



Will China Go to War Over Oil?

by Wu Lei and Shen Qinyu



AS THE GLOBAL energy markets undergo radical changes and oil prices remain near record highs, the “China energy threat” has emerged as a new fear in Washington’s corridors of power. China’s quest for energy security, conducted through aggressive “bilateral energy diplomacy,” has attracted worldwide attention. Many analysts argue that the trajectories of the U.S. and China, the world’s two most voracious energy consumers, will inevitably lead to a clash over resources in the future.

Energy security is already playing an increasingly important role in Sino-U.S. relations, intensifying friction on regional issues. For instance, Sudan is one area of dispute in which oil is a key to China’s interest. At present, Sudan is China’s largest overseas production base, and more than half of the country’s oil exports go to China, accounting for 5% of China’s total oil imports. The genocide and humanitarian di-

saster in oil-rich Darfur in southern Sudan has given rise to concern in the U.S., which proposed sanctions on Sudan by the United Nations. In September 2004, the Security Council voted to threaten sanctions on Sudan’s oil industry if Khartoum failed to rein in Janjawid militiamen in Darfur. Shortly after the vote, China announced that any attempts to actually impose sanctions would be met with a Chinese veto.

Iran is a more troublesome and dangerous test of Sino-U.S. relations, however. Iran is now China’s biggest foreign-oil supplier, and its relations with China in the political, economic and military arenas have intensified. On Oct. 28, 2004, China signed an agreement with Iran worth between \$70 billion and \$100 billion to develop the giant

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Yadavaran natural-gas field and Beijing agreed to buy 250 million tons of liquefied natural gas from Iran over 25 years. Beijing wants to construct a 386-kilometer pipeline from Iran to the northern Caspian Sea to connect with the Kazakhstan-Xinjiang pipeline, bringing more Middle East oil to China. This would have lasting strategic benefits for China, since a pipeline reduces reliance on shipped oil.

China's increasing energy investment and trade breakthrough with Iran obviously clashes with America's Iran-Libya Sanctions Act. The U.S. and the European Union are pressuring Iran to give up its nuclear-power program, and Washington wants to refer the case to the U.N. Security Council to impose sanctions on Tehran.

Since Sudan and Iran together supply China with 20% of its oil imports, U.S. attempts to contain these regimes bring it into direct confrontation with China's energy-security policies. Washington has warned Beijing that the two countries would be on a collision course if China continues to pursue energy deals in places like Iran and Sudan. U.S. Deputy Secretary of State Robert Zoellick has said that Beijing's ties with "troublesome" states would have repercussions elsewhere, and the Chinese would have to pay the "price."

The potential friction does not end there. China has also made moves into Latin American oil-producing countries, an area which is traditionally within the U.S. "sphere of influence" and is a major oil supplier to the U.S. In the search for fuel and minerals for its booming economy, China is disregarding U.S. objections by courting these countries.

It is too soon to draw conclusions from the above stories that the rise of China as a new mover of global energy markets is bound to lead to war over energy. At the very least, a few more complications will have to be added to the mix. In truth, the United States and China are not really in direct competition on many energy issues, even though China's practices of energy diplomacy do undermine U.S. goals of isolating or punishing "rogue states."

The biggest challenge still arises from the Taiwan issue, which Beijing regards as an issue of life and death. The Bush administration has threatened China by urging Japan to rearm and by promising Taiwan that, should China use force to prevent a Taiwanese declaration of independence, the U.S. will go to war on its behalf. It seems that the U.S. and Japan might actually precipitate a war with China over Taiwan. If the "cold war" between the U.S. and China on the Taiwan issue turns hot to some degree, the U.S. and Japan would likely move to cut off China's overseas "oil lifeline." That would be a huge blow to Beijing, making a wider war over energy inevitable.

After all, with a widening gap between domestic supply and demand, energy is being recognized as a core national interest among China's national security apparatus. As such, energy security is not only economically vital, but also has political, diplomatic and military implications. The legitimacy of the Chinese Communist Party is largely based on rapid and sustained economic growth. That is why China's top leaders have been paying full attention to this issue and becoming actively involved in energy diplomacy toward Russian and

states in the Middle East, Central Asia, West Africa and even Latin America. This is also the motivation behind a major 2004 reshuffle of China's energy-related agencies in a bid to allow better management of future energy security. The new ministerial-level State Energy Office under the leadership of Premier Wen Jiabao will focus on broad energy decision-making.

Therefore, the U.S. needs to understand China's quest for energy security and the Chinese top leaders' insecurity vis-à-vis the U.S. The fear is that the U.S. might try to cut off China's overseas oil lifeline in order to destabilize the country. The fact that China's future energy supply is overly dependent on the sea lanes and the fear that the U.S. might cut them off as a result of the deterioration of Sino-U.S. relations over the Taiwan issue drives much of Beijing's modernization of its navy and air forces.

It must be made clear that China is not a small regional power like Iraq or North Korea. If confronted with serious threats to its energy security, it will mobilize all its economic, political and military resources to ensure a secure energy supply, or to interfere in the energy supply chains of the U.S. and its allies like Japan in key choke-points such as the South China Sea, the Strait of Malacca or even the Taiwan Strait. These counterbalancing measures would, of course, be a last resort.

Being major energy importers, China and the U.S. are finding more common interests with regard to energy affairs. Both countries face similar problems: Domestic oil resources are declining, domestic energy supplies fall short of demand, and there is an increasing need for imports. Both

hope for a stable supply and fair price in international markets.

China should actively expand its coordinative relations with U.S. In fact, as long as the U.S. does not embarrass China on the Taiwan issue, it is possible for the two powers to carry out comprehensive dialogue and even cooperation. After all, common interest in stabilizing energy supply and price makes it necessary for two powers to exercise strategic cooperation.

For China, international cooperation in energy security should become part of its energy-security strategy. China's decision makers should keep in mind that energy security is a global issue and no single energy-importing country can remain immune from an oil crisis. In an era of globalization, a single nation's policy no longer works well to address oil security.

The U.S. and its allies, accordingly, should gradually lead Beijing onto the right track by, for instance, taking China into the "oil club," the International Energy Agency, in order to turn China's unilateral energy policy into a multilateral one. This move would not only alleviate U.S. concerns about China's unilateral energy diplomacy, it would also help to prevent future energy crises and minimize the security risks. China's membership in the "oil club" would enable Beijing to obtain or share energy market information. And cooperation with the West would bring energy-tapping technology, investment knowledge and environment-protection know-how, all of which are priorities of China's new energy strategy. Most importantly, through cooperation, China and U.S. can minimize disputes and possible conflicts over energy. ■