

Thursday, October 14, 2021

## Geopolitics: US-China Is Now Key Dynamic

*The US-China relationship has emerged this year as the world's key geopolitical dynamic, as Washington shifts its attention from other regions to a more focused effort to counter Beijing's challenge. Here are five key takeaways from last week's Energy Intelligence Forum and a meeting this week of our International Advisory Committee of senior energy and geopolitical experts.*

- **Washington's security focus has switched decisively from the Mideast to China.** With its recent Aukus pact with Australia and the UK, the long-discussed US pivot to Asia finally looks to be under way. The US is ever more focused on intense, naval-based competition with China at the cost of other regions, unsettling the global diplomatic balance. Traditional Nato allies [criticized the US' Afghanistan exit](#), while France was outraged by the Aukus deal. Also impacted are the Middle East (no longer the crux of US security concerns) and Central Asia (where Russia, China and Iran will now take the lead). Other side effects, we heard, include Mideast moves to resolve long-standing differences, as the US pulls back, reducing adventurism and unneeded conflict in that region. A France-Greece defense pact — partly aimed at fellow Nato member Turkey — also shows old postwar frameworks being tested.
- **The US does not seek conflict with China, but aims to contain its economic and political challenge.** We see Washington largely continuing former President Donald Trump's policy on China, including on tariffs, given [underlying alignment on goals](#). We heard some question whether Beijing truly wants to challenge US dominance, act as global policeman or establish the yuan as a reserve currency. Chinese leaders may be uncertain on what comes next, but likely expect more friction and escalation. Taiwan is a key flash point, with Aukus seen underscoring US desire to protect the island. Beijing responded with record airspace incursions, while President Xi Jinping pledged to "fulfil reunification." China's application to join the Trans-Pacific trade pact shows that it sees trade and economic rivalry as a critical arena.
- **Russia and China seek closer ties with each other — and the Middle East.** Moscow and Beijing have deepened military ties and share similar views on US overreach, particularly on sanctions. Both are also members of the Shanghai Cooperation Organization (SCO), now being expanded to the Mideast. Iran's bid to join has been approved, with Saudi Arabia, Qatar and Egypt seeking to be dialogue partners. But there are limits: Iran's membership could take time to finalize, while sources tell us that China sees the group as largely symbolic. China and Russia have frozen Iran investments, and this may not change without a revived nuclear deal. We still see Beijing and Moscow deepening their Mideast ties, with regional states keen to secure strategic alliances, attract investment (including for green projects) and tap Chinese markets. But neither China nor Russia seems ready to replace the US security role.
- **China's Belt and Road Initiative (BRI) is down but not out.** After once looking unstoppable, BRI is now mired in problems, with undelivered or late projects and unaffordable debts. But without a coordinated, well-funded Western alternative, BRI still wields clout. China has also tried to recalibrate BRI offerings and deal more diplomatically with host countries. Former Sinopec head Fu Chengyu stressed that Chinese NOCs going overseas need to cooperate with local communities. BRI — whose momentum was slowed by Covid-19 — is seeing a switch from big infrastructure projects to leaner and potentially more influential digital and health expenditure. China has also increased focus on green energy, while halting overseas coal spending.
- **Beijing will pursue climate goals regardless of Washington's stance.** China will continue to resist US attempts to separate climate from wider bilateral relations. But we also heard that Beijing will pursue its climate goals regardless — limiting its ability to leverage this issue. President Xi has staked his reputation on climate leadership; China is increasingly affected by extreme weather, with implications for the economy and political control. And Beijing has long seen low-carbon technology (solar panels, electric vehicles, batteries) as a strategic priority, as it seeks to leapfrog advanced economies and stay ahead of emerging rivals. We heard that China is still learning how to balance economic growth with carbon goals, however. Current power shortages have highlighted this challenge, but we do not yet see these derailing China's longer-term [peak emissions and carbon neutrality](#) plans.

## Energy Intelligence REPORTS

### Diplomatic Challenges for US Climate Push

Washington's bid to separate climate change from other geopolitical issues hasn't gone down well in Beijing... [click for full report](#)

### Power Crisis Shows China's Energy Transition Bind

China's current widespread power shortages showcase the headache of two competing priorities: energy transition and economic growth... [click for full report](#)

### Gas Still China's Transition Fuel of Choice: Fu

Natural gas will remain China's energy transition fuel of choice, even if LNG prices have reached historically high levels... [click for full report](#)

### Aukus Shakes Up World Order

The China-focused Australia-UK-US (Aukus) security pact to supply nuclear-powered submarines to Australia jolted Europe... [click for full report](#)

### Mideast Reorders Against Afghanistan Fallout

US withdrawal from Afghanistan is triggering a reordering of regional and global power dynamics... [click for full report](#)

## Energy Intelligence SERVICES

Energy Compass

Energy Transition Service

Competitive Intelligence Service

Risk Research

## Energy Intelligence EXPERTS

### Maryelle Demongeot

Deputy Bureau Chief, Singapore  
+65 6538 0363  
[mdemongeot@energyintel.com](mailto:mdemongeot@energyintel.com)

### Jill Junnola

Editor, Energy Compass  
+44 (0)20 7518 2215  
[jjunnola@energyintel.com](mailto:jjunnola@energyintel.com)

### Emily Meredith

Washington Deputy Bureau Chief  
+1 202 662 0705  
[emeredith@energyintel.com](mailto:emeredith@energyintel.com)