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**Oiling the Wheels of Foreign Policy?
Energy Security and China's International Relations**

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Abstract

This paper offers a review of a broad set of issues that are recurrent in international discussions about interconnectedness of energy and security in China's international relations. The primary purpose of this exercise is to identify points of convergence and divergence in Chinese and international commentaries about the motivations behind and consequences of the increasing presence of China in the international energy markets. As oil is the primary commodity that is of issue, in the paper 'energy' more or less equates to oil. The first part of the paper maps out the industry/policy contours leading to the emergence of an energy security discourse within China, and establishes the key distinction between self-sufficiency on one hand and security on the other. The paper then considers the main potential sources of instability that emerge from China's search for energy security. Between China and the West, while mutual suspicion and lack of transparency over processes and objectives might result in pessimistic predictions, China has no choice but to accept that it is now a part of (and partly dependent on) a complex and interdependent global economy. And potential (energy) adversaries must accept that China too is an essential component of this global order. As such, any aggressive action would harm the perpetrator as much as the target – a form of mutually assured (economic) destruction for the post-Cold War era.

Biography

Zha Daojiong is Professor of International Political Economy in the School of International Studies, Peking University. He specialises in issues such as energy, food and water, with particular focus on how these pertain to China, as well as political-economic relations between China and its neighbours.

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This Policy Series presents papers in a preliminary form and serves to stimulate comment and discussion. The views expressed are entirely the author's own and not that of the RSIS Centre for Non-Traditional Security (NTS) Studies. The paper is the result of research conducted under the Asia Security Initiative programme on internal challenges supported by the MacArthur Foundation. Visit www.asicluster3.com to find out more about this initiative. More information on the work of the RSIS Centre for NTS Studies can be found at www.rsis.edu.sg/nts.

Policy Recommendations

Steering research and policy dialogue towards strategic reassurance

- Available regional dialogue platforms, such as the Asia Pacific Economic Forum (APEC), the ASEAN+1 and East Asia Summit (EAS), must be made to lead to a fuller understanding of the domestic and business dimensions of a country's energy diplomacy, as appreciation of domestic complexities can help dissuade tendencies towards over-securitisation. The same logic should be applied to such Track II programmes as the Council for Security Cooperation in the Asia Pacific (CSCAP).
- The littoral states along the Straits of Malacca should launch programmes to pacify attempts, including those coming from outside the region that can temper with the open access to and navigational safety of the maritime oil transportation routes.
- Relationships between China and such bodies of international energy governance as the International Energy Agency must be streamlined in order to facilitate routine government-to-government dialogues about energy situations and policies.
- Between China and the major powers, there need to be continuous efforts aimed at reiterating strategic reassurance in relation to energy acquisition and transportation.

Introduction

Resource requirements in general, and energy needs in particular, are an important component of China's international relations from both within and without. From a domestic Chinese perspective, since the turn of the century, there has been a new and urgent focus on the need to ensure reliable and continued access to energy supplies. This focus on energy has in part helped changed the fundamental thinking on the nature of security in China, introducing a much stronger focus on economic security and economic (market) solutions alongside traditional conceptions of inter-state war and diplomacy. But the move from energy self-sufficiency has also fed into existing security anxieties relating to China's vulnerability for those who perceive the West (which usually means but is not restricted to the US) as determined to use its power to prevent China's pursuit of political/diplomatic status and influence commensurate with its economic power. In combination, these economic and strategic considerations have resulted in justification for China's renewed focus of diplomatic and international activities towards Africa and Latin America in addition to the Middle East. Indeed, energy considerations effectively reversed a benign Chinese neglect of those 'third world' states for the previous two decades (i.e., after China re-joined the capitalist world economic system in the late 1970s).

Thus, for China, energy is an arena where old and new security conceptions and practices overlap and coincide.¹ And this is also the case when it comes to external perceptions of the international consequences of China's search for energy security. For example, there is concern that China's search for energy security will result in economic insecurity for others, as increased Chinese demand alters the price and distribution of global resources. For some, rather than viewing China's pursuit of energy overseas as just being the normal consequence of increased global demand, this is exacerbated by the perceived predatory actions of companies acting on behalf of the Chinese state to achieve strategic national objectives. Economic and traditional security concerns combine when this analysis is extended into the possibility of inter-state wars over competition for increasingly scarce resources – the question of whether there are 'oil wars in the pipeline'?²

There is also international concern over the extent to which China's new resource diplomacy might undermine the global liberal order. When China engages resource rich states in Africa, Central Asia, and Latin America, it has done so 'with no strings attached', i.e., without attempting to utilise investment and trade capital as an instrument for enticing political and social progress in host countries. In contrast, Western campaigns such as the Extractive Industry Transparency Initiative are designed to increase the chances for governments of those resource rich but developing nations to be more accountable about the wealth they accumulate.³ To be sure, Chinese energy and diplomatic actors overseas are increasingly concerned about the security of their investments and like investors from other countries are looking for transparency and predictability within the host regime, as more and more incidents of kidnapping and other disruptions to Chinese energy projects in Africa take place. But, compared with the West, which has over one hundred years of history in extracting and trading energy worldwide, China is a latecomer in terms of

handling the norms of international energy business. A resource rich but ‘rogue’ (to the West) state is, amidst the international concern over supply security, ironically, in a position of cherry-picking the actors and terms of entry into their home markets, too. In short, demand for political liberalisation is not an easy choice for China to make, either.

This paper first maps out the industry/policy contours leading to the emergence of an energy security discourse within China, and establishing the key distinction between self-sufficiency on one hand and security on the other. It then considers the main potential sources of instability that emerge from China’s search for energy security. Between China and the West, while mutual suspicion and lack of transparency over processes and objectives might result in pessimistic predictions, China has no choice but to accept that it is now part of (and partly dependent on) a complex and interdependent global economy. And potential (energy) enemies must accept that China is an essential component of this global order as well. As such, any aggressive action would harm the perpetrator as much as the target – a form of mutually assured (economic) destruction for the post-Cold War era.

Between Sufficiency and Security, 1949–96

Despite the focus in much of the literature on China’s recent search for energy resources, in truth resources have been an important component of China’s international relations since the onset of CCP rule in 1949. In the early days, ambitious goals for industrialisation with only a very low base of oil production and the US-led trade (and diplomatic) embargo reinforced the need to turn to the Soviet Union for help. Moscow not only provided oil, but the technological know-how and personnel to develop an indigenous Chinese oil industry that (largely thanks to the development of the Daqing oil field in the northeast) resulted in the end of a century-long dependence on imported oil in 1963.⁴

But energy self-sufficiency is not the same thing as energy security. A country has meaningful energy security when its management of energy supply and demand serves the purpose of developing its economy and society. This was not the case in China. By the time that China reached the stage of oil self-sufficiency in 1963, the Soviet Union had already terminated its aid programme (in July 1960) and the Sino-Soviet alliance was transforming into mutual hostility. Indeed, in 1964, the Chinese government formerly began to mobilise the bulk of its financial as well as energy and other industrial resources to build up a ‘people’s war’ capacity in the interior provinces of the country. Dubbed as the ‘third front’ – after having to give up the coastal (to US and its allies) and northern land borders (to the Soviet Union) – this project dominated China’s economic agenda until 1971 and lasted well into the end of the 1970s.⁵ In other words, for two decades China had self-sufficiency under strained international circumstances that did not allow the utilisation of resources for development goals – sufficiency but not security.

In the wake of the Cultural Revolution, by the mid-1970s, the Chinese economy was on the verge of collapse. But ironically, as China moved towards losing its self-sufficiency in

energy, changes in the international environment actually enhanced its energy security. Rapprochement with the US eased access to the industrialised world. Energy, particularly oil and coal, became a primary export commodity for China, in exchange for industrial plants and technology from developed countries, with Japan the primary destination. Moreover, energy policy took on another strategic role during the first oil crisis, as China used crude oil exports to Thailand, the Philippines and other Asian countries as part of its drive to cultivate a favourable regional environment.⁶

Thus, oil and coal played a valuable strategic purpose; it helped develop – in East Asia, at least – an idea and image of Chinese ‘responsibility’ and earned much-needed hard currency for importing equipment and technology. Partly due to lack of first-hand knowledge about China’s energy geography, in the wake of the Arab energy embargo, expectations grew for China to be considered a credible replacement of the Middle East for meeting its neighbours’ energy needs. This prompted concerns about China using its ‘oil weapon’ against United States allies in East Asia.⁷ In the long run, more importantly, energy trade between China and its neighbours, Japan in particular, paved the way for the development of China’s export-oriented economy, which of course has proved to be pivotal in developing the Chinese economy and society.

Slower growth in domestic production, coupled with growing levels of domestic demand, contributed to the decline in Chinese oil exports in the 1980s. China began to import crude oil from Oman in 1983, originally as a temporary measure for dealing with domestic transportation bottlenecks in moving crude oil from northern China to refineries located along the upper stretches of the Yangtze River. The volume of China’s crude oil exports peaked in 1985, reaching 30 Million tons (Mt), and from 1988, Chinese imports of crude and processed fuels began to rapidly rise. In 1993, China became a net oil importer of oil products and in 1996 it became a net importer of crude oil. The rest is history.

The Search for Supplies and Security, 1996–

Despite the move from net exporter to importer in the mid-1990s, this transition did not cause immediate political concerns. Indeed, the concept of energy as a national security issue did not really emerge until the turn of the century. In 2000, the volume of China’s oil imports almost doubled from 36.6 Mt to 70.2 Mt, accounting for around a quarter of total Chinese consumption. This dramatic rise in import volume had several causes. First, domestic crude production was insufficient for consumption. Second, China’s oil refining capacities had significantly improved, making it possible for China to import more types of oil for refining. Third, in June 2000, China began to reform its pricing system for processed fuel by pegging the domestic sales price level to that in the Singapore commodity futures market. This reform led to four separate increases in domestic oil prices within six months, reflecting the tripling of world oil prices in 1999. The higher sales price encouraged Chinese oil refineries to increase imports amidst concerns about supply interruptions worldwide. Fourth, China’s customs statistics more accurately reflected the actual volumes

of oil imports, thanks to a nation-wide campaign against oil smuggling between 1998 and 2001.⁸

Since then, researching and ‘predicting’ China’s future energy needs have become something of a cottage industry – both within China and amongst an often nervous international community. Unsurprisingly, there is considerable variety in the tone and findings of the various studies. However, there is convergence on the idea that domestic oil production will continue to stagnate. And this contributes to a second and probably more important convergence: the key conclusion that no matter how China plans and carries out its energy policies, dependence on imported oil will have to continue, with imported oil accounting for a growing proportion of Chinese demand.⁹

Gone is the era of energy independence for China. Also gone for China is the viable application of self-reliance as an ideology guiding its energy policymaking. When added to China’s dependence on overseas consumer and technology markets, this has resulted in a key transformation in Chinese security thinking and policy. In short, China has no choice but to learn how to live in a world of (complex) interdependence¹⁰. In terms of energy, thinking and policy are no longer framed in terms of military threats and diplomatic responses, but instead, fall into the realms of ‘geo-economics’; of economic threats and market solutions.¹¹

Part of this search for market solutions has entailed ‘going global’¹² and acquiring concession rights in foreign oil fields. Chinese oil companies first entered the upstream of the international oil market as early as 1993, when a subsidiary of China National Petroleum Corporation (CNPC) bought the Talara Block in Peru for US\$25 million. Since then, Chinese oil companies, principally CNPC, have entered into an array of overseas oil investments. However, as a RAND study concludes, it is not just that these are not growing fast enough to meet projected demand in the future, but that the domestic infrastructure in China (logistics and transportation) simply cannot cope. As such, much of the oil produced in Chinese-owned fields overseas will likely never enter China, but instead be sold on international markets or swapped for oil from other supplies that can be more easily utilised within China.¹³

The solution also entails diversifying sources of oil imports to hedge against potential political obstacles. China’s dependence on imported sources of energy is spreading Chinese economic and diplomatic presence to wherever there is spare supply. Out of this dependence arises the question of China’s relations with the major powers in the world: how can China and the major industrialised nations co-exist with each other in the field of energy diplomacy? As a consumer country, China does not really have much of a choice in choosing its source of supply. Combined with the learning curve Chinese oil companies are going through as they interact with international oil majors in the Middle East, Central Asia, and Africa, contention between China and the United States and its allies over China’s pursuit of energy supplies can be expected to last for some time to come.

The extension of Chinese interests in Latin America and Africa has been particularly notable. This has included frequent visits to Africa by top Chinese leaders, increasing the Chinese profile in UN peacekeeping operations in Africa, the launching of a ministerial-level cooperation forum with African governments, and the offer of debt reduction to African states. China's differences with the United States in the United Nations over dealing with the Darfur atrocities in Sudan led to media speculation that China was 'staking a claim' to Africa before America gains a stronger foothold in the continent, especially the countries around the oil-rich Gulf of Guinea basin.¹⁴ It is possible for China to claim that it inherited Sudan's domestic problems since its oil companies were invited to operate in that country only after American energy business presence there was terminated as a result of a comprehensive embargo by the US government in 1992.¹⁵ Put in the broader context of Chinese diplomacy, this has more to do with long-running Sino-American differences over economic sanctions as a diplomatic instrument. But clearly China also faces the challenge of doing its share to address questionable domestic policies in Sudan, including the enlisting of concerned third governments and parties regardless of the existence of energy connection or the lack thereof.

Notwithstanding this new importance of Africa for China, the Middle East still looms large in terms of oil and gas supplies, and the volatility of international relations in the region is well-documented.¹⁶ But the possibilities of a politically motivated embargo against China by a Middle Eastern exporting country remain low. China has pursued a balanced foreign policy toward the long running Arab-Israeli conflict in the region and has done nothing to raise the enmity of Arab oil exporters. Moreover, by opening talks with the Gulf Cooperation Council over the possibility of a free trade area, China has moved from a single focus on oil supplies to an enlarged scope of economic exchanges. The level of economic interdependence between China and the Middle East is set to grow, barring a catastrophic breakdown of China as a source of demand for oil and other products the Middle East offers. As a matter of fact, it has now become conventional wisdom that in the future the centre of oil consumption worldwide is going to move to the East (China, to be followed by India). In short, the economic imperative that underpins China's ties with the Middle East is set to remain in the foreseeable future.

In the mid-stream of Chinese oil importing, there is no clear threat of a transportation embargo against China. The risk of a military conflict across the Taiwan Straits involving the United States has existed for decades. The worst-case scenario is that the United States repeats its policy of the 1950-70 period by organising China's maritime Asian neighbours to launch a comprehensive blockade against China, in the event of the Chinese mainland initiating a military attack on Taiwan. But as China's economy becomes more deeply integrated into the regional production chain, the associated costs of launching such a blockade are increasing as well. Economic interdependence again serves as perhaps the single most powerful deterrent against an embargo or blockade by China's neighbours.

China's search for (diversified) oil supplies has resulted in ties with a number of states that are considered to be unreliable and/or have gained 'pariah' status in the West. But given this, and the at times tense political relationship between China and some Western states, it is important to note that political motivations have not seriously interrupted China's access to oil imports since it lost its self-sufficiency in oil. The only event that might have threatened the transportation of foreign oil to China's shores was the 1993 *Yinhe* (Galaxy) ship incident. The *Yinhe* container ship was the subject of a forced inspection by the United States in the Persian Gulf because it was suspected of carrying precursors and chemical production equipment en route to Iran. But even this incident concluded without there being any interruption to Chinese oils imports from Iran. Indeed, the biggest problems have been the international energy market's reluctance to accommodate new entrants. For example, in 2003, both CNOOC and Sinopec were blocked from participating in the development of an oil field in the Caspian Sea after the existing partners decided to increase their own stakes.¹⁷ Thus, a key question that remains for Chinese policymakers is where can Chinese oil companies go and not face obstacles put in place by either political or business communities, or both.

To sum up, then, China has lost its self-sufficiency in energy, particularly oil and gas. But in terms of traditional military-related risks, the possibility of a risk turning into a threat to China's energy security is getting lower thanks to the forces of economic globalisation. As long as China does not initiate a military conflict with Taiwan or its neighbours, the primary actor in maintaining the stability-based security China has enjoyed for the past three decades is China itself, not an external actor. So on an everyday basis, managing demand and utilising energy efficiently within China is at least as important as securing foreign supplies.

Domestic Energy Governance

Fluctuation in oil price affects the level of attention, in both domestic and international contexts, to how China factors in the world's energy scene. High oil prices directly cut into profits in the Chinese economy and force the Chinese government as well as oil companies to more aggressively pursue international sources of supply. This in turn drives up international apprehension about China draining an already tight international oil trade market, feeding existing concerns about the implications of China's rise for the global order.

An important key to addressing the situation, however, lies in how Chinese government policy addresses changes in its domestic energy scenes. Energy efficiency is increasing in China. The 3.39 tonnes of standard coal required to produce 10,000 Yuan of GDP in 1980 had been reduced to 1.1 tonne by 2008.¹⁸ Technological collaboration with international corporations, sponsored and/or supported by the Chinese government and international agencies, helped to make such progress possible. But there is still a long way to go.

Thus, the argument here is that energy industry governance is critical for the future evolution of China's energy sector, which is in turn critical for the evolution of China's international economic relations. Diversifying from oil and gas to other sources of energy is one such governance reform that could have a significant long-term impact. For example, South Korea, a country that was totally dependent on offshore sources of energy, has managed to meet 40 per cent of its electricity consumption through nuclear power. Another area of China's energy industry that requires serious improvement in governance is the coal industry – not just in terms of the efficient production and supply of coal but also in meeting the domestic and international environmental challenges that result from the extent (and inefficiency) of coal usage.

Observers outside China tend to focus on the signs of leadership commitment to addressing China's own and the Chinese source of global climate and environmental challenges. Chinese President Hu Jintao's announcement of the move towards carbon intensity targets in his speech to the United Nations in September 2008 is viewed as one of the latest signs of progress.¹⁹ As a matter of fact, in 2002, the Chinese government introduced its own concept of building a 'circular economy', to address environmental degradation and resource scarcity associated with rapid economic development. Thus far, the scheme – the essence of which is to promote thrift in resource and energy consumption regardless of fluctuation in worldwide energy prices – is showing signs of solid support from local governments and citizen participation.²⁰

In short, improved domestic energy governance is one effective and indeed essential route for China to improve its overall energy security situation. In this connection, China must work to make as extensive use of international resources as possible for the sake of promoting more efficient use of energy in the country. At a strategic level, the rest of the world stands to benefit from progress in Chinese efforts.

Energy and China's International Relations

China today is, by and large, on the defensive when it comes to the international reaction to the pursuit of supply security through the exploitation of offshore sources of energy, particularly oil and gas. A case in point is that China's energy policymakers find it necessary to stress that while China is increasingly importing more oil and natural gas from the world market, the country has also become the largest energy producer in the world. Energy statistics produced by the Chinese government itself claims that China is maintaining an energy self-sufficiency rate of over 90 per cent. Given the high level of dependence of the Chinese economy on trade with the rest of the world, there can be some arguable sympathy for these Chinese officials. After all, the making of those products China exports, does require energy. If not in China, it has to be somewhere.

This state of affairs is in some ways a repetition of the Japanese experience in the 1970s and 1980s, when the pursuit of high economic growth by going global led to serious debates about the impact of Japan on the world. Crucially, though, Japan was largely

considered to be part of the existing liberal global order and a responsible stakeholder within the existing structure. Despite extensive rhetoric and real policy changes by the Chinese leadership to convince others about Chinese responsibility and an increasingly status quo position, there remains considerable suspicion about China's long-term ambitions and intentions. For those who already think that China plans to change and rule the world, the search for energy resources can be used and manipulated to support these hyperbolic claims. While changing the minds of the already convinced might not be possible, combining economic power with responsibility remains an important task for those engaged in developing China's overseas assets (and not just in energy sectors).

International concerns about how China's economic growth will translate into geopolitical clout play an integral part in the lack of symmetry in China's overall international relations with the major world powers. China's search for overseas oil supplies has led the Chinese government to pursue close diplomatic ties with Iran, Sudan, Uzbekistan, and Venezuela. These are countries that pursue questionable domestic policies and, in many cases, foreign policies in defiance against American and European interests and/or preferences. The situation leads to concern about the strategic intent behind China's oil- and gas-related diplomacy. As one article on China's oil diplomacy asks: why is China seemingly working to challenge the interests of industrialised countries in North America, Europe, and Northeast Asia, when logic tells us that oil should serve as a linchpin of closer relations instead?²¹

A key issue here is the relationship between 'state' and 'market', concepts central to thinking about management of economic ties across national boundaries. Or put another way, the relationship between the Chinese state and the major energy companies makes it difficult to know who is acting to support whom. Is a particular oil/gas venture overseas, the result of the Chinese government dictating its state-owned energy company to carry out a governmental mission, or is it a case of the company using the diplomatic clout of the state to support its own economic interests? In addition, international energy companies have tried hard to enter the Chinese markets but so far with varying levels of difficulty. Since 1980, China has allowed international oil companies to participate in developing its offshore oil and gas reserves and to conduct oil-related business on land. Chinese law, however, requires that international oil companies enter into joint ventures on Chinese territory with Chinese counterparts.²² Because the Chinese oil industry is state-owned and operates monopolistically, such joint ventures have been limited, especially in distribution. Out of frustration grew imaginations about China doing all it can to protect and expand its oil reserves at the expense of everybody else. This understanding has led to high profile competition for access to international oil fields, which easily and quickly become politicised as international oil majors seek political assistance from their home governments to counter the 'unfair' state assistance granted to Chinese companies.²³

China shoulders a good part of the blame for this suspicion of its activities because it has been very poor at making its energy transactions with countries such as Iran and Sudan transparent. Lack of transparency fuels speculation that China has a well-coordinated

project of countering US influence, particularly when it comes to dealing with 'rogue states'²⁴. For example, Chinese government agencies and oil companies are not known to be forthcoming at all about the China National Petroleum Corporation's Sudan operations. Tracking publicly available industry profiling (often elusive to scholars of international politics, too), tells us that China's Sudan oil operation began as a four-way joint venture involving Canadian, Malaysian, and Sudanese oil companies. Canadian companies had to withdraw from Sudan due in part to protests by human rights activists. The government of Sudan decided against Chinese requests to increase share-holding and awarded to Indian companies the share that had once been Canadian. In other words, the government of Sudan does not appear to be that helpless in handling foreign competition for its oil assets.²⁵

Energy concerns have driven China's increased activity in the Middle East in recent years,²⁶ and since as far back as the 1980s, this has been a contentious issue in Sino-US relations. China is routinely accused by the United States of selling weapons in exchange for oil and thereby undermining the global campaign against the proliferation of weapons of mass destruction. But China's behaviour over the two Iraq wars indicates that China does have shared interests with the United States and other powers in supporting stability in the Persian Gulf region, and that shared interest is to keep Middle Eastern oil flowing to the rest of the world. Moreover, the primacy of maintaining oil supplies even means tolerating a heavy US military presence in the region.²⁷

But despite China apparently buying into the existing order and the need to ensure oil supplies, China's pursuit of oil supplies from Iran has been a source of contention with successive administrations in Washington. For example, in 2004, Sinopec, which accounts for over 80 per cent of Chinese oil imports, and is the single most important refiner in China, continued with its bidding for developing 16 Iranian oil fields in the face of a concerted effort from the US to persuade it to drop out of the race. This US intervention in what many in China see as a purely domestic issue gives weight to those voices in China who argue for a move into politically motivated diplomacy as the ultimate instrument for securing China's oil supplies. So too does ongoing US support for India's nuclear energy programme while maintaining sanctions to prevent Chinese acquisition of the same technologies.²⁸

And to an extent, diplomacy has been used in this way. Iran (together with Pakistan and India) was granted observer status to the Shanghai Cooperation Organization (SCO) in 2005. In contrast, the United States has been denied such status, despite repeated statements expressing a wish to be involved. It is also true that the SCO is one of the regional organisations that China actively supports as part of its 'new security concept', which emphasizes the importance of consultation and cooperation as a means for achieving security with its neighbours. But it should be noted that the inclusion of Iran in the SCO framework does not necessarily mean a deliberate challenge to US interests and dominance in the Persian Gulf and the wider Middle Eastern region. After all, to have Iran

in the SCO is meaningful for the organisation to be effective in combating terrorism in Central Asia, which has a direct bearing on China.

Central Asia is another region where images of a new 'Great Game' easily re-emerge due to China's thirst for oil and gas. Oil and gas are the major and in most cases the only competitive commodities that landlocked and small states have to offer to the rest of the world. Pipelines are the most logical means of transporting Central Asian oil and gas to markets for consumption. Interest parties from near and afar have come up with a 'spaghetti bowl' of pipeline designs.²⁹ China is seen to be in a strategic position in deciding whether or not Eurasian oil and gas can pass through China to reach Japanese and South Korean markets, in addition to directly (i.e. without having to go through a third country) importing from Kazakhstan. A Kazak-Chinese pipeline, in turn, allows China access to fields further inland. There is no dearth of materials for dramatising the geo-political significance of China and Central Asia in the world's energy scene.

Increased Chinese use of natural gas from Central Asia can be helpful in altering the energy mix of China's north-western provinces. This in turn is conducive to improving the environmental and atmospheric conditions in those localities, thereby providing an important public good for the rest of China and the entire Northeast Asian region. Seen in this light, increase in natural gas supply in the Chinese energy market, either by way of pipelines or by seaborne transportation (of liquefied natural gas) is a contribution to the agenda of sustainable development. The alternative scenario of increase in coal consumption in China, simply because it is locally produced, is hardly in the interest of any country or people globally.

Energy and Sino-US Relations

As the above brief discussion demonstrates, it is difficult to stray too far from the pivotal Sino-US relationship when it comes to considering the role of energy in China's international relations. Indeed, perceptions of a potentially malign intent on behalf of the US were at the heart of the emergence of the idea of energy as a national security issue in China in the first place. In the 1990s, when it was becoming clear that the Chinese regime was not going to implode as a result of the political and economic difficulties that the 1989 events in Tiananmen Square brought about, a number of key events seemed to point towards a deliberate attempt to prevent China's re-emergence as a key global player. Examples included opposition to China's bid to host the 2000 Olympic Games in 1993, the granting of a visa to then-Taiwanese leader Lee Teng-hui and the ensuing crisis across the Taiwan Strait in 1995–1996, President Clinton's refusal to sign an agreement on China's entry into the World Trade Organization in April 1999, and the 'accidental' US bombing of the Chinese embassy in Belgrade one month later. Ongoing debates within US Security studies circles between 'engagers' and 'containers' over how to deal with China's rise only served to heighten the fear that China's energy requirements could become a key source of vulnerability in a US-dominated world.

From such a 'pessimistic' viewpoint, the United States is in a prime position to use oil as a weapon against China³⁰ – one alarmist view even predicts an inevitable war over oil³¹ – their reasoning being that the United States has historically worked to control not just the production, but also the movement of oil supplies worldwide. Crucially, the United States controls vital sea lanes in the Persian Gulf, the Indian Ocean, and Southeast Asia, making unfettered transportation of oil from Middle Eastern and African ports to Chinese shores a matter of US choice.

Such arguments do not stand the test of intellectual scrutiny. Accusing the United States of working to control international oil production and movement is common among those in the developing world who may be dissatisfied with US diplomacy. The argument that the US government conspires to manipulate world oil prices fails to consider the implications of the United States' place as the largest importer of oil in the world. It would be self-destructive for the US government to support a rise in world oil prices, as oil is openly sold to whoever is willing to pay the highest bidding price. If the price were to be manipulated in any direction, any damage to China would also hurt the United States. In any case, thus far, a solid case of the United States government working to manipulate the world's oil trade is yet to be established.

The fact of the matter is that China benefits from the freedom of commercial navigation through the Strait of Hormuz, which since the late 1970s has been protected by the US naval presence in the region. Chinese analysts who complain about US hegemony in the Middle East fail to take note of their own country's need for security in maritime transport; it is certainly in China's interest for the movement of oil through the Strait of Hormuz to continue to be safeguarded against sabotage.

Chinese-US energy relations are full of ironies. For the past 30 years, China and the United States have actually gained from each other's energy policies. China has benefited from the security that US 'hegemony' has wielded, in stabilising volatile spots of the energy-producing world. Meanwhile, the US economy has on the whole benefited from a steady flow of cheaply made exports from China. Because a sufficient energy supply is crucial to meeting trade demands, the United States and China, as the largest and third-largest trading nations in the world respectively, must treat energy as a key factor in economic interdependence.

There are differences between China and the United States, but it would be a waste of resources on both sides to encourage more competition or confrontation. Both stand to lose from further complication or politicisation of an already complex international energy system. The case for collaboration is easy when there is so much at stake. Collaboration on energy technology development and increasing oil extraction are two politically low-cost solutions for reducing tension between the United States and China. In fact, China has launched the largest number of collaborative energy development programmes and projects with the United States. These activities have in no small part contributed to improvement in energy technology development in China. As a result of these

government-sponsored projects, thousands of energy scientists and policy analysts regularly interact with each other across the Pacific.

For more than a decade, Beijing and Washington have added energy policy to their agenda in governmental-level dialogues. Such vehicles include the US-China Energy Policy Dialogue, the US-China Oil and Gas Industry Forum, the US-China Economic Development and Reform Dialogue, the Peaceful Uses of Nuclear Technologies Agreement, the Joint Coordinating Committee on Science and Technology, and the US-China Strategic Economic Dialogue. Still, the prevailing sentiment in both capitals is that China and the United States are, at best, parties in dialogue rather than partners in concerted action.

Future research efforts on China's energy diplomacy vis-à-vis the interests of the United States or the West can and should benefit from solid answers to a number of questions. Is it possible to ascertain that China (its government and/or oil companies) have sought to weaken or even drive out the presence of American, Western (or non-Chinese) energy businesses from a third country? In what ways has American or Western access to the energy market in question been adversely affected? Is there solid evidence demonstrating an energy host government and China collaborating to unfairly treat a non-Chinese energy interest? To what extent has the Chinese pursuit of oil investments led to a 'lock out' of energy supplies, as was feared years ago? Do the energy deals imply a shared anti-Western agenda between China and a host government? If so, how solid are the ideological and business foundations of that agenda? Squarely addressing these questions will help greatly contribute towards ascertaining the extent of real competition between China and the United States, and for that matter, the West, over energy supply.

Conclusion

This paper has focused on oil as a means of exploring the more generic issues relating to Chinese energy requirements and the search for energy security. Indeed, much of the analysis could be applied to the search for other resources beyond energy too. To be sure, there are specific issues relating to different resources. But the basic concerns in China about how to gain resource security, and those in the rest of the world about the implications of Chinese resource policy remain the same. Thinking about the future, we might also suggest that food security will emerge to play at least as important a role as energy in China's international relations; possibly even more.

This paper has also focused on the demand and use of energy. Arguably, in the long term, the implications of energy consumption for China's international environmental relations are important. And in terms of both energy and the environment, a key source of 'threat' (either to China or to the world) is the ever growing consumption in China without significant improvement in energy efficiency. In this respect, the global economic crisis that began in 2008 might actually be beneficial, in that part of the response in China has been the expansion of spending and bank lending to promote renewable energy resources and

energy conservation projects. Proposals to cut China's carbon intensity might remain rather vague, and will at best only reduce the rate of growth of both energy usage and emissions, but recognition of the urgent need to do something with the full backing of the regime from the very apex of the political system is an important starting point. A sensible direction in policy interactions between China and the international community over China's pursuit of energy security is to make China's efficiency in energy consumption a priority area for international collaboration. Focus on energy efficiency in China is probably the single most effective way to prevent the nightmarish scenario of China crowding out the global energy market at the expense of energy needs of both industrialised and industrialising countries.

At the political and diplomatic level, the international community increasingly demands China to behave in politically acceptable and responsible ways in its pursuit of energy and other resource supplies. China must enhance its transparency in those government–business interactions associated with its pursuit of energy interests overseas, so as to increase the level of confidence the international community can have on China's geopolitical intents. Whether it is fair or not, and whether China's leaders like it or not, there is still unease over China's long-term goals; Deng Xiaoping's oft-repeated exhortation to keep China's true objectives is grist to the mill of those who fear the emergence of a Sinocentric world order. And in truth, there are some who are simply not persuadable, no matter what China's leaders say or do. Nevertheless, ultimately it is in China's own self-interest to show that it is becoming the 'responsible great power' of the twenty-first century – a power to be trusted and dealt with fairly and without prejudice in an interdependent global economy.

However, one final word of caution is required here. It is easy to imagine China as a single entity, which is organised, manipulated and controlled by a single leader (or a small group of leaders) in Beijing. And as noted in this paper, when it comes to energy policy and the pursuit of overseas oil supplies in particular, then Chinese policy does appear to be more coordinated and part of an overarching state strategy than is perhaps the case elsewhere. Nevertheless, it is becoming increasingly important to disaggregate different Chinese actors and interests; for example, an increasingly common complaint in Beijing is that the actions of individual Chinese traders in Africa often (unfairly) reflect poorly on broader perceptions of China and on the Chinese government itself. Commercial interests rather than state strategies already play a role in the overseas activities of China's major resource companies. As the outward investment regime is reformed to make it easier to 'go global', then the ability to control what happens under the name of China (or associated with China) will become ever more difficult. Talking of a thing called China with a single voice, interest, and objective is becoming increasingly problematic. Around the world as well as in China itself, working out whether firms are working for the state or the other way round is becoming an increasingly important task – and in light of what has happened in response to the global crisis, an increasingly difficult task as well.

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