

Oil, the United States, and China

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The terrorist acts against the United States on September 11, 2001 and the ensuing War on Terrorism led to significant changes in U.S. foreign policy. In the post-911 world the U.S. has invaded two nations and obtained defensive and military agreements as well as rights for military bases in many others. Many point to U.S. dependency on oil as the driving factor for such policies. Indeed the dependency of the U.S. on oil has and is affecting its foreign policy. During and especially after World War II the U.S. formulated much of its foreign policy around the securing of not only oil for itself, but for its friends and allies. Policies entailed close relations with, as well as domination of, many oil producing regions.

The economic changes taking place in the People's Republic of China (PRC) since the advent of Deng Xiaoping in the late 1970s has led to an increase in oil consumption. However until 1993 the PRC's domestic oil production met domestic oil consumption. Since 1993 domestic consumption increasingly outpaced domestic production. Indeed the growth of oil consumption has led to high predictions for the future of oil demand in the PRC. Increasing oil consumption has led the PRC to formulate foreign policies to ensure its own oil security. The PRC has been very diligent in attaining oil concessions throughout the world. However PRC foreign policies concerning oil security increasingly

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come into conflict with PRC neighbors as well as U.S. oil security policies.

The economic and political well-being as well as ambitions of the U.S. and PRC are dependent on oil. A long history of U.S. oil security policies combined with significant policy changes due to the War on Terrorism has led to PRC complaints against U.S. policies. PRC officials believe that some U.S. policies are meant to thwart access to the oil which they need. The growth of China's military has increased the ability of the PRC to project itself into oil rich regions. However the PRC has encountered the U.S. military, which is unwilling to budge, in many of the same regions. As the PRC continues in its quest for oil, it will increasingly conflict with U.S. policies which could lead to possible clashes. This article seeks to show how the PRC's search for energy security could be pushing it towards conflict with some of its neighbors as well as the U.S. This article will also detail the energy security policies of other nations such as Japan and the U.S. and how they affect the PRC. Indeed maintaining peace in the East and South China Seas as well as the Taiwan Strait is becoming more complex. Indeed the future of global peace may hinge on how the world's two strongest nations choose to encounter each other's oil security policies.

I. Economic Growth and Oil Consumption

As the world's developing nations continue to build their industrial infrastructure, their need for oil could increase just as the oil needs of developed nations could also increase. According to the U.S. Energy Information Administration (USEIA) global consumption stood at 73 million barrels per day (MBD) in 2002, but increased to 84 MBD in 2005⁽¹⁾ Lutz Kleveman believes that 90 MBD will be consumed by 2020 while the USEIA predicts that global oil demand would rise from 2005 levels to possibly 103 MBD in 2015.⁽²⁾ The regions of the world most responsible for the present and most likely future rise in oil demand are East and Southeast Asia. In 1993 the U.S. Department of Energy reported that the world's energy consumption would increase by 50 percent between 1993 and 2015 with most of the increase emanating from East Asia⁽³⁾ Michael T. Klare believes that by the year 2020 East, Southeast and

Northeast Asia will account for 34 percent of total world energy consumption. ⁽⁴⁾

The growth of industrial infrastructure as well as the consumer sector has served as the major reason behind increased oil demand in Asia, especially in the PRC. For example, PRC automobile production in 1992 hit the 1 million mark and by 1997 nearly 1.6 million. ⁽⁵⁾ By 2000 there were two automobiles per 100 people, which was expected to grow 12-14 percent per year. ⁽⁶⁾ The growth of vehicle ownership is represented in the following table,

Vehicle Ownership ⁽⁷⁾

Year Vehicles per 1000 People

1985 - 4

1995 - 8.5

2015 - 55 (projected)

Vehicle ownership in the PRC grew by 5 million in 2003 and 5 million in 2004 and is the third largest automobile market in the world. ⁽⁸⁾ Vehicle production has also increased rapidly as shown in the following table,

Vehicle Production ⁽⁹⁾

Year Millions of Vehicles

2000 - 20

2002 - 23

2004 - 28

2020 - 115 (projected)

2030 - 130 (projected)

According to Sergei Trough "Beginning in 1993, China's imports of crude oil grew at an average rate of 9.1 percent annually." ⁽¹⁰⁾ In that year domestic oil production of 2.9 MBD was surpassed by consumption of 3 MBD. To fill the shortfall the PRC launched mainly small projects in Peru's Talara field in 1993 as well as projects in Thailand, Sudan, and Canada. In 1994 the Chinese Communist Party (CCP) called an important meeting to discuss the growing oil shortfall and create a new energy policy. The policy was named the *Westbound Strategy* and called for economic and political expansion into mainly Central Asia, Southeast Asia, and the Middle East as well as other oil producing regions under the slogan

“Stabilize the East, Develop the West.” Three years later in 1997 Li Peng’s *Policy on Energy Resources* called for utilizing “any and all means including lobbying, financial aid and information exchange to achieve the broader goal of diversifying the sources of China’s energy supply.” Li Peng explained “While striving to develop our own crude oil and natural gas resources, we have to use some foreign resources.”⁽¹¹⁾

II. PRC Consumption and Production

By 1997 the PRC’s oil needs required 800,000 MBD in imports which was double the imports of 1995. It was estimated in 1998 that the PRC had only 20-30 billion barrels in reserve and that production could reach 4.0 MBD by 2010 before starting to decline.⁽¹²⁾ Total energy production is shown in the following table.

PRC Total Energy Production⁽¹³⁾

| Year | Production | Coal | Natural Gas | Hydro- Power | Oil |
|---------------|-------------------|------|-------------|--------------|-------|
| 1990 - 31 BTU | | 22 | .75 | 1 | 8.25 |
| 1995 - 37 BTU | | 26 | .75 | 2 | 8.25 |
| 1999 - 45 BTU | | 30 | 2 | 2.75 | 10.25 |

Total energy consumption is shown in the following table,

PRC Total Energy Consumption⁽¹⁴⁾

| Year | Consumption |
|---------------------------|--------------------|
| 1990 - 30 BTU or 707 MTOE | |
| 1995 - 36 BTU or 852 MTOE | |
| 1997 - 37 BTU or 872 MTOE | |
| 1999 - 35 BTU or 825 MTOE | |

Demand by resource is shown in the following table.

Resource Demand ⁽¹⁵⁾**Year Percentage of Total Energy Consumption according to MTOE**

| | Coal | Natural Gas | Hydro-Power | Oil |
|--------|------|-------------|-------------|------|
| 1990 - | 76.2 | 2.1 | 5.1 | 16.6 |
| 1995 - | 74.6 | 1.8 | 6.1 | 17.5 |
| 1997 - | 71.5 | 1.7 | 6.2 | 20.4 |
| 1999 - | 67.1 | 2.8 | 6.7 | 23.4 |

Consumption and production in millions barrels per day is shown in the following table.

PRC Energy Consumption and Production in Million Barrels per Day ⁽¹⁶⁾

| Year | Consumption | Production |
|------|-------------|-------------------|
| 1980 | 1.8 | 2.1 |
| 1985 | 2 | 2.5 |
| 1989 | 2.4 | 2.8 |
| 1990 | 2.4 | 2.9 |
| 1992 | 2.7 | 2.9 |
| 1993 | 3 | 3 |
| 1997 | 4 | 3.2 |
| 1999 | 4.6 | 4.4 |
| 2003 | 6.7 | 4.5 |
| 2005 | 7.2 | 3.6 |
| 2025 | 19-22 | 4-6.5 (projected) |

Increased production was aided by the discovery and exploration of smaller fields. However most of the major oil fields in the PRC were showing decline or very little increase by 2002 as shown by the following table.

PRC Domestic Oil Production ⁽¹⁷⁾

| Major Fields / Regions | Year and Million Barrels per Day | | | | |
|------------------------------|----------------------------------|-------|-------|-------|-------------------------------|
| | 1996 | 1998 | 1999 | 2000 | 2002 |
| Daqing | 1.120 | 1.134 | 1.109 | 1.079 | 1 |
| Shengli | .582 | .531 | .509 | .519 | .600 |
| Liaohe | .301 | .278 | .274 | .269 | .300 |
| Xinjiang | .166 | .178 | .184 | .188 | .100 (Projected at 1 by 2010) |
| Nanghai East-West (offshore) | .234 | .126 | .123 | .136 | |

In 2003 the PRC's oil requirements reached 5.7 MBD of which 3.6 MBD was domestically produced. The difference led to a shortfall of around 2 MBD. By October of 2005 PRC oil demands rose to 6.7 MBD and had accounted for one third of the growth in global oil demand. ⁽¹⁸⁾ The U.S. Department of Energy predicted that the PRC may consume 9.5 MBD by 2020. According to David and Lyric Hale, PRC oil imports could reach 9.8 MBD by 2030. ⁽¹⁹⁾ However one of the highest predictions is by Thomas E. Drennen and Jon D. Erickson who believe that PRC oil imports could reach "13 to 15 million barrels per day by 2025." ⁽²⁰⁾

III. Imports and Investment

Increasing oil consumption led to great increases in oil imports in the 1990s. PRC imports by region between 1993 and 1999 and by country for 1999 are shown in the following tables.

PRC Oil Imports ⁽²¹⁾

| Region | Thousand Tons per Year (metric tons) | |
|--------------------------|--------------------------------------|------|
| | 1993 | 1999 |
| North Sea | .187 | 4.2 |
| North Africa | .708 | .535 |
| West Africa | 1.4 | 6.3 |
| Middle East | 6.6 | 17 |
| Southeast Asia-Australia | 6.5 | 6.8 |
| Western Hemisphere | .229 | .736 |
| Former Soviet Union | .014 | 1.06 |

| Year | Top Import Sources | Percent of Total Imports |
|------|--------------------|--------------------------|
| 1999 | Oman | 14 |
| | Yemen | 11 |
| | Indonesia | 11 |
| | Iran | 11 |
| | Angola | 8 |
| | Saudi Arabia | 7 |
| | United Kingdom | 6 |
| | Norway | 5 |
| | Vietnam | 4 |

The growth of foreign exchange reserves (FER) in the PRC led to more investment capital for foreign oil projects (\$800 billion FER in 2005, which ranked the PRC first in the world).⁽²²⁾ Projects entailed not only development and exploration, but production and transport. The PRC also increasingly engaged in foreign infrastructural projects concerning transportation, telecommunications, and public welfare. A few of the projects are listed in the following table.

PRC Investment Projects⁽²³⁾

| Year | Country | Project and Value / Investment |
|-------------|----------------|--|
| 1992 | Canada | Purchase of reserves, \$6.64 million. |
| 1995 | Kuwait | Oil infrastructural construction contracts, \$788 million. |
| 1997 | Iraq | 22 Year development and production sharing contract of Al-Dahbud and Halfayah Fields when United Nations sanctions were lifted, \$1.2 billion. |
| 1999 | Sudan | Construction of oil refinery at Khartoum. |
| 2000 | Ethiopia | PRC companies have constructed highways, bridges, power stations, schools and pharmaceutical plants in Ethiopia. |
| 2003 | Brazil | \$1 billion for northern pipeline construction. |
| 2004 | Zimbabwe | Rebuilding the national electricity grid, \$300 million. |
| | Iran | Exploration, development, production, and exportation contracts for Yadavaran field, \$70 billion.. |
| 2006 | Angola | Loan to Angolan energy company Sonangol for 10, 000 barrels per day for seven years, \$3 billion. |

However some aspects of PRC foreign energy policies alarmed China's neighbors. According to Willy Lam,

Beijing's cadres, diplomats, and generals have gone about guns blazing buttressing the country's petroleum security. Unfortunately for China's neighbors this includes asserting sovereignty rights over oil and gas supplies buried under islands and continental shelves that are claimed by two or more countries, such as at Mischief Reef in the Spratley Islands in the South China Sea. In 1995 a clash occurred at the reef between PRC and Filipino forces whose nations had both laid claim to it.⁽²⁴⁾

In the late 1970's the PRC began taking an interest in the Diaoyu Islands,

which were claimed by Japan. Believing that deposits of oil were beneath the waters surrounding them the PRC claimed the islands as part of China proper in 1992.⁽²⁵⁾

IV. PRC Exports of Conventional Weapons and Nuclear Technology

The Middle Eastern share of PRC oil imports is very significant and will continue to increase as shown in the following table.

Middle Eastern Share in Total PRC Imports by Percent⁽²⁶⁾

| Year | 1997 | 1998 | 2000 | 2005 | 2010 |
|----------------|-------------|-------------|-------------|-------------|----------------|
| Percent | 46 | 55 | 67 | 75 | 80 (projected) |

Middle Eastern oil exports to the PRC in 2000 are divided up as follows.

| Year | Country | Percentage of Total Imports from Middle East ⁽²⁷⁾ |
|-------------|----------------|---|
| 2000 | Oman | 42 |
| | Iran | 19 |
| | Saudi Arabia | 15 |
| | Yemen | 10 |
| | Iraq | 8 |
| | Qatar | 4 |
| | UAE | 1 |
| | Kuwait | 1 ¹⁾ |

In order to attain the oil it needs the PRC has sold conventional as well as nuclear weapons technology to build profits and acquire access to oil and other energy resources within the Middle East. According to the Gracia Group's energy report to the U.S. Department of Defense, the PRC has balanced its oil trade deficits "with sales of Chinese goods, in many cases, including the sales of military equipment."⁽²⁸⁾ According to James C. F. Wang a "motive for China's arms sales to major Mideast countries could be China's need for oil to fuel its expanding economy."⁽²⁹⁾ By the end of the 1990s the PRC no longer needed to trade weapons for oil as it was flush with investment capital, but continued to do so for political and economic reasons. As the arms industry became an increasingly important part of the economy, PRC leadership began to look at the

international arms market as a secure source of income. However the PRC could also continue to provide weapons to nations such as Saudi Arabia “in exchange for oil or at cut-rate prices.”⁽³⁰⁾ In 1999 Ronald Soligo and Amy Jaffe noted military aspects to growing relations between the PRC and some oil producing nations. They explained that the PRC has and could continue to engage in arms exportation to Iran [and Iraq]. They stated,

Over the past year or so, China has indicated intentions to deepen its oil trading relationship with Iraq or Iran, leading to fears that Beijing will form oil for arms, military-client relationships with these nations.⁽³¹⁾

The PRC’s lack of hard currency also led to the export of weapons to non-oil producing nations with strategic value such as Pakistan. The PRC has also exported weapons and weapons technology to Africa. According to Esther Pan of the U.S. Council on Foreign Relations,

Selling arms to African countries helps China cement relationships with African leaders and helps offset the costs of buying oil from them. China doesn’t have the same human rights concerns as the United States and European countries, experts say, so it will sell military hardware and weapons to nearly anyone.⁽³²⁾

In 1992 the PRC aided Algeria, holder of 11.8 billion barrels in oil reserves, in the construction of a nuclear reactor. The PRC has also used Iran as an intermediary in arms exportation to Sudan. By 1995 Iran had “arranged and paid for several substantial shipments of Chinese arms to Sudan.”⁽³³⁾ Exports include ammunition, tanks, helicopters, and fighter aircraft as well as anti-personnel and anti-tank mines.⁽³⁴⁾

In 2002 U.S. Central Intelligence Agency Director, George Tenet, explained that some proliferation activities by PRC companies are condoned by the PRC government. According to the 2005 U.S.-China Economic Security Review Commission the PRC continued to export equipment and technology “related to WMD and their delivery systems to countries such as Iran as well as conventional armaments to countries like Sudan.” U.S. Defense Intelligence Agency Director, Vice Admiral Lowell Jacoby, believes that PRC sales of WMD

and missile-related technologies provide not only revenue, but diplomatic influence and explains that the PRC supplies “key technologies to countries with WMD and missile programs, especially Pakistan, North Korea, and Iran.”⁽³⁵⁾

Some PRC arms exports to the Middle East as well as Africa are shown in the following table.

PRC Arms Exports⁽³⁶⁾

| Year | Country | Value | Item |
|-------------|-------------------|----------------|--|
| 1979-1984 | Egypt, Sudan | \$4 billion | |
| 1979-2003 | Pakistan | \$1.5 billion | Nuclear and weapons technology |
| 1980-1990 | Saudi Arabia | \$3-4 billion | CSS-2 and DF3 missiles, base construction, and Chinese operators |
| 1981-1990 | Iraq | \$3 billion | T-59, T-69 tanks, M11 missiles, and F-6 fighters. |
| 1986-1990 | Iran, Iraq | \$3.9 billion. | |
| 1991 | Iran | | Electromagnetic isotope Separator, and small civilian nuclear reactor. |
| 1992 | Iran | \$5 billion | Weapons technology for domestic military vehicle production and jet fighter parts. |
| 1993 | Iran | | C-802 cruise missiles, tested in 1996. |
| 1998-2000 | Ethiopia, Eritrea | \$1 billion | Conventional weapons. |
| 1998-2004 | Syria, Libya | | M-11 missiles. |
| 2004 | Sudan | \$100 million | Twelve F-7 fighter jets. |
| | Iran | | Global positioning system technology for Shahab-3D missile, (1,700 kilometer capability) Commenced uranium hexafluoride production. |
| | Equatorial Guinea | | Military and heavy equipment specialists. |
| 2005 | Zimbabwe | \$440 million | Twelve FC-1 fighter jets, Assorted military vehicles. |
| | Nigeria | \$251 million | Fighter jets. |

V. Containment

By the mid-1990's many within the U.S. foreign policy establishment began

advocating containment of the PRC through the creation of a coalition of nations, such as Japan, Vietnam, India, and South Korea.⁽³⁷⁾ In 1997 Zbigniew Brzezinski advocated a U.S. constructed coalition around the PRC, which was “an increasingly powerful and independent player, controlling an enormous population.” Brzezinski also suggested that a coalition should be formed which includes Indonesia as they “could become an important obstacle to Chinese southward aspirations,” as well as India which sees “itself as a rival to China,” as well as Japan and South Korea.⁽³⁸⁾ In 2000 U.S. Department of Defense (DOD) Office of Net Assessment Director, Andrew W. Marshal, assembled many academics, current military and civilian DOD officials, and former government officials to discuss the economic and military growth of the PRC.⁽³⁹⁾ The following Asia 2025 report stated,

China will be a consistent competitor of the United States. A stable and powerful China will be constantly challenging the status quo in East Asia. An unstable and relative weak China could be dangerous because its leaders might try to bolster their power with foreign military adventurism.⁽⁴⁰⁾

Increasing U.S. military and diplomatic presence in the Pacific especially in East Asia was due to the need to build confidence and security ties with nations around the PRC. Threats to the energy security of U.S. friends and allies could be realized should, for example, Taiwan lose independence. According to Wendell Minnick, “Losing the Taiwan Strait to China and facing a militarily adventuresome Beijing would send shock waves throughout the region.”⁽⁴¹⁾ The Taiwan Strait is geographically between the South China and East China Seas. Major sea lanes run through the region making the Taiwan Strait extremely strategic. The loss of Taiwan’s independence could be catastrophic to oil and thereby economic security of some U.S. friends and allies. Ross Terrill believes that should the U.S. do nothing in the face of threats, “the entire balance of power in East Asia would change if Taiwan went out of existence as a separate entity.” He further explains that Japan could lose confidence in the U.S. and nations such as Vietnam and the Philippines could reconsider views of the PRC or may look to India as a counterweight to the PRC.⁽⁴²⁾

Many within the Japanese government began to see any reunification between the PRC and Taiwan as an economic and military threat. The loss of Taiwan's independence could be catastrophic to the oil and thereby economic security of Japan. Wendell Minnick believes that "Taiwan's inclusion into China's military power structure would be unthinkable for Japan."⁽⁴³⁾ The government accordingly sought more military freedom of action. PRC officials claimed that the ensuing 1997 Japan-U.S. Defense-Cooperation Guidelines turned the combined military forces of the U.S. and Japan into offensive forces through a broader and more general defense definition. After Japanese governmental approval of the Guidelines, Japanese Chief Cabinet Secretary Seiroku Kajiyama declared that the guidelines "should include the Taiwan Strait."⁽⁴⁴⁾

Other Japanese politicians also explained to PRC officials that Japan would be provoked negatively should China attack Taiwan. The 1998 revision of the Mutual Security Treaty was more vague in that it allowed more flexibility for a broader range of contingencies.⁽⁴⁵⁾ According to the 2000 U.S.-Japan Declaration, Japan would provide military support if the U.S. utilized force to prevent any armed offensive against Taiwan. There was also an increasing consensus within the Diet that Article 9 of the postwar constitution should be revised. Article 9 prohibits Japan from waging war and maintaining offensive forces.⁽⁴⁶⁾ In 2003 Japan joined with the U.S. in the development of missile defense and while at the same time many in the Diet were increasingly considering easing constitutional limits on development and deployment of military forces.

Other nations surrounding the PRC were growing concerned and even fearful of growing Chinese military power and provocations, leading to increasing ties with the U.S. In 1996 Singapore's Prime Minister Goh Chok Tong stated, "It is important to bring into the open this underlying sense of discomfort, even insecurity, about the political and military ambitions of China."⁽⁴⁷⁾ Security ties already existed between the U.S. and the nations of Thailand, Singapore, Australia, and New Zealand. In 1998 the U.S. and Philippines signed the Visiting Forces Agreement, which allowed joint participation between U.S. and Philippine naval vessels in exercises. U.S. vessels also gained permission to dock at

Philippine naval bases. Singapore and the U.S. also signed an agreement which allowed the U.S. navy to utilize a new naval base with the ability to accommodate aircraft carriers. ⁽⁴⁸⁾

VI. American Strategy

Changes in U.S. foreign policy greatly concern PRC leaders with respect to oil security. According to Peter S. Goodman,

The war [on terrorism] and its aftermath have reshaped China's basic conception of the geopolitics of oil and added urgency to its mission to lessen dependence on Middle East supplies. It has reinforced China's fears that it is locked in a zero-sum contest for energy with the world's lone superpower. ⁽⁴⁹⁾

According to James F. Hoge Jr., some PRC analysts believe that U.S. bases in Central Asia as well as intensified military cooperation with India are part of a policy of containment. ⁽⁵⁰⁾ The U.S. Department of Defense explains that "China's leaders have asserted that the United States seeks to maintain a dominant geo-strategic position by containing the growth of Chinese power." ⁽⁵¹⁾ The PRC increasingly sees post-9/11 U.S. foreign policy as directly hostile to the PRC itself. China National Petroleum Corporation (CNPC) Director General for Kazakhstan, Zheng Chenghu, explains,

Our situation has much deteriorated recently. The Americans are driving us out of the region. Since September 11, the United States has become very aggressive in Central Asia. The fact they have stationed their troops here is not good news. . . The U.S. troops are here in order to control the oil reserves in Central Asia. . . The control works indirectly. . . In Kyrgyzstan the American military is stationed very close to the Chinese border. The United States has bases in Japan, in the Philippines, in South Korea and Taiwan. And now here-China is going to be encircled! ⁽⁵²⁾

The appearance of U.S. ships patrolling the Strait of Malacca has increasingly concerned the PRC. Singaporean, Malaysian, and Indonesian support of U.S. naval patrols of the strait in 2005 ended a decade's long policy of joint patrol by Malaysia, Indonesia, and Singapore. The PRC is also increasingly

distressed over growing ties between Singapore and Taiwan. Although Singapore does not recognize Taiwan, the Singaporean Prime Minister elect visited Taiwan in July 2004.⁽⁵³⁾ In December 2001 Vietnam and the U.S. signed the Vietnam-U.S. Bilateral Trade Agreement, deepening cooperation in “transnational issues, including the global fight against terror” while simultaneously allowing the U.S. navy the use of the Cam Ran Bay port.⁽⁵⁴⁾ Vietnam’s fears center on the growth of the PRC military presence in the South China Sea. The PRC has constructed air force and naval facilities at Zhanjiang and 300 miles South of Zhanjiang at Woody Island of the Paracel Island chain. From 2002 through 2005 the militaries of India and the U.S. have held over 25 joint training exercises.⁽⁵⁵⁾ In June 2005 the U.S. and India signed the ten year *New Framework for the US-India Defense Relationship* (NFDR) also known as the Mukherjee-Rumsfeld Agreement.⁽⁵⁶⁾ The agreement steps up military ties, joint weapons production, cooperation in missile defense, the fight against terrorism, and curbs the proliferation of weapons of mass destruction.⁽⁵⁷⁾ Dr. Sunil Khilnani explains “Nobody will state it so bluntly, but there are a lot of policy wonks in the administration who see India as a bulwark against China in the long term.” According to Dr. Jagdish Bhagwati “the U.S. sees India [and Japan] as Asian counterweights to China.”⁽⁵⁸⁾

VII. Chinese Strategy

U.S. policies are and could lead to more extensive U.S. domination of not only oil fields, but also strategic chokepoints and SLOC. According to Zhang Yuncheng of the Beijing Chinese Institute of Contemporary International Relations, “Whoever controls the Strait of Malacca and the Indian Ocean could block China’s oil transport route.” Indeed improving and deepening relations between the U.S. and India as well as Vietnam, Singapore and the Philippines could lead to an alliance, which would greatly enhance U.S. control of that region and “block its [PRC] purchases of natural resources to destabilize it.”⁽⁵⁹⁾ The PRC’s solution to that probability is an increase in the power projection of their military.

After 2001 the Chinese navy began advocating a change in naval strategy from coastal protection to oceanic defense. According to Allen Hamilton “China is building strategic relationships along the sea lanes from the Middle East to the South China Sea in a way that suggests defensive and offensive positioning to protect China’s energy interests.”⁽⁶⁰⁾ The PRC considers this change in policy urgent as 70 percent of oil imports come from the Middle East while a great amount also comes from Africa, Malaysia and Indonesia.⁽⁶¹⁾ A small percentage of PRC global oil imports are listed in the following table.

PRC Oil Imports 2005⁽⁶²⁾

| Country | Percentage of Total Imports |
|----------------|------------------------------------|
| Saudi Arabia | 14 |
| Iran | 13.6 |
| Angola | 13.2 |
| Sudan | 4.7 |
| Vietnam | 4.4 |
| Indonesia | 2.8 |
| Malaysia | 1.5 |

The PRC has constructed military installations in the Bay of Bengal and has naval access to a port it constructed for Burma on Hanggyl Island. There is growing concern throughout the region as the PRC also operates a reconnaissance and electronic intelligence station on Burma’s Great Coco Island and has built a naval base at Small Coco Island.⁽⁶³⁾ In 2001 the PRC began construction on a naval base at Marao in the Maldives Islands. In Pakistan the PRC has naval access to a deep water port it constructed at Gwadar, and is negotiating for naval facilities in Bangladesh. As oil continues to be one of the foundational elements needed for economic and military strength, the U.S. and PRC may find their relations becoming more strained possibly developing into conflict. However such conflict is not inevitable as David Zweig and Bi Jiambai explain: “the United States, as the world’s hegemon, must somehow make room for the rising giant; otherwise, war will become a serious possibility.”⁽⁶⁴⁾

Notes

- (1) Lynch, p. 1B.
- (2) See Kleveman, p. 6.
- (3) See Brzezinski, p. 125.
- (4) See Klare, p. 110.
- (5) See Wong, pp. 17, 19.
- (6) See Klare, p. 110.
- (7) *China: Energy, China's Energy*, pp. 4-5.
- (8) *China: Energy*, Leverett, p. 189.
- (9) *China: Energy, China's Energy*, pp. 4-5.
- (10) Trough, p. 2.
- (11) Trough, p. 2.
- (12) Speed, pp. 385, 387.
- (13) *China: Energy*; See *International*, p. 141; See Obaid, pp. 5-6; See Wong, pp. 17, 19.
- (14) *China: An; China: Energy*; See *International*, p. 141; See Wong, pp. 17, 19.
- (15) *China: An; China: Energy*; Drennen, p. 1483; See Obaid, pp. 5-6; See Wong, pp. 17, 19.
- (16) *China: An; China: Energy*; Drennen, p. 1483; Forney, p. 13; See *International*, p. 141; See Klare, pp. 110, 114-115; Lynch, p. 1B; See Obaid, pp. 5-6; See Wong, pp. 17, 19.
- (17) See Obaid, pp. 10-11, 47-48; See Soligo, p. 5; See *British*, pp. 5-6.
- (18) *The Economist*, p. 11.
- (19) Hale, p. 49.
- (20) Drennen, p. 1483.
- (21) See Obaid, pp. 13, 19; See *U.S.-China*, pp. 168-170; Wenxian, pp. 9-10, 13; See Yamaguchi, pp. 7-11.
- (22) See Deng, p. 2.
- (23) Africa, p. 5; Business, p. 87; See *Energy*, pp. 23-25; See Kleveman, p. 113; Lee, p. 1; Leggett, p. A1; Setting, p. 1; Sudan: Pipeline, p. 15; Watson, p. 2; See Wong, pp. 6, 29.
- (24) Lam, p. 2.
- (25) See Ong, p. 79.
- (26) See Obaid, pp. 13, 19; See *U.S.-China*, pp. 168-170; See Yamaguchi, p. 7.
- (27) See Obaid, pp. 13, 19; See *U.S.-China*, pp. 168-170; Wenxian, pp. 9-10, 13; See Yamaguchi, p. 7.
- (28) See Obaid, p. 21.
- (29) See Wang, p. 259.

- (30) See Obaid, p. 34.
- (31) See Soligo, p. 16.
- (32) Pan, p. 1.
- (33) Calabrese, pp. 474, 482-483.
- (34) Sudan, pp. 28-29.
- (35) See *U.S.-China*, pp. 153-154.
- (36) Calabrese, p. 482; Davis, pp. 590-591; Leverett, p. 188; Luft, pp. 5-9; Mistry, pp. 179-180; Nuclear, p. 5; Pan; Rizvi, pp. 943, 946; See Solomon, p. 108; Trough, p. 14; Walt, p. 71; See Wang, p. 257; Woodrow, pp. 2-3.
- (37) See Deng, pp. 2, 8.
- (38) See Brzezinski, pp. 34, 45-47.
- (39) Parpart, p. 2.
- (40) Parpart, p. 1.
- (41) Minnick, p. 1.
- (42) See Terrill, p. 216.
- (43) Minnick, p. 2.
- (44) See Ong, p. 82.
- (45) See Deng, p. 201.
- (46) Fukuyama, p. 78.
- (47) Roy, p. 760.
- (48) See Deng, p. 234.
- (49) Goodman, p.1.
- (50) Hoge, p. 5.
- (51) Eland, p. 3.
- (52) See Kleveman, p. 115.
- (53) Lam, p. 2.
- (54) Katzman, pp.1-2.
- (55) Purie, p. 1.
- (56) Katzman, p. 1.
- (57) Srivastava, p. 24.
- (58) Purie, pp. 14-15, 19.
- (59) Zweig, pp. 27, 33.
- (60) Zweig, p. 33.
- (61) Reinsch, p. 13.

- (62) Zweig, p. 28.
- (63) See *U.S.-China*, p. 120.
- (64) Zweig, pp. 27, 35.

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Oil, the United States, and China

〈Summary〉

Jason Blazevic

The economic growth and increasing oil consumption of the People's Republic of China was remarkable in the 1990s. Until 1993 the PRC's domestic oil reserves, located mainly at the Daqing oil fields in the north, effectively supplied all of the nation's oil needs and even allowed for exports. However a decade of high economic growth led to a surge in oil demand. By 1993 oil demand surpassed domestic production leading to growing Chinese interest in other oil producing nations. PRC oil interests were widespread and ranged from the East and South China Seas, Middle East and Central Asia to Africa and Latin America. Many exploration and development contracts were agreed to between PRC energy firms and those of other nations. The PRC also engaged in conventional weapons and nuclear technology exportation and sales. Some weapons exports and sales were with nations it imported oil from.

American strategy entailing corporate, governmental, and military presence and or domination in many oil producing regions around the world could lead to higher stress between the United States and the PRC. Many Chinese government as well as Communist party officials believe that some U.S. policies are meant to contain the PRC and thwart access to the oil which they need. The PRC has also threatened and fought with its neighbors over oil producing areas and is increasingly seen as a threatening factor to the sea lanes of communication (SLOC) and chokepoints of Southeast and East Asia. Another aspect accentuating the tension is Taiwan which is located in one of the most strategic points in the sea lanes of the region.