics of global supply and demand; and leading the wider shift towards a truly globalised economy

‘China’s unusual identity as a rising economic power, a non-democratic state and the largest emerging market combined makes the inclusion of China a compelling and complex challenge to the institutions, structures and mechanisms of global economic governance’, the report states.

NOTES TO EDITORS

1. *Energy and Power in China* by Angie Austin and *China Goes Global* by Yongjin Zhang are published this week by the Foreign Policy Centre (April 2005).
2. Since its launch in May 2004, the FPC’s China and Globalisation programme has been undertaken in partnership with **Accenture**, the global management consulting, technology services and outsourcing company.
3. On 18-20 May 2005 the **Foreign Policy Centre** together with its partners, the **Chinese Academy of Social Sciences (CASS)**, the **Centre for European Reform (CER)**, **Accenture** and the **Corporation of London**, is holding a 3-day unofficial EU-China summit in Beijing. This will bring together leading European public and business leaders, including **Romano PRODI** and **Alain JUPPE**, with high-level Chinese counterparts, including the Foreign Minister, **Mr Li ZHAOXING**. Discussion will focus on pressing issues in the EU-China relationship, including trade and financial services reform, energy and weapons proliferation, and terrorism. Selected sessions will be open to the media. For more information please contact Lucy Ahad on +44 (0)20 7388 6662.
4. The views expressed in these pamphlets are those of the authors alone and do not necessarily represent the views of the Foreign Policy Centre or of Accenture.

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