

Resource Diplomacy

Under Hegemony:

**Triangularizing Sino-American
Global Competition**

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Is this “China’s Century?” NO!

- Global structure shows that this is not just the century of China’s rise, but is the century of China’s rise within an international system characterized by U.S. hegemony.
- In *military, economic, cultural, political, moral and “soft” power*, U.S. still dominates the world.
- Our effort to understand China’s rise--and its effort to gain resources to maintain that rise—must take into account the global distribution of power.

International Relations Theory and Sino-US ties

- Hegemonic system with a rising power challenging a declining hegemon.
- **“Realism”** predicts:
 1. Under “power transition theory,” hegemon seeks to contain rising power and may, at some point, go to war;
 2. Rising power seeks allies to challenge hegemon before it can attack; bides its time until it is stronger.
 3. Eventual war as few peaceful transitions have ever occurred.

“Constructivist” Hypotheses

- **Rising power and challenger learn to manage their inherent conflict and avoid war;**
- **Nature of the challenger—disruptive to the extant order or willing to work within it—is critical component of the “power transition;”**
- **Thus US emphasis on China becoming a “responsible stake holder” as it rises;**
- **Equally important, US hegemon must recognize that the world order it created—an order China is not really challenging--is key to US security in a period of transition.**
- **Europe can help US see the value of maintaining its international regimes and encourage China to support those norms as well**

Energy and China's Rise

- **Economic growth is the lifeline of CCP legitimacy,**
- **increased energy consumption due to autos, air conditioners, new housing construction key to its new alliance with middle classes,**
- **CCP must maintain the inflow of resources;**
- **Increased dependency on global sources, makes China vulnerable to hegemon seeking to slow its rise.**
- **Energy, becomes a chokepoint should the US seek to limit China's rise.**
- **“Nodes of local competition” could become “building blocks of global conflict.”**

China' Energy Strategy

1. Decrease reliance on international sources of energy through conservation and the use of domestic supplies (coal);
2. Diversify sources of energy supply, establish strong bilateral ties with all major supplier nations;
3. Establish a network of oil and gas pipelines in Asia.
4. Encourage national oil companies (NOCs) to “go outward” “□□□” and sign long-term contracts for equity oil and gas;
5. Consider “Sea Lanes of Communication” (SLOCs) i.e., the long-term needs of maintaining energy security across the seas, by building a stronger navy to protect China's oil.

Numbers 2 and 4 highly related to Africa policy

College Student Views on Ways Chinese government should improve energy security

Suggestions	First choice	Second choice	Third choice
Improve technology and its application	41.4%	24.4%	13.2%
Exploit domestic energy more efficiently	18.2%	17.0%	14.1%
Diversify oil imports	18%	18.5%	27.0%
Rapidly improve national energy reserves	10.2%	24.4%	13.2%
Cooperate with other countries more smoothly	5.1%	12.5%	16.5%
Enhance China's military power	4.6%	13.1%	8.1%
Enhance the safety of oil shipping by sea	2.7%	8.2%	7.3%
<u>Source</u>: survey in Chinese universities, 2006			

Resource Diplomacy Breeds

Insecurity not Security

- 1993, end of energy self-reliance shocked Chinese leaders.
- Report in March 2003, by 73 officials--active and ex-diplomats, experts, scholars, China's 3 oil companies—emphasized that:

1. *China's energy security faced unfavorable shift.*
2. *West, particularly U.S., could contain China's efforts to exploit overseas oil and gas resources*
3. *Violent fluctuations of oil prices and energy supply could affect China's energy security.*

Chinese discuss resource “insecurity”

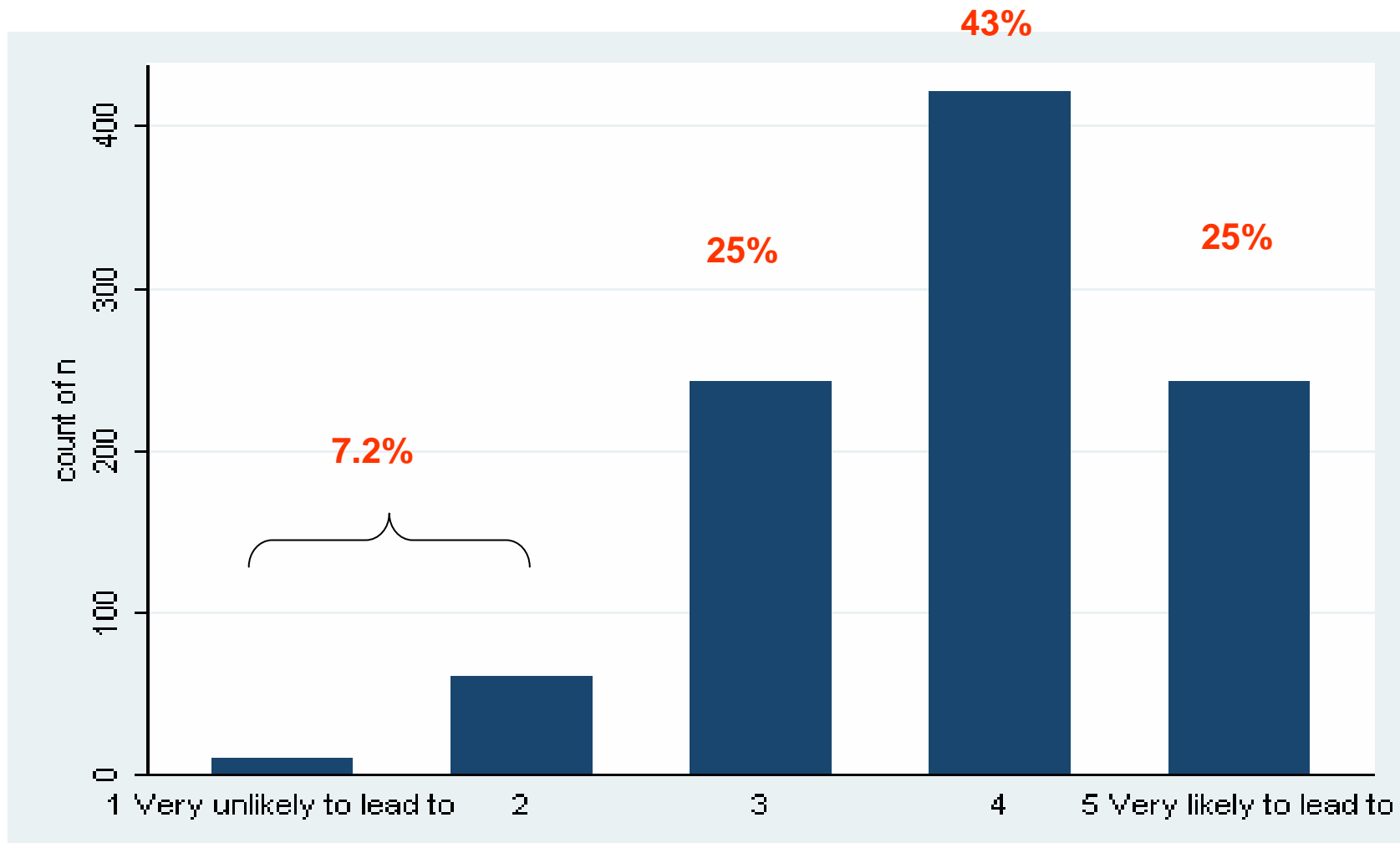
“When a country the size of China imports more than 50 million tons of oil, fluctuations in the international oil market have considerable impact on the national economic operations of that country. China’s oil imports began to exceed 50 million tons as early as 2000. And since then, China has been exposed to potential risks of oil supply disruptions”

Liu Xuecheng, Senior Fellow, China Institute of International Studies, Beijing.

- Hu Jintao worries about the “Malacca Dilemma.”
 - *“**Certain powers** have all along encroached on and tried to control the navigation through the Straits.”*
- Oil from Africa is vulnerable to US through Straits of Malacca but not through Straits of Hormuz.

Will disagreements over energy lead to military conflict among countries?

Student Views in 2006



PLAN wants Blue Water Navy

- *Journal of the National Defense University* (2002) proposed shift from coastal defense to oceanic defense by building powerful navy capable of defending China's "*maritime rights and interests and ensuring the nation's sea lane security.*"
- General Xiong Guangkai, deputy chief of staff :

"contest for energy sources and secure supply channels among major powers and powerful nations has become fiercer."
- The nation's energy problem "*needs to be seriously taken into account and dealt with strategically.*"

US manifests strategy of threatened hegemon

Chinese expressions of support for Blue Water Navy lead U.S. military, neo-cons, to call for “hedging” strategy.

U.S. Department of Defense sees “*string of pearls*”

1. Pakistani port of Gwadar built with Chinese aid;
2. Upgrading military airstrip in South China Sea;
3. Close ties to Burma;
4. Expanding naval access in Bangladesh.

Some Chinese observers do not deny this string, others say it does not exist, but they are not allowed to write about it.



U.S. Energy Security and China

- China's move into areas of U.S. supply → “nodes of competition.”
- China's suppliers often states where US hegemon has moral or strategic responsibility.

“Beijing...undermined Western efforts to stop genocide in Sudan, halt Iran's development of nuclear weapons and has positioned itself as a neutral party in the standoff with North Korea.” [Washington Post, 2004]

- Blumenthal and Lin of American Enterprise Institute, writing in *Armed Forces Journal* (June 2006), see a growing risk that:

“China and the US will clash over sources of fossil fuels in the Middle East and other oil-patch states that are not models of stability or representative governance.”

- US military command in Europe responsible for China in Africa is very worried about China's Africa policy,
- but State Department officials have expressed no worry, seeing China's strategy in Africa as good for Africa

U.S. Hegemony and China's Energy Security

- Hegemonic U.S. can:
 - Threaten China's supply lines of communication—Straits of Hormuz and Straits of Malacca—and delivery of resources for China's development.
 - Influence resource prices and China's ability to buy those resources.
 - Chinese companies compete with U.S. energy companies who have rich international experience and far more capital.
 - US can block purchases of U.S. energy companies.
 - US has made China's energy security into an issue of its own national security.
- *And even if US cannot do all this, China perceives that it can.*

**As China
evaluates
its energy
security,
Americans
are
everywhere!**

But should be less strategic competition between two countries as they focus on different regions of the world. But big overlap in Africa.....

US Oil dependency

- **Middle East** 18%

- **West and North Africa** 20%

- **North Sea and Russia** < 10%

- **Latin America and North America (Mexico and Canada)** > 50%

China's Oil Dependency (2005),

- Middle East = 47%**
Saudi Arabia= 17.5%
Iran = 11.3% (to rise greatly)

- Africa = 30.2%**
 - **Angola** 13.8%
 - **Sudan** 5.2%
 - -----
 - **Russia** 10.8%
 - -----
- **Venezuela** 1.5%
(and rising)

in percentages, 2001-2005

Country/Region	% of 2001 Supply(a)	% of 2002 Supply (a)	% of 2003 Supply (b)	% of 2004 Supply (b)	% of 2005 Supply (c)
Saudi Arabia	14.6	16.4	16.7	14.0	17.5
Oman	13.5	11.6	10.2	13.3	8.5
Iran	18.0	15.3	13.6	10.8	11.3
Yemen	n.a.	n.a.	7.7	4.0	5.4
UAE	n.a.	n.a.	n.a.	n.a.	2.0
Qatar	2.2	0.7	n.a.	n.a.	n.a.
Iraq	0.6	0.8	n.a.	n.a.	n.a.
Kuwait	2.4	1.5	n.a.	n.a.	n.a.
Others	n.a.	n.a.	n.a.	3.3	2.5
Middle East			50.9	45.4	47.2
Angola	6.3	8.2	11.1	13.2	13.8
Sudan	8.3	9.3	6.9	4.7	5.2
Congo	1.1	1.5	3.7	3.9	4.4
Equatorial Guinea	3.6	2.6	1.6	2.8	2.9
Libya	n.a.	n.a.	n.a.	n.a.	1.8
Nigeria	1.3	0.7	n.a.	n.a.	1.0
Algeria	n.a.	n.a.	n.a.	n.a.	0.6
Gabon	n.a.	n.a.	0.3	0.4	0.0
Others	n.a.	n.a.	n.a.	n.a.	0.5
Africa	n.a.	n.a.	24.3	28.7	30.2
Russia	2.9	4.4	5.8	8.8	10.1
Norway	1.5	3.0	1.0	1.6	0.4
Brazil	n.a.	n.a.	0.1	1.3	1.1
Kazakhstan	n.a.	n.a.	1.3	1.0	1.0
Venezuela	n.a.	n.a.	0.5	0.3	1.5
Argentina	n.a.	n.a.	0.1	0.6	0.7
U.K.	0.8	1.8	n.a.	n.a.	n.a.
Others	n.a.	n.a.	n.a.	0.4	0.8
Europe& Western Hemisphere			9.6	14.3	14.9
Vietnam	n.a.	n.a.	3.8	4.4	2.5
Indonesia	4.4	4.7	3.7	2.8	3.2
Malaysia	1.5	2.4	2.2	1.4	0.3
Australia	1.2	1.7	2.0	1.2	0.2
Thailand	n.a.	n.a.	1.8	0.7	0.9
Brunei	n.a.	n.a.	1.5	0.7	0.4
Australia	1.2	1.7	2.0	1.2	n.a.
Others	n.a.	n.a.	n.a.	n.a.	0.1
Asia-Pacific			15.2	11.5	7.6

Source: (a) *China Foreign Economic Statistical Yearbook, 2003*, China Statistics Press.
b. Chen Wenxian and Mo Lin, "CNPC's 2004: a fruitful year," *China Oil, Gas and Petrochemicals* (1 Feb. 2005) at www.chinaaogp-online.com.
c. Ministry of Commerce of China, <http://www.mofcom.gov.cn>.

U.S. Hegemony and China's Energy Security

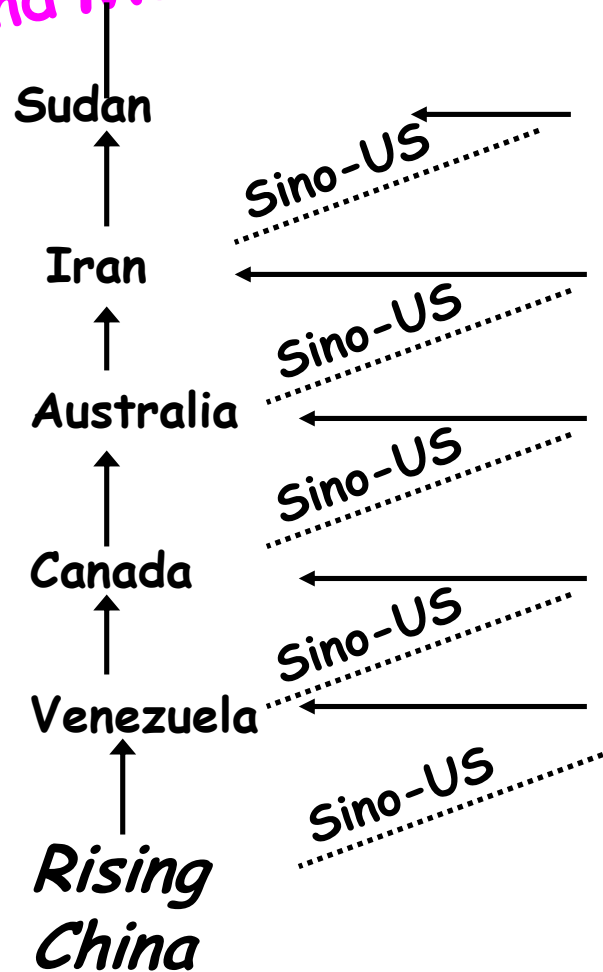
China deals with three types of US partners:

- (1) U.S. enemies or declared “**pariahs;**”
- (2) **neutrals**—e.g., Angola, Kazakhstan or Russia;
- (3) **US allies**, such as Canada and Australia.

- When China negotiates energy deals with these states, US can influence the discussions (excluding Russia).
- As hegemon, US has worldwide interests and power to pursue those interests.

Under Hegemony, China's Bilateral ties become Trilateral → *Menage a` Trois*

And More!!



Target of U.S. human rights concerns

Target of U.S anti-proliferation efforts

"Deputy sheriff" of East Asia

that's our oil" - Cheney

U.S. #4 oil supplier

Analyzing Triangularism

- **My hypotheses:**

- 1. China's bilateral energy relationships are actually triangular and are affected by US interests.***
- 2. Sino-US competition over energy has the potential to become more conflictory.***

- **Let us look at three case studies:**
- **Australia**
- **Sudan**
- **Angola**

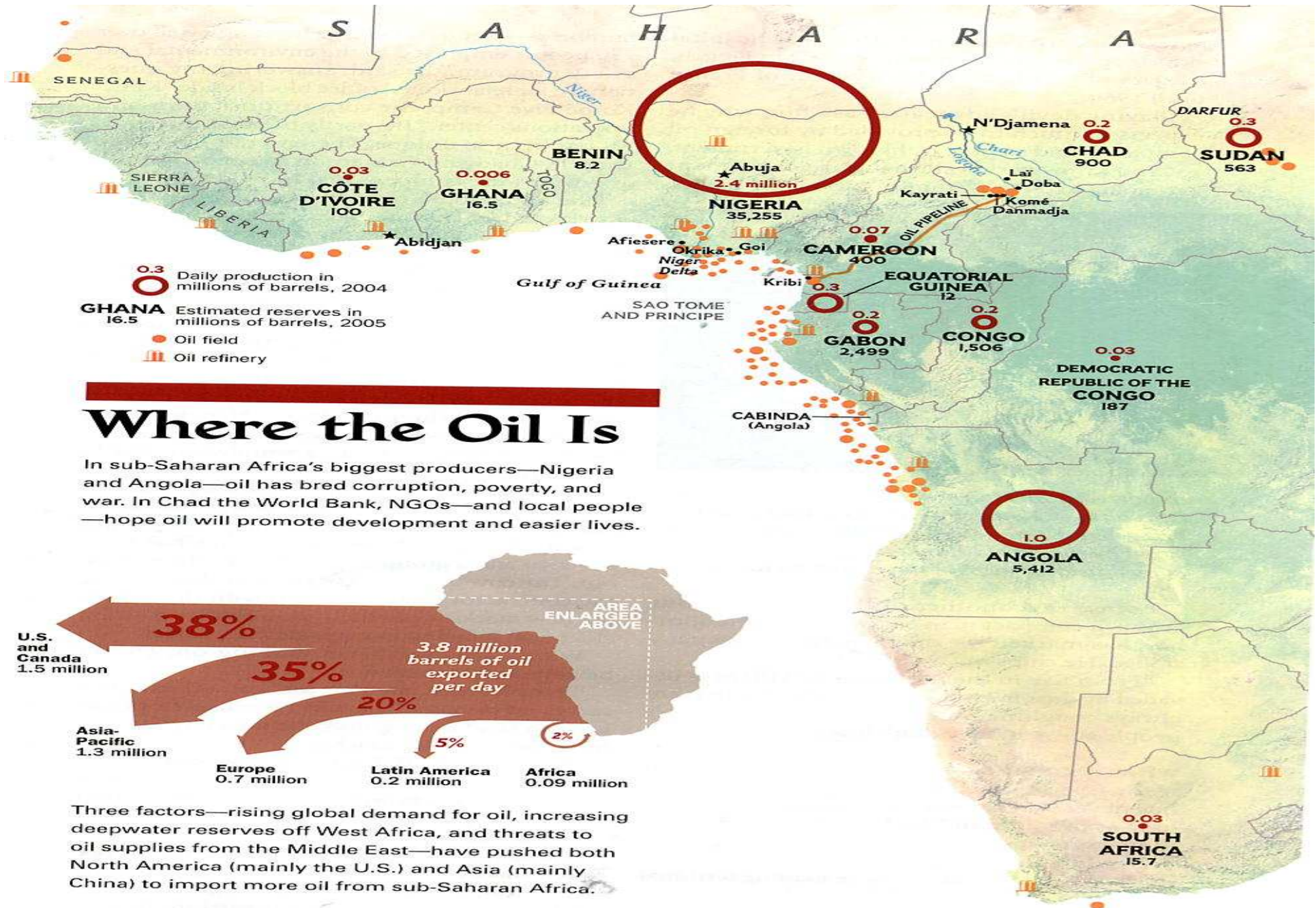
Australia: China Expands Ties with U.S. Allies

China's purchases of Australian resources are critical driver of Australian growth

- In 2004, China passed U.S. as Australia's #2 trading partner.
- Last year, China became Australia's No. 1 trading partner;
- More Australians favor FTA with China than with U.S.
- 12% of Australian grain production sold to China in 2005.
- Hu Jintao visited mines in Northwest of Australia during visit in 2008

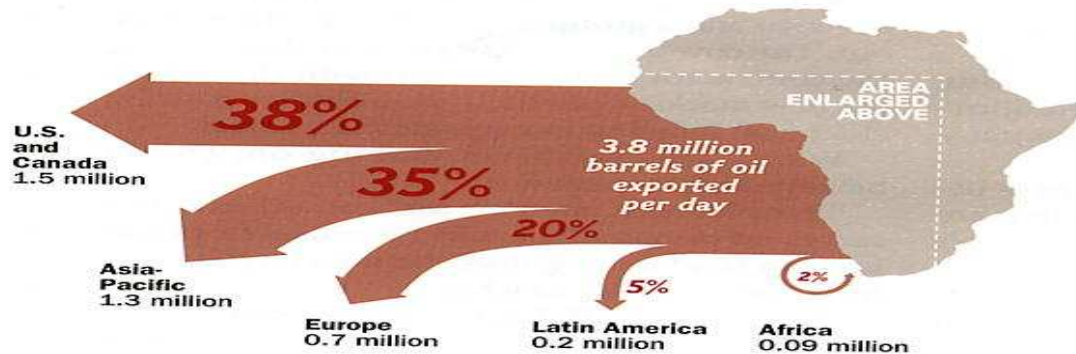
Resource diplomacy has strategic significance

- Disagreements during April 2006 trip of Condoleeza Rice to Australia
- Australian F.M. Downer, did not support containment of China.
- Today, Rudd who speaks Chinese, will try to balance ties more than Howard government



Where the Oil Is

In sub-Saharan Africa's biggest producers—Nigeria and Angola—oil has bred corruption, poverty, and war. In Chad the World Bank, NGOs—and local people—hope oil will promote development and easier lives.



Three factors—rising global demand for oil, increasing deepwater reserves off West Africa, and threats to oil supplies from the Middle East—have pushed both North America (mainly the U.S.) and Asia (mainly China) to import more oil from sub-Saharan Africa.

Worldwide reserves, 2005

AFRICA 8%
(46% sub-Saharan)

MIDDLE EAST
57%

U.S. and CANADA
15.5%

L. AMERICA
9%

FORMER
U.S.S.R.
6%

ASIA-PACIFIC
EUROPE
3% 1.5%

US Accuses China of “Partnering with Pariahs”

- **“Beijing Consensus”**— Coined by foreigner, challenges **“Washington Consensus.”**
- China deal with countries, without concern to their domestic politics or economics, including giving military aid, no political reform agenda.
- China wary of supporting intervention in other states’ internal affairs because it fears outside interference in its affairs
- Challenge US moral hegemony and European effort for “resource extraction transparency regime” of Soros Foundation.
- Many states rich in natural resources are politically authoritarian;
- As price of oil rises, power of authoritarian states increases.

Sudan

- 1997, U.S. companies barred from doing business with Sudanese government because of human rights abuses.
- Chinese oil firms entered Sudan in 1996--Sudan supplies about 5% of China's oil imports.

Comment on Darfur by Deputy F.M., Zhou Wenzhong, in IHT:

“Business is business. We try to separate politics from business. Secondly, I think the internal situation in the Sudan is an internal affair, and we are not in a position to impose upon them.”

- China supplies jet fighters to Sudanese military which bomb rebels in Darfur and reports say that Sudanese army has used CNOOC base to launch attacks on rebels.
- September 2004, China threatened to water down UN resolution against Sudan, U.S. had to forgo sanctions.
- In April 2006, UN introduced sanctions against four individuals.
- Amnesty International accuses China of continuing to sell weapons.

China's Changing Policy

- **Hu Jintao began to pressure Sudanese president in fall 2006 at Sino- African Summit, before Sissy Spacek and “Genocide Olympics”;**
- **China has sent envoy to investigate and talk to Sudanese government;**
- **China policy changing due to international and domestic pressure.**
- **But movement is very slow—at seminar on Sino-Canadian energy relations, professors from Beida and Renda presented Sudan as excellent example of China's energy policy improving quality of life in developing states.**

Chinese Academics Worry about Sudan

- **Zhu Feng, Peking University's Centre for International and Strategic Studies, said Petro-China, though state-owned, sometimes pursued profit at the expense of broad national interests.**

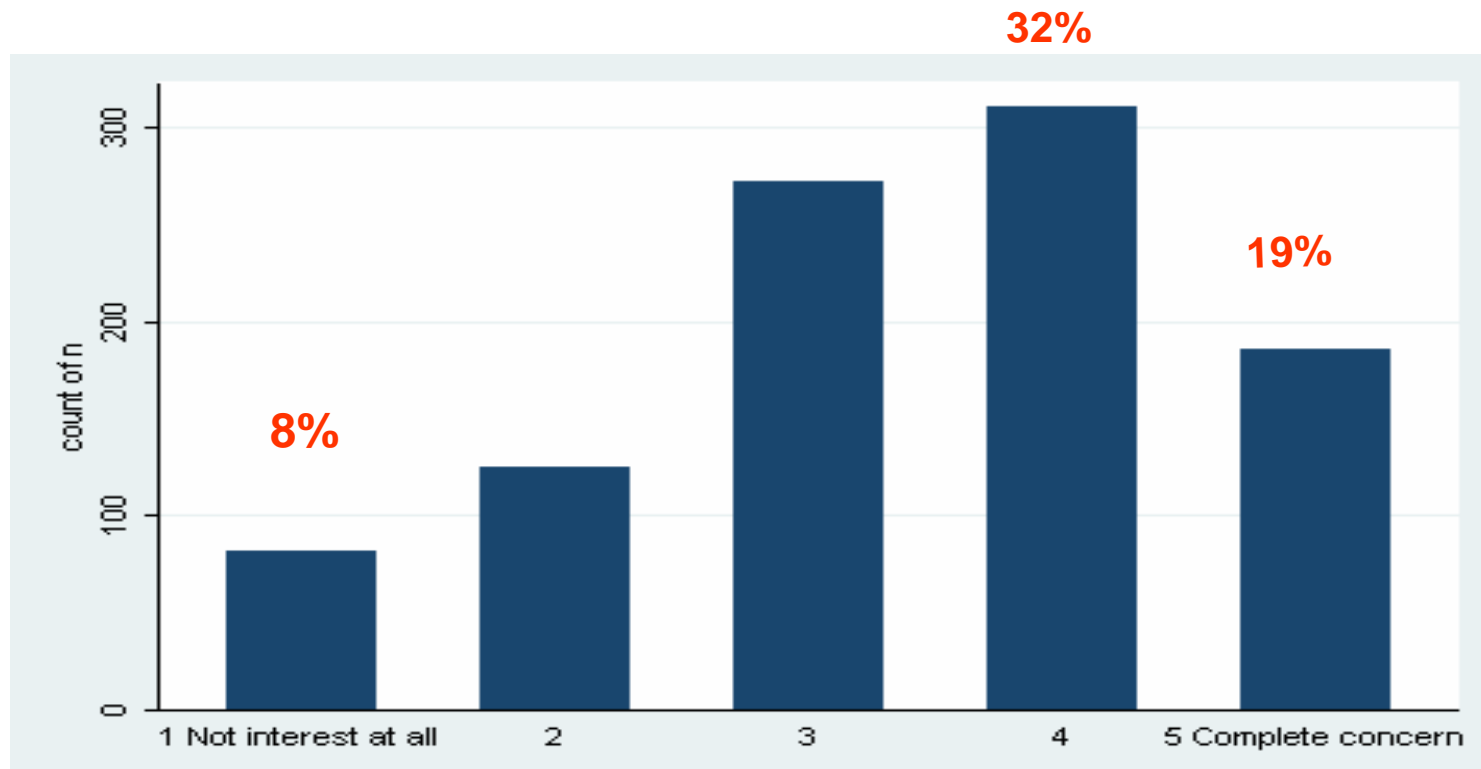
"These state-owned companies have become very powerful interest groups. They even hijacked China's foreign policy in Sudan. That's truly worrisome to me."

Zhang Yunling, Chinese Academy of Social Sciences, dispatched a team of international relations specialists to Sudan to prepare a report on China's conduct in the country.

"The companies feel great pressure as a result of being linked to politics They don't care a lot about politics but it cannot be avoided. This kind of situation will emerge in many other places as well."

College Students' Attitudes Towards the Political System of Energy Exporters

- Chinese foreign ministry argues that China should not get involved in domestic affairs of its energy suppliers.
- Survey of 800 mainland students (Beida, Fudan, Zhongshan Daxue, etc) shows greater sensitivity to it than Chinese government officials.



A U.S. Neutral: Angola

- **Thomas Friedman theory that as the price of oil goes up, domestic pressure on governments to reform goes down, as no need to rely on middle class—state budget increases greatly.**
- **Soros’ “*Resource Extraction Transparency Regime*” has had to work hard to get states to be more transparent about where they put their oil money.**
- **According to Soros, Britain only state strongly supportive of this initiative.**
- **Chinese US\$2 billion loan to Angola stopped them for agreeing to greater transparency.**
- **Yet, US and China oil companies able to cooperate in Angola because there is no overreaching conflict of national interests**

Hypotheses?

- **China is cautious politically in dealing with Venezuela. Does not want to annoy US too much.**
- **So despite energy competition and triangular nature of relationship, unclear that conflict will result in medium term.**
- **No major US-China conflict over African resources, but over how those resources are extracted and the policies of the government who extract them.**
- **Neutrals do not have much influence on Sino-US competition—in Angola there is cooperation.**
- **U.S. probably has less influence on neutral states.**
- **But less at stake there, as they do not directly affect the power transition (whereas Australian rejection does)**
- **Nor do they have global implications in realm of human rights, nuclear proliferation;**

Conclusion

- **US-Sino energy links remarkably dynamic and fluid**
- **Trend is to cooperation, through Dept. of Energy, Strategic Economic Dialogue has energy as key component.**
- **U.S. officials must recognize China's leaders' obligations to get energy and resources for Chinese people.**
- **Two sides must prevent “nodes of competition” from turning into “building blocks of conflict.”**
- **China should support international norms of good governance, human dignity and nuclear proliferation in insuring its energy supplies.**
- **U.S. must recognize that international system it built imposes strong constraints on rising power and open system has benefitted China's rise—so why would it overturn it?**