U.S. and China Electing Next Leaders

Ken Koyama, PhD
Chief Economist, Managing Director
The Institute of Energy Economics, Japan

November is scheduled to see very important events that would influence future international politics, the global economy and the international energy situation and attract global attention. Following a U.S. presidential election on November 6, the Communist Party of China will start its National Congress on November 8 to elect the next party leadership. The United States and China, which exert dominant global influences on political, economic, military and energy situations, are electing their next respective leaders.

In the U.S. presidential election campaigns, incumbent Democrat President Barack Obama and Republican Mitt Romney are waging a close race. Obama had reportedly been leading Romney before the Republican candidate took advantage of the October 3 presidential debate to roll back Obama. Since then, their race has remained very close. A Reuters/Ipsos poll, released on October 31, put the popularity rating at 47% for Obama and 46% for Romney, indicating a neck-and-neck race. The two candidates are reportedly tied in financial resources and support from media organizations. In states where support is dominant for Obama or Romney, Obama is expected to win more electors than Romney. But the final result depends on which will win in swing states such as Florida, Ohio and Virginia. It still remains in the balance. On October 29, Hurricane Sandy landed in southern New Jersey and wreaked havoc on New York City and other regions, forcing both candidates to cancel their campaigns planned mainly in battleground states. This has complicated the presidential race. How and whether damage from Hurricane Sandy would affect the presidential election result is still uncertain. The voting day is coming as Obama and Romney race neck and neck.

Clearly, the United States is an important country that has the world’s greatest influences on politics, economy and other key fields. Who will lead such country and what policy the leader will adopt are naturally attracting global attention. During presidential election campaigns, the candidates presented their respective policies and battled a war of words. As a result, they share policies in some areas and differ over others. But they have clear ideological differences – “big government versus small government” and “equal results versus equal opportunities.” The revitalization of the U.S. economy is a top priority challenge for both. Over how to revitalize the U.S. economy, however, they have different policies based on their ideological differences.

Regarding energy policy, both candidates give priority to U.S. domestic oil and gas development. They apparently believe that it is important for the ongoing expansion of unconventional oil and gas production to bring about the United States' self-sufficiency in energy and cuts in domestic energy prices and costs that would help promote U.S. industry including manufacturers, to expand relevant employment and to enhance the U.S. economy's international
competitiveness. In this sense, we can expect U.S. oil and gas production to expand whichever candidate is elected president. As for the promotion of energy self-sufficiency, Romney gives priority to supply expansion, while Obama emphasizes both supply expansion and energy efficiency improvements (tougher fuel efficiency standards). Obama has promoted and implemented the Environment Protection Agency's regulations on carbon and other air pollutants under the Clean Air Act in regard to global warming, while Romney has criticized any excessively tough regulations. Regarding oil prices and financial problems, Obama has tried to toughen market rules, while Romney has raised opposition to excessive market regulations. These differences are interesting.

External energy strategies are a matter of concern regarding energy problems. Attracting global attention is how the United States will change its Middle East policy while promoting energy self-sufficiency. Particularly on the Middle East policy, a matter of concern to energy experts may be how the next president will address the Iran problem. The United States' policy on Asia including China is also important in regard to its external energy policy. There are many attention-attracting points linked to the U.S. energy policy for Japan, including whether Washington will approve liquefied natural gas exports to Japan.

On November 8, the Communist Party of China will launch its 18th National Congress to elect its new leadership. The National Congress has been convened every five years since 1977 as the party's highest decision-making body to elect the new party leadership and basic policies. The coming congress is set to elect the new party leadership including the CPC Central Committee's Politburo Standing Committee members. Among the present Politburo Standing Committee members, Chinese Vice President Xi Jinping is expected to become the new CPC general secretary and Vice Premier Li Keqiang is likely to take up the premiership. Some analysts expect that the number of the Politburo Standing Committee members could be reduced to seven from the present nine at the National Congress. The expected election of Vice President Xi as general secretary, Vice Premier Li as premier and new Politburo Standing Committee members is attracting global attention.

Everything China does has become a global matter of concern as China has rapidly expanded its power and its presence in and influences on the international community over recent years, is now reputed to be forming the Group of Two along with the United States and is growingly viewed as pursuing an "assertive diplomacy" and "reforming the status quo." It is natural for the world to pay attention to such country's election of its leadership. At the same time, China hears domestic rumors saying that a power struggle involving the leadership has emerged since Bo Xilai was dismissed as secretary of the CPC Chongqing Committee last April. How the new Chinese leadership to be elected at the National Congress will take power and stabilize its regime will exert various impacts on China itself and other countries. Particularly, the new leadership's helm of domestic and external affairs will be a very important challenge at a time when an economic growth slowdown has emerged with social discontent and worries growing. The lineup of the new Chinese leadership and the transition of power to the new leadership are thus attracting attention.

Regarding energy, China has replaced the United States as the world's largest energy consumer. China's economic trend, energy supply/demand conditions, energy policy and external energy strategy including efforts to secure overseas resources have great influences on the international energy situation. Japan, which seeks to achieve the so-called three Es – energy security,
environmental conservation and economic efficiency—based on the energy situation after the March 2011 earthquake and tsunami, must closely watch the Chinese situation in consideration of the severe bilateral tensions.

Contact: report@tky.ieej.or.jp
The back issues are available at the following URL
http://eneken.ieej.or.jp/en/whatsnew/JPOIEL.html