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Energy Security

Néngyuán ānquán 能源安全

Like the United States, China needs oil to fuel its economy, but with the United States now in a position of influence in Iraq, China has had to turn to countries such as Sudan and Iran to meet its needs—precisely when the United States has sought to isolate these nations.

Like terrorism, weapons of mass destruction (WMD), and other security issues facing nations today, energy supplies—especially oil supplies—have become a major security challenge. This challenge is especially important to China because of the country's rapid growth and urbanizing population and because competition—or potential competition—with China for energy resources and control of them has become a serious concern for the United States.

China's competition with the West for the global supply of oil is the latest addition to the list of factors comprising a "China threat." Older factors include China's aggressive drive for industrial and economic power, its rapid military buildup, and its authoritarian regime's determination to maintain its grip on power and continued disregard for human rights. Many consumers in the United States believe that China's voracious demand for oil has contributed to the increases in U.S. gasoline prices. Those who advance this claim argue that China's ambitious energy policy is part of a plan to become a superpower and ultimately to replace the United States as the next hegemon (influence) of East Asia and the world.

But the alternative claim is that China survives by keeping its economy growing and its huge population working—and oil is necessary for that.

China has averaged 9.4 percent annual growth of gross domestic product (GDP) since 1978. At that rate China's economy doubles every ten years. China's combined share of world consumption of steel, cement, aluminum, copper, nickel, and iron ore more than doubled between 1990 and 2000 (from 7 percent to 15 percent). Only twenty years ago China was Asia's largest oil exporter. In 1993 it became a net importer of oil, and in 2004 it became the world's second-largest oil importer and consumer after the United States. Since 2000 China has accounted for 40 percent of the world's growth in demand for crude oil.

Several factors have contributed to the explosion in China's demand for oil: rapid industrialization, growing automobile ownership, increasing air travel in and outside of China, expanding export processing, to mention a few. China's domestic oil production provides about two-thirds of its crude oil consumption; the balance must come from imports. Studies predict that by 2050 at the latest and perhaps even by as early as 2025 China will import 80 percent of its oil.

Beijing has developed several strategies to cope with its growing need for oil. These strategies include increasing exploration at home, diversifying its sources of energy and developing alternative or renewable sources of energy (China would like to be the world's largest producer of nuclear energy by 2050), rationing, developing energy-friendly technologies such as hydrogen-powered fuel cells, building strategic petroleum reserves, and acquiring new stocks and oil fields overseas.

China's focus has been on acquiring foreign oil assets. China's quest for sources of oil beyond its borders has four main characteristics. First, the occupation of Iraq by the United States has forced China to consider sources of oil beyond the Middle East. Second, because China cannot afford not to consider all sources of oil, it does business with "rogue regimes" and has intruded on regions that fall under U.S. hemispheric influence. Third, China's global energy networks demand that China develop naval power in the long term to secure its sea lanes. Fourth, however, because China lacks that naval power, Beijing's intermediate security strategy is to pursue a "go west" policy in central Asia and to invest in a "string of pearls": countries that are geographically contiguous to China.

China's Oil Needs and the Iraq War

Until recently 60 percent of China's oil imports came from the Middle East, which contains two-thirds of the world's reserves. Saudi Arabia, the world's largest oil producer, is China's largest oil supplier. China's largest oil company, China National Petroleum Corporation (CNPC), had been waiting to develop the Al-Ahdab reserves in central Iraq as well as the even larger Halfayah oil field. These two oil fields would have supplied 13 percent of China's domestic consumption. But the 2003 Iraq War and the continued occupation of Iraq by the United States have dashed the hopes of CNPC. In addition, Iraq borders five of the world's largest oil producers. This fact of geography means that the United States has greater leverage in the Persian Gulf than ever and that China's future in Middle East oil has become more tenuous.

To China's detractors Beijing has been indiscriminate in doing business with those regimes that Washington has identified as "rogue" or "pariah"—Iran, Sudan, Uzbekistan, and Myanmar (Burma), for example. China's initiatives conflict with U.S. attempts to contain these regimes. For instance, when the United States severed ties with Sudan after the 1997 genocidal war against Christians in the Darfur region, Beijing made Sudan its largest overseas oil production base. Similarly, Beijing and Iran in 2004 signed a $70 billion agreement on oil and gas as the United States was pressing Iran to abandon its uranium-enrichment program. Today 14 percent of China's oil imports come from Iran, making Iran the second-largest supplier to China. Combined, Iran and Sudan supply nearly 20 percent of China's oil imports. Washington considers this situation unacceptable on several grounds. First, Washington objects to Beijing's undermining of U.S. foreign policy goals—namely, to pressure Sudan to end its campaigns in Darfur and to pressure Iran to abandon its uranium-enrichment program. Second, Washington takes Beijing's opportunism (as Washington views it) to be a challenge to U.S. moral hegemony. Third, Washington feels that China, by selling Iran and Sudan military technology and arms and by investing in their infrastructure and industries, is supporting the very states that the United States wants to weaken and marginalize. China, by empowering Iran and Sudan, is indirectly challenging U.S. political hegemony.

Incursions in the Western Hemisphere

Then there is the matter of China's intrusion into regions and countries that traditionally have been considered to be under U.S. hemispheric influence: South America and Canada. Beijing has signed an agreement to build a $2 billion pipeline to transport oil to the west coast of Canada for shipment to Asia. China Petroleum and Chemical Corporation (Sinopec) in May 2005 acquired a 40 percent interest in a $4.5 billion oil sands project in Alberta. In South America China has made significant inroads in Venezuela, which has the largest proven oil reserves in the Western Hemisphere. There are talks of building a pipeline from the Atlantic to the Pacific through Panama. Because Canada and Venezuela combined provide the United States with 25 percent of its energy imports, China's initiatives are taking a bite out of the U.S. pie. Beijing also is buying oil assets in Ecuador, concluding a $10 billion energy agreement with Brazil, investing $5 billion in offshore oil projects in Argentina, and pursuing agreements with Peru, Colombia, and Bolivia, among others.

In short the competition for oil has accented and increased the differences in U.S. and Chinese foreign policy objectives and stances on how the international system should be run. In exchange for oil China supplies economic assistance with no political strings attached and in so doing has begun to rewrite the rules of the system.

Not only Latin America but also Africa (where, in addition to Sudan, China has invested in oil-rich nations such as Equatorial Guinea and Nigeria, among others) has benefited from China's economic growth in terms of investment and trade. China is now the main stimulus for export growth in those regions. In general Chinese investments in infrastructure and developmental aid are raising standards of living in the developing world. That has been China's ambition since the 1950s.

Necessity of Naval Power

China, because its drive for oil security has taken it to every corner of the Earth, eventually will have to develop a world-class navy to secure its sea lanes to ship oil. China will have to develop a blue-water navy (that is, a navy that can operate freely in the deep ocean away from the Chinese mainland) with global reach, and that navy must match U.S. naval capabilities in the long run. The current situation, with the United States having naval supremacy and controlling the global sea lanes of communication, is dangerous to China because the United States can easily threaten China's security. For instance, the United States could impose an oil embargo on China in the event of a conflict in the Taiwan Strait between Taiwan and the PRC.

Opinions vary on how rapidly China is transforming its mainly coastal navy into an oceangoing navy. China is attempting to acquire strategic nuclear submarines, attack submarines, modern surface vessels, and so forth both through purchases (primarily from Russia but also from Europe and Israel) and through a domestic shipbuilding program. However, China knows that it is so far behind the United States in naval capability that it is also investing in oil pipelines that carry oil via land from Southeast and central Asia.

Two Alternative Geostrategic Plans

China is relying on two medium-term strategies to compensate for its lack of a blue-water navy. The first strategy is its "go west" policy of acquiring assets in central Asia. China's longest pipeline, the 4,200-kilometer Tarim Basin–to–Shanghai gas pipeline, began operating in 2004. Construction of a 988-kilometer pipeline from Kazakhstan to Xinjiang is almost finished. China also is helping to develop oil fields in Uzbekistan. But the success of the "go west" policy has been mitigated by an increased U.S. military presence in the area because of the terrorist attacks of September 11, 2001, greater competition from India, and various overlapping power blocs.

The second strategy is to build a series of strategic bases—a "string of pearls"—along the major sea lanes from the South China Sea to the Arabian Sea. The goal is to construct an alternate oil importation route that avoids the Strait of Malacca, through which 80 percent of China's oil imports flow. China is fortifying bases in the South China Sea to allow large-scale deployment of air force and naval units on Hainan Island as well as constructing facilities on the Spratly and Paracel Islands to accommodate strategic bombers. In essence China is building a group of unsinkable aircraft carriers in the South China Sea.

Farther west China is constructing container port facilities at Chittagong in Bangladesh and intelligence-gathering facilities and naval bases on Myanmar's islands in the Gulf of Bengal. China also is constructing a pipeline from Sittwe in Myanmar to its own Yunnan Province. China has other projects under way in Pakistan and Thailand. Unfortunately for China, it is not without rivals in these regions either. In Southeast Asia China has to compete with India; in the South and East China Seas it has to compete with Japan.

A Unique Predicament

If China's oil supply were cut, its economy probably would come to a standstill. That likelihood increases as China's dependency on imported oil increases. China's predicament is difficult for two reasons. First, China is undergoing the equivalent of the Industrial Revolution—150 years late. China, as a relative latecomer among the pantheon of global powers, has had to play by some of the rules established by Western powers. But China is beginning to rewrite other rules. In a world where there is no arbiter of conflicts over limited natural resources, China, like all other nations, must defend its national security and interests.

Sand angels on the beach at Yantai, Shandong Province. Oil spills in the Bay of Bohai pollute all the Shandong beaches. Energy supplies—especially oil—have become a major national security challenge; China must develop naval power in the long term to secure its sea lanes for oil transport. PHOTO BY JOAN LEBOLD COHEN.

Second, China's population and size make its geostrategic problems unique. Its energy concerns cannot easily be shared with others. Japan and the United States have sufficient military capabilities to protect their supplies. Moreover, the United States enjoys an insular continental position, whereas China borders fourteen countries. If the United States, given that insular position, is concerned about terrorist infiltration, imagine China's concern for its situation. China's landmass is third largest in the world (after Russia and Canada), but China's population is greater than that of Russia, the United States, Japan, and the European Union combined.

Chinese manufactured goods are enhancing the lives of countless people on the planet. To a large extent the United States and other countries depend on the continued health and growth of the Chinese economy. China needs to have the natural resources to continue to produce its goods. No one benefits if China's economy collapses due to the lack of oil. The global community should keep these facts in mind as it faces the challenge of China's rising demand for oil.

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Further Reading

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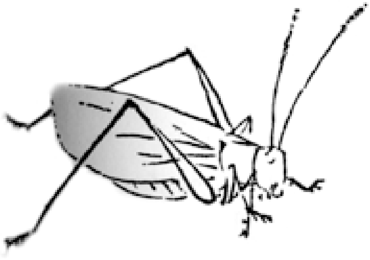

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