

4 The Impact of Energy Security on China's Foreign Policy

There are two major international schools of thought providing explanations as to how best to enhance a country's energy supply security. The "market approach", which as one would expect lays its trust in efficiently functioning, liberalized, and integrated international and domestic energy markets to remedy potential security risks. Conversely, the so called "traditional" or "strategic" thinking on energy security is state-centric, supply-side biased, overwhelmingly focused on oil and tends to equate security with a high degree of energy self sufficiency. This approach thus advocates self-reliance, state control of national energy companies, and state investment into international and domestic production and transportation. In addition, close political linkages with suppliers are of great importance, mainly in the form of aid, investment, or trade.⁷⁸

Chinese energy supply security policy can be described as tending toward the strategic approach. The oil security strategy outlined in 2002 by SDPC and SETC calls for a number of measures aimed at increasing China's control over its energy supplies, including investment in overseas oil fields, the construction of a strategic petroleum reserve (SPR) system, "shutting in" oil fields in western China for emergency use, and the development of Chinese naval and air forces to protect China's energy supplies.⁷⁹ The Chapter will analyze the impact energy security has had on China's foreign policy in order to draw conclusion on what China's energy security approach tells us about the character of the foreign policy of the rising China that has to deal with increasing interests.

4.1 Diversification

China has been rather successful at reducing its supply dependence away from the Middle East to a number of different countries and regions, with stress on the regions

⁷⁸ Andrews-Speed, *The Strategic Implications of China's Energy Needs*, 16; Downs, "The Chinese Energy Security Debate," 23; recently Chinese policy has been showing signs of change on the domestic front, see Downs, *Energy Security Series: China*.

⁷⁹ Downs, "The Chinese Energy Security Debate."

that are closer and offer a possibility for land-based transport. In 2003, China identified three key strategic areas for oil production and exploration: Russia and Central Asia, the Middle East and North Africa, and South America, with special focus on Russia, Kazakhstan, Turkmenistan, Iran, Iraq, Sudan Venezuela, and Indonesia.⁸⁰ As a result of the diversification, while in 1995 the Persian Gulf and the Asia Pacific regions supplied almost 90% of China's oil imports, 31% of it solely attributed to Indonesia, in 2006 China imported greater amounts oil from alternative sources – Africa (33%), Russia (11%) and Latin America (5%), with its supply from the Middle East diminishing to 44%.⁸¹ Nevertheless, as mentioned above, the Middle East will remain the most significant source of oil for China in the decades to come. China's presence in the Middle East goes back as far as the 1970s, to the establishment of ventures in the Gulf in 1979. Since then the relationship has gradually expanded. For example during the 1990s, Chinese companies signed service and technical contracts with the Gulf Cooperation Countries worth over USD 10 billion.⁸² At present China's greatest energy import partners in the Middle East are Saudi Arabia (China's second biggest supplier overall), Iran, Oman, and United Arab Emirates.⁸³

China's diversification away from the Middle East has so far been most successful in Africa, especially in the Hu Jintao era. In 2005 alone China's imports from Africa increased by 33%.⁸⁴ There are a number of reasons why Africa is a good region for diversifying suppliers. Firstly, the continent offers easier access to exploration and production with less competition from the West.⁸⁵ Africa currently holds about 9% of global petroleum reserves (in comparison, the Middle East holds about 62%) however when China increased its energy cooperation with Africa the continent was largely unexplored and Western multinationals had not established a strong foothold. Africa has only lately become a hotspot for exploration and production, as reflected by the

⁸⁰ Chen, "Motivations behind China's Foreign Oil Quest," 83.

⁸¹ IEA, *World Energy Outlook 2007*, data for year 2006.

⁸² Xu, Xiaojie. 2000. "China and the Middle East: Cross-Investment in the Energy Sector." *Middle East Policy*, Vol. 7(3). http://www.mepc.org/journal_vol7/0006_xu.asp .

⁸³ IEA, *World Energy Outlook 2007*, 326.

⁸⁴ Tang, James. 2006. „With the Grain or Against the Grain? Energy Security and Chinese Foreign Policy in the Hu Jintao Era.“ *Brookings Institution*, October 2006, 14.

⁸⁵ Taylor, Ian. 2006. "Unpacking China's Resource Diplomacy in Africa." *Center on China's Transnational Relations, Working Paper*, No. 19.

http://74.125.153.132/search?q=cache:http://www.cctr.ust.hk/articles/pdf/WorkingPaper19_IanTaylor.pdf : 9

US Department of Energy study that predicts African oil production will increase 91% between 2002 and 2025.⁸⁶ In addition, Africa is also appealing for China because the continent's crude is of a high quality and low in sulphur, which is especially important for China as it lacks adequate refinery capacity for the heavier crude coming from the Middle East.⁸⁷

China's largest African suppliers in 2006 were (in order of importance) Angola, Congo-Brazzaville, Equatorial Guinea, and Sudan. Angola has been an important energy partner for China since the beginning of the century and has by now passed Saudi Arabia to become China's largest single energy supplier. Sudan however is China's most important equity oil partner overall. What's this? Equatorial Guinea has been an important supplier in Africa since 1999, and in 2006 its exports to China exceeded 2.5 billion dollars. China is also involved in projects in many other African countries, including (but not limited to) Algeria, Gabon, Angola, Nigeria and Ethiopia. The continued success of China's diversification policy in Africa suggests that it can be confidently anticipated Africa will remain a vital important supply source to China, especially if new supplies are discovered.

The former Soviet Union (FSU) countries have also taken a central place in China's diversification policy, possessing the key strategic advantage of being accessible by pipelines, and thus far less susceptible to the vagaries of external interference. In addition, China has a strong relationship with the region that is bolstered by the SCO (Shanghai Cooperation Organization, which includes Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan). Moreover, the FSU countries offer China energy resources that are least influenced by US posturing. While the US exerts considerable political influence in the Middle East, and oil from Africa and the Middle East has to pass through maritime routes where the US has a dominant presence, China's partnerships with Central Asia and Russia have the potential to erode the US' role as the preponderant supplier of global energy security.⁸⁸

China is at present involved in developing pipeline projects that will increase the percentage of Kazakhstani and Russian oil in China's oil-import composition. The

⁸⁶ Shinn, David H. 2007. „Africa, China, the United States, and Oil.“ *CSIS Africa Program*, May 8. <http://forums.csis.org/africa/?p=34>.

⁸⁷ Ibid.

⁸⁸ Ibid.

complete pipeline project from Kazakhstan will be 3000km long and will run from Atyrau in Kazakhstan to Alashankou in China's Xinjiang autonomous region and is expected to be running in full capacity by 2011.⁸⁹ However since the first two stages of the pipeline project are finished, oil has been transported through it to China since August 2006. The pipeline provides Kazakhstan its first route that does not cross Russia, thus assisting the ex-Soviet state in its goal to diversify its energy routes away from Russia.⁹⁰ For China, the deal has been an important one since Kazakhstan's hefty resources and supplies from Kazakhstan reduce China's dependence on maritime routes as well as the Middle East.⁹¹

Signing the pipeline project from Siberia to China and an oil deal with Russia has been a recent breakthrough matter of discussion between Russia and China for a decade. As a result of the global economic slowdown which has caused an economic crisis in Russia, Russian national oil companies Transneft and Rosneft finally agreed to supply 15 million tonnes of oil a year or 300 000 barrels per day for 20 years in exchange for a 25 billion dollar loan from the Chinese Development Bank.⁹² The pipeline construction will begin shortly and will connect Siberia to the Pacific Ocean, with a special pipeline running to the Chinese city of Daqing.

Diversification of its suppliers aims to reduce dependence on the Middle East and on international maritime routes, instead concentrating on regions such as Russia, Central Asia and Myanmar. Expanding transport routes is thus a central element of the diversification of energy suppliers. The diversification of its oil and gas suppliers is closely connected to the diversification of energy transport routes, as well as increasing their security, which together comprise the central goals of China's approach to enhancing energy security. The rest of the policy measures (i.e. investments into exploration and production, sponsoring NOCs and promoting equity investments; as well as energy diplomacy) aim to serve these two goals.

With regard to diversifying transport routes, China's dependence on the Malacca Strait and other SLOC are the key cause of anxiety to the Chinese government and

⁸⁹ "China-Kazakhstan Pipeline Starts to Pump Oil." *Xinhua/AP*, December 15, 2005. http://www.chinadaily.com.cn/english/doc/2005-12/15/content_503709.htm.

⁹⁰ "Welding New Relations." *Petroleum Economist*, February 2006.

⁹¹ "China-Kazakhstan Pipeline Starts to Pump Oil."

⁹² „China Comes to Russia's Rescue.“ *Petroleum Economist*, March 2009.

therefore strenuous efforts have been put into devising and executing policies to reduce dependence. These include diverting transport routes away from the SLOCs, and emphasise pipelines and other land-based options as well as policies for alleviating the existing threats on strategic transport routes. Pipelines are preferred to maritime routes because they are thought to be cheaper and as well as carrying less risk.⁹³ Developing energy projects in Central Asia and Russia has already been mentioned as one successful step towards these goals.

In addition to setting up pipelines and arranging oil flows from the former Soviet states, one of the most prominent strategic responses to the Malacca Dilemma has been the so-called “string-of-pears” strategy, identified in Chapter Three. The strategy is based on modernizing China’s navy and transport fleet, cultivating strategic diplomatic ties with countries bordering the SLOCs and building ports as well as airstrips and surveillance bases. Thus, in the area extending from the Middle East to the South China Sea, incorporating Pakistan, Sri Lanka, Bangladesh, Myanmar, Thailand, and Cambodia, China has been involved in many projects that have been supported by active diplomacy. The region is, on the whole, extremely important for China because in addition to possible alternatives to maritime routes, many Southeast Asian countries are rich in energy reserves.

Projects linked to the string of pearls strategy are many. They include a container port and navy base in Gwadar, a former fishing village in Pakistan, which is now growing into a world-class port city. Work on this project started in 2002 and was finished in 2008, with its significance to China clearly illustrated by Wen Jiabao’s presence at the ceremony for the conclusion of the first phase of the project. Its importance is also clear from China’s financial commitment to the project. China invested USD 198 million into the first phase of the port project, plus another USD 200 million into building a coastal highway to connect Gwadar with Karachi. The second phase cost USD 526 million, also built with China’s financing. Roads link from Pakistan connect the port to the Chinese Xinjiang Autonomous Region.⁹⁴

⁹³ “China to Double Oil Import from Foreign Assets.” *Dow Jones Energy Service*, April 23, 2006. <http://www.uofaweb.ualberta.ca/chinainstitute/nav03.cfm?nav03=45459&nav02=43884&nav01=43092>.

⁹⁴ Mughal, Owais. 2008. „Gwadar Port: A Great Development Project or a Great Game?“ *Pakistaniat*, June 11. <http://pakistaniat.com/2008/06/11/gwadar-port-a-great-development-project-or-a-great-game/>.

For China, the Gwadar port serves a number of purposes. The port can receive oil coming from the Middle East and Africa, especially in case of any hostile action or blockade against Chinese vessels and transport it to China through a coastal highway linking Gwadar to China by the Karakorum Highway. It is expected to become the substitute passage for all Chinese imports going through the Persian Gulf in order to avoid the Malacca Strait. In terms of strategic positioning, the port is also very useful. Firstly, it is situated close to the Strait of Hormuz, through which a great number of oil resources travel, including to destinations such as Japan and South Korea, that China could use as a lever if its own vessels were blocked elsewhere. Moreover, the port provides China with a better strategic position in the Indian Ocean, thereby strengthening its influence in South Asia.⁹⁵ Additionally, the port will be furnished with a modern air defence unit, a garrison, and a first-rate international airport. Pakistan promised China “sovereign guarantees” to use the port facilities in return for Chinese financial and technical assistance for the port project, thus guaranteeing Chinese priority access.⁹⁶

A long awaited project that is now on the way but was under discussion for years, is the connection of the Chinese sponsored deepwater port in Myanmar (Shwitte), with Yunnan province in China, which would provide an excellent alternative route for Middle Eastern and African oil to China. The pipeline would have the capacity to reduce China’s dependence on the Malacca Strait by one third, while reducing the distance the oil has to travel by 750 miles.⁹⁷ The construction finally started this year and includes a USD 1.5 billion oil pipeline and a USD 1 billion gas pipeline managed by China’s CNPC, which owns the majority stake (50.9%) in the project. The 2000 km pipeline is expected to be completed by 2013, and will cross Myanmar, starting from the Arakan coast, passing through Ruili and Yunnan before finally reaching Kunming.⁹⁸ As a result, starting from 2013, the Chinese oil vessels arriving from Africa and the Middle East will be able to unload their cargo in Myanmar, bypassing the Malacca Strait as well as cutting about a week worth of travel time and fuel cost.

⁹⁵ Niazi, Tarique. 2006. „The Ecology of Strategic Interests: China’s Quest for Energy Security from the Indian Ocean to the South China Sea to the Caspian Sea Basin.“ *China and Eurasia Forum Quarterly*, Vol. 4(4): 97-116, 102.

⁹⁶ Niazi, Tarique. 2005. „Gwadar: China’s Naval Outpost on the Indian Ocean.“ *China Brief*, February 2. <http://www.asianresearch.org/articles/2528.html>.

⁹⁷ Zhang, „China’s Energy Corridors in Southeast Asia.”

⁹⁸ Ramachandran, Sudha. 2009. “China Secures Myanmar Energy Route.” *Asia Times*, April 3. http://www.atimes.com/atimes/South_Asia/KD03Df03.html.

A third outpost for China in the Indian Ocean is in Sri Lanka, with whom China signed an infrastructure development project for a harbour facility in Hambantota, bunkering facilities and a tank farm, which is to be completed over 15 years at an estimated cost of \$1 billion. The port will be able to provide facilities for merchant ships, container vessels, oil and gas tankers, and military vessels, including nuclear submarines. In addition to providing China a strategic port in Sri Lanka, Hambantota possesses other geopolitical advantages, including the capacity to monitor Indian naval activity, both civilian and military; set up space monitoring systems critical for its ballistic missiles programme (able to challenge US aircraft carriers and other forces); and provide China's intelligence gathering fleet a port in a strategic location.⁹⁹

Lastly, another prominent and ambitious, however yet unrealized, plan under the general string of pearls strategy is the idea to build a canal across Thailand's Kra Isthmus, a flat terrain with a minimum width of 30 miles. The canal would allow up to 90% of the vessels from the Malacca Strait to be redirected and would cut fuel usage in half.¹⁰⁰ The project however has not seen much progress since 2006 when negotiations came to a halt because of the Muslim insurgency in Thailand's southern provinces. In addition, the canal is an issue of domestic political debate in Thailand and prone to change as Thailand's volatile domestic politics changes.¹⁰¹

Although in addition to the diplomatic efforts the Chinese government is actively involved in PLAN modernization, the idea that the modernization and expansion of China's Navy can protect its maritime interests against a US backed campaign, or can enable China to overtake the US Navy's position as the protector of sea lanes is doubtful. Although Chinese strategists entertain such thoughts, there are a considerable number of academics that seem to be certain that the US dominance of maritime routes (especially with the help of its allies) will not be challenged any time soon.¹⁰² Thus, despite developing a strong navy, China has perhaps placed greater

⁹⁹ Sakhuja, Vijay. 2009. "Sri Lanka: Beijing's Growing Foothold in the Indian Ocean." *China Brief*, June 12.
[http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=35119&tx_ttnews\[backPid\]=25&cHash=db50f4414f](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=35119&tx_ttnews[backPid]=25&cHash=db50f4414f).

¹⁰⁰ Ibid: 4; Zhang „China's Energy Corridors in Southeast Asia.“

¹⁰¹ Zhang, „China's Energy Corridors in Southeast Asia.“

¹⁰² Chen, "Motivations behind China's Foreign Oil Quest," 83.

emphasis on creating transport routes and diversifying sources through the help of its NOCs, as well as using oil diplomacy to strengthen relationships with suppliers.

4.2 Investment and NOCs

The diversification of sources and transport routes has been supported by an active investment campaign by the three Chinese NOCs – CNPC, Sinopec, and CNOOC – an approach that has received close international attention. NOCs have been involved in acquiring equity stakes in a number of foreign oil exploration and production projects, building pipelines, as well as setting up long-term supply contracts, approaches serving to enhance direct control over energy supply.¹⁰³ The increasing foreign activity of government-backed Chinese NOCs abroad has been labeled the “go abroad” policy, and foresees government support for NOCs’ foreign investments that secure oil resources at the source and/or are involved in oil exploration and production. These two approaches strive to place China in a position where it can assert direct control over supplies and transport routes.

The strategy reflects China’s worries over the reliability of international markets and oil price fluctuations. Chinese leaders believe that equity oil can be useful in times of market disruption or during price hikes to slow down negative impacts on the Chinese economy. In addition, the Chinese government hopes its NOCs will eventually increase the scope of their activities to the point where they can influence international energy markets and therefore give China a much greater say in international energy trade.¹⁰⁴ Many Chinese think tanks and energy experts thus strongly recommend approaches that secure direct control of oil. Chen Huai, an energy expert at the Development Research Center of the State Council contends, “China cannot always go out to buy oil. The key is to tap existing technology and capital to exploit oil overseas.”¹⁰⁵

As early as 1991, CNPC, the first of Chinese NOCs to show interest in foreign assets, announced that expanding its operations abroad would be one of its long-term

¹⁰³ Ibid.

¹⁰⁴ Lewis, Steven W. 2007. “Chinese NOCs and World Energy Markets: CNPC, Sinopec and CNOOC.” *The Baker Institute Energy Forum*, March 2007, 6.

http://www.rice.edu/energy/publications/docs/NOCs/Papers/NOC_CNOOC_Lewis.pdf.

¹⁰⁵ Chen, “Motivations behind China’s Foreign Oil Quest,” 81.

strategies. Although the decision to invest abroad originally came from the oil companies which foresaw the depletion of domestic fields, the government, academic, and industrial circles got behind them by the second half of the 1990s.¹⁰⁶

The “go abroad” strategy was developed into an official national strategy in 1997 and has since led to an aggressive acquisition of oil assets, exploration, and production abroad. Oil companies are themselves strong advocate investments of investing in overseas oilfields, because in addition to realizing the goal of national energy security, it also helps the companies gain new experience and access to technology that improve their prospects of becoming competitive with the upper echelon of the oil industry.¹⁰⁷ Although financial help to NOCs from the state is not a significant factor promoting overseas investment, the “go abroad” policy has been significantly assisted by liberalization of rules and regulations on investment abroad as well as by the government’s energy diplomacy, as discussed below.

As a result of the “go abroad” initiative, the NOCs have established a foothold in Africa, Central Asia, and Latin America, strengthened their presence in the Middle East and thereby have exponentially increased the number of foreign upstream projects. However, because the companies are latecomers to the energy markets, CNPC and other Chinese NOCs have often had to invest into countries shunned by Western governments and companies; or have had to invest into expensive or difficult projects.¹⁰⁸ The largest NOC, CNPC, quickly expanded its presence worldwide, covering both upstream (exploration, development, production), midstream (transportation, logistics), and downstream (marketing, sales and petrochemicals) activities. Its foreign activities include investments in Sudan, Kazakhstan, Algeria, Ecuador, Nigeria and Chad, to mention a few. CNPC doubled its equity oil assets between 2000 and 2004 and in 2007 was successfully involved in projects in 23 countries. Sinopec, the second largest Chinese NOC has also been active overseas, with notable investments in Kazakhstan, Iran, Yemen, Saudi Arabia, Nigeria, Gabon and Ecuador. Its foreign ventures summed up to 36 projects in 2005, with great

¹⁰⁶ Downs, *Energy Security Series: China*, 39.

¹⁰⁷ Downs, “The Chinese Energy Security Debate,” 25.

¹⁰⁸ Xu, Xiaojie. 2007. “Chinese NOC’s Overseas Strategies: Background, Comparisons, and Remarks.” *Rice University, James A. Baker III Institute for Public Policy*, March 2007, 7-8.

success in the Middle East.¹⁰⁹ CNOOC has been more active in domestic offshore projects, but as a result of rising foreign activity has signed deals with 19 countries by May 1, 2005.¹¹⁰

In most of the cases, the NOCs have had free hand in choosing their foreign ventures and acquisitions, based on business interests. However when faced with deals with low commercial feasibility but high strategic benefit, the NOCs sometimes go ahead with the deal nonetheless, with the encouragement and support of the government. This was the case in Kazakhstan, where CNPC managed to outbid Texaco, Amoco, and a group of Russian firms for a 60% stake in the state owned Aktvubinsk Oil Company and a right to develop the Uzen oilfield, a bid that was estimated to be overvalued by about 30%. This bid was strongly bolstered by a promise from the Chinese government to support a costly pipeline connecting Kazakhstan and China.¹¹¹ (The importance of Kazakhstan (and indeed Central Asia) to China's energy security strategy has been discussed above.)

Questions however have been raised over how much equity oil actually protects China's energy security. Many Western observers are of the opinion that equity oil offers psychological security more than anything else, and the minor share of equity oil investment on the energy markets renders its impact against price volatility marginal.¹¹² In fact, although Chinese energy companies have been thriving overseas, China nonetheless remains dependent on international oil markets for a great majority of its energy supply. The greatest achievements in terms of equity oil projects can be seen in Kazakhstan and Sudan. In 2006 CNPC produced 40% of its foreign output in Kazakhstan and the other 40% came from Sudan, and if all of China's equity oil was transported back to China (which it is not), it would still only amount to 19% of China's total necessary imports.¹¹³ IEA estimates that Chinese equity oil production could increase to 1 mb/d by the beginning of the next decade, equivalent to about 10%

¹⁰⁹ Xu, "Chinese NOC's Overseas Strategies," 11; Kong, "An Anatomy of China's Energy Insecurity and Its Strategies," 40.

¹¹⁰ Ibid.

¹¹¹ Chen, "Motivations behind China's Foreign Oil Quest," 81-82.

¹¹² Wesley, "The Geopolitics of Energy Security in Asia," 4.

¹¹³ Houser, "The Roots of Chinese Oil Investment Abroad," 162.

of the country's total oil needs, though not all of this would actually be physically shipped to China for technical and cost reasons.¹¹⁴

Nevertheless, the “go abroad” policy, and especially the acquisition of equity stakes in exploration and production continues to remain an important policy priority for China. This is because the government believes that equity oil can be used when oil prices grow high enough to threaten economic and social stability. According to Zhou Dadi, director of China's Energy Research Institute affiliated with the National Development and Research Center, “the larger the share that is in the hands of the Chinese NOCs in the international energy market, the greater their capacity to sustain oil price hikes.” In addition, some believe equity oil can protect from Western manipulation of oil markets or their denial to sell oil to China for political reasons.¹¹⁵ Zhao Zhiming, president of the China Petroleum & Petrochemical Equipment Industry Association, comments: “it's more cost-efficient to import oil produced by the companies' overseas assets than purchasing from the international market. And the overseas assets will provide long-term oil supply no matter how high international oil prices grow or how tight global supply is.”¹¹⁶ Finally, equity ownership is believed to be a good way to ensure its oil pipelines will have oil to pump through them. Quoting Zhao again, “It's important for China to safeguard the supply to the pipelines. Owning assets in the pipeline-linked countries is an effective way.”¹¹⁷ All in all, it is clear China believes that promoting investment abroad, especially in strategically beneficial locations, is vital for enhancing energy security.

4.3 Oil Diplomacy

“Our diplomatic work should provide vigorous support to those efforts aiming to promote international energy cooperation,” China's former Foreign Minister Li Zhaoxin proclaimed in an interview.¹¹⁸ This is a viewpoint that underlies the Chinese Foreign Ministry's active promotion of cultivating better relationships between China

¹¹⁴ IEA, *World Energy Outlook 2007*, 327.

¹¹⁵ Chen, “Motivations behind China's Foreign Oil Quest,” 90.

¹¹⁶ “China to Double Oil Imports from Foreign Assets.”; Chen, “Motivations behind China's Foreign Oil Quest,” 88.

¹¹⁷ Ibid.

¹¹⁸ Chen, “Motivations behind China's Foreign Oil Quest,” 81.

and oil-producing states as a means to enhance energy security.¹¹⁹ Ultimately, China perceives oil to be a strategically vital commodity, while viewing oil markets untrustworthy and volatile. Therefore, the Chinese leadership have been busy building closer strategic relationships with old and new oil suppliers on both the state level and regional level in order to circumvent threats from the international markets and gain greater, more diverse and more secure access to resources. Energy projects have been highly prioritized items on the agenda of China's diplomatic missions to energy-rich countries, and China's foreign policy towards these countries has been comprehensively shaped by energy interests.¹²⁰

China's oil diplomacy takes a number of different forms. Firstly, energy diplomacy has seen the establishment of strategic partnerships between China and several important energy suppliers – Brazil (1993), Saudi Arabia (1999), Russia (1996), Iran (2000), Kazakhstan, Venezuela, Nigeria, Canada, and others.¹²¹ Strategic partnerships can serve as an umbrella for subsidiary agreements, bilateral cooperation on lower levels, and as a forum for strategic dialogue.¹²²

In addition, energy diplomacy includes negotiating free trade agreements (FTAs) with oil-rich nations or simply extending trade relationships outside the energy sector. This is done both in order to improve relations between countries as well as with the aim of increasing mutual interdependence, thereby increasing the impact on both economies if the relationship should go sour and a useful protection against embargoes.¹²³ A good example of this is China's strategy in the Middle East, where China has intentionally focused not only on increasing oil ties, but also enlarging the range of economic exchanges.¹²⁴ For example, FiberHome Communication Technology won a contract to help build a broadband network in Iran, while a state owned television maker, the

¹¹⁹ Downs, "The Chinese Energy Security Debate," 28.

¹²⁰ Xu Yihe. 2002. "China energy watch: diplomacy, politics, energy security," *Dow Jones Energy Service (DJES)*, September 11.

¹²¹ Kong, "An Anatomy of China's Energy Insecurity and Its Strategies," 39; Saunders, Phillip C. 2006. *China's Global Activism: Strategy, Drivers, and Tools*. Occasional Paper 4, Institute for National Strategic Studies, Washington, 13.

¹²² Ibid.

¹²³ Zha, Daojiang. 2006. "China's Energy Security: Domestic and International Issues." *Survival*, Vol. 48(1): 179-190.

¹²⁴ Lee, Henry and Dan A. Shalmon, 2007. *Searching for Oil: China's Oil Initiatives in the Middle East*. Working Paper Series, Harvard University, March 2007.
[http://ksgnotes1.harvard.edu/Research/wpaper.nsf/32181f04b09f9d158525694d001bc47d/fb8d489e5148cf35852572a40053c35f/\\$FILE/rwp_07_017_lee.pdf](http://ksgnotes1.harvard.edu/Research/wpaper.nsf/32181f04b09f9d158525694d001bc47d/fb8d489e5148cf35852572a40053c35f/$FILE/rwp_07_017_lee.pdf) :15

Hisense, has built a factory there. China's Chery Automobile Company has established an assembly plant in Iran and China's Norinco has signed a \$680 million deal to build a line of Tehran's subway system. In Saudi Arabia, Huawei Technologies won a deal to build a GSM network and the SINOMA International Engineering Company of Beijing won contracts to build cement plants there as well as in the United Arab Emirates.¹²⁵ A FTA has been under discussion between China and the Gulf Cooperation Council (GCC)¹²⁶ since 2004 and in a meeting between President Hu Jintao and the GCC in February 2009 both sides expressed hope to conclude talks as soon as possible. Mutual trade between China and the GCC has increased from \$12 billion in 2002 to \$80 billion by 2008.¹²⁷

The same trend is noticeable in Central Asia, and Africa, key energy supply regions for China. In Africa, China now ranks as the continent's second largest trading partner behind the US. Trade between the continent and China doubled between 2002 and 2003 to \$18 billion and by 2007 it had reached \$73 billion. The International Monetary Fund (IMF) forecasts that China's trade with Africa could reach \$100 billion by 2010.¹²⁸ Although a significant part of the increase in trade is due to Sudanese oil imports to China, China also exports a great number of other resources and recently began importing some of African value-added goods, such as processed food and household consumer goods.¹²⁹ The Chinese government also set up special funds and offered preferential loans to companies who invest into Africa. As a result, by mid-2004, 674 Chinese companies were operating in Africa and 722 important projects had been completed.¹³⁰ Over the last five years, sub-Saharan Africa's growth

¹²⁵ Daragahi, B. 2005. "China Goes Beyond Oil in Forging Ties to Persian Gulf." *New York Times*, January 13. <http://www.energybulletin.net/node/4015> .

¹²⁶ The Gulf Cooperation Council is a regional economic organization in the Gulf region, which is formed by six member states -Saudi Arabia, the United Arab Emirates, Kuwait, Oman, Qatar and Bahrain.

¹²⁷ "China to Seek Early FTA with GCC." *China Daily*, February 12, 2009. http://www.china.org.cn/video/2009-02/12/content_17267229_2.htm .

¹²⁸ Traub, James. 2006. "China's African Adventure." *New York Times*, November 19. http://www.nytimes.com/2006/11/19/magazine/19china.html?_r=4&sq=china%20angola%20africa&st=cse&scp=1&pagewanted=all.

¹²⁹ Hanson, Stephanie. 2008. "China, Africa, and Oil." *Backgrounder, Council on Foreign Relations*, June 6. <http://www.cfr.org/publication/9557/>.

¹³⁰ Tang, „With the Grain or Against the Grain? Energy Security and Chinese Foreign Policy in the Hu Jintao Era,” 14.

rate has almost doubled, to 5.8 percent from 3 percent and economists attribute much of this to an increase in trade between China and other Asian countries.¹³¹

In Central Asia, trade volume with China increased by 200 per cent between 2002 and 2003, and another 150% between 2004 and 2006, with trade reaching the value of more than \$10 billion. 70% of the trade flows attributed to Sino-Kazakhstani trade, Kazakhstan also being the greatest energy partner in the region.¹³² China is also negotiating FTA deals with Australia, an important LNG partner.

In addition to developing trade relationships and economic interdependence, Chinese energy diplomacy also takes the form of aid, loans, or debt relief as well as investments into necessary infrastructure that the destination country cannot develop on its own for financial or technological reasons. This approach has been very successful as many of China's new suppliers are developing nations, in need of credit, technology, and investments. The recent credit crunch, however, also weakened many better-off economies worldwide and has for example helped China ahead with energy deals in the relatively more developed Russia and Kazakhstan. First of all, through a loan to Russia, China has secured a pipeline from Siberia as well as a 20 year contract for oil (as explained above). To Kazakhstan, China provided a \$10 billion loan, some of which will ensure CNPC's 50% ownership of Kazakhstan's fourth largest energy company, MangistauMunaiGaz as well as help build a gas pipeline, which will bring Kazakhstani gas closer to the Chinese border.¹³³

In Africa, China has been actively supporting its energy suppliers with debt relief, aid and investment for years now. A good example of aid and energy connection is China's activity in Angola, where China secured a major oil deal in 2004 with a \$2 billion loan and aid package, including funds for Chinese companies to build infrastructure, hospitals, schools, and offices; lay a fibre optic network and train Angola's telecommunication workers.¹³⁴ Over these years China has cancelled

¹³¹ Traub "China's African Adventure."

¹³² Peyrouse, Sebastien. 2007. "Economic Aspects of Sino-Central Asia Rapprochement." *Silk Road Paper, Central Asia-Caucasus Institute*.

http://www.silkroadstudies.org/new/docs/Silkroadpapers/2007/0709China-Central_Asia.pdf, 12.

¹³³ Mortished, Carl. 2009. "While We Moan, the Chinese Get On with It." *The Times*, April 29. http://business.timesonline.co.uk/tol/business/industry_sectors/natural_resources/article6188264.ece.

¹³⁴ Hanson, "China, Africa, and Oil."

bilateral debts of over 30 African countries, totalling over \$1.27 billion.¹³⁵ Between 2000-2003 China cancelled approximately \$1.4 billion in overdue debt from 31 African countries and between 2006 and 2009 another round of cancellations was set to write off about \$1.3 billion, the total amounting to about 60 % of the total owed to China.¹³⁶

China's aid to Africa is estimated to total \$1 billion in 2009 (official aid figures are not published). The nature of China's aid to Africa is evident from Hu Jintao's speech at the China-Africa Cooperation Forum (CACF) in 2006, where he pledged a bevy of incentives to African states. Chief among these were the offers to double Chinese assistance to Africa by 2009; provide \$3 billion of preferential loans and \$2 billion of preferential buyer's credits to Africa in the next three years; and to set up a China-Africa development fund to encourage Chinese companies to invest in Africa that also provides firms with technical and logistical support. Further, Hu also cancelled debt from interest-free government loans that matured at the end of 2005, which are owed by the heavily indebted and least developed countries in Africa that have diplomatic relations with China; as well as help train African professionals and provide scholarships to China, send Chinese experts to Africa, build hospitals, schools and disease prevention centres.¹³⁷

Finally, energy diplomacy can take the form of general expansion of bilateral or regional cooperation, through more frequent and high-level visits, creation of regional forums or even organizations to expand and advance cooperation in wider areas than simply energy. In Africa, Beijing established the China-Africa Cooperation Forum in 2000, in the Middle East China is actively involved with the Gulf Cooperation Council and in Central Asia, the SCO has become an important organization for improving cooperation and expanding cooperation to many different fields, including security cooperation, which also benefits energy infrastructure safety.

¹³⁵ Brautigam, Deborah. 2008. *China's African Aid: Transatlantic Challenges*. A report to the German Marshall Fund of the United States, American University, Washington DC, April 2008. <http://www.gmfus.org/doc/Brautigam0410aFINAL.pdf>.

¹³⁶ Qi, Guoqiang. 2007. *China's Foreign Aid: Policies, Structure, Practice and Trend*. Paper delivered to Conference on New Directions in Foreign Aid, Centre for Global Governance, Oxford University in June 2007.

¹³⁷ Brautigam, "China's African Aid: Transatlantic Challenges," 8.

China moreover often attracts its energy partners with promises of support in various international organizations. China has a place on the Security Council as well as a strong position on many other influential international organizations where it can stand for the interests of its important partners.

China also places a lot of stress on leadership summits and bilateral meetings which serve to signify a high level of commitment to its energy projects. Chinese high level leaders have been very busy visiting oil-rich countries. Hu Jintao made visited 15 African countries between January 2004 and January 2007, while during the same period the Foreign Minister visited another 22 and the Premier Wen Jiabao another 8 countries. Many foreign trips have resulted in successful foreign energy deals. For example Hu Jintao's trips to Gabon, Egypt and Algeria in 2004 resulted in oil cooperation agreements while former president Jiang Zemin's visit to Libya in 2002 led to a cooperative agreement between CNPC and the Libya National Oil Company.¹³⁸ China's energy partners are often smaller developing nations or diplomatically sidestepped countries that are very honoured to have high level visits from China as well as grandiose receptions in China, which benefits smooth negotiations.

4.4 Assessment

Oil "fuels" any modern country's economic as well as military growth and development, which clearly makes oil a strategic resource. China has perceived that increasing dependence on imported energy makes it vulnerable to the volatility of market forces, as well as manipulation by other states or developments within other states and regions. This perception has meant that energy security has a great impact on Chinese foreign policy, effectively widening China's foreign policy priorities as well as threat perceptions. Owing to China's continuing economic growth and aspiration for military development and modernization, it is clear that energy dependence is going to be a long-term issue in China's domestic and foreign policy-making. The question is how will China respond as its interests and threat perceptions expand and take global scope? Although the influence energy security has had on

¹³⁸ Chen, "China's African Aid: Transatlantic Challenges," 94.

China's foreign policy has not been around for long, it still allows for some interesting observations.

China's choice of a strategic approach to energy supply security as opposed to a more liberal market approach has given its foreign policy a whole new dimension. The diversification policy underlying this approach, supported by energy investments and active energy diplomacy has expanded China's foreign policy both geographically and in terms of threat perceptions and interests that China has to consider.

China's geographic expanse to diversify suppliers has meant that in a short period of time, China has gained a foothold in energy rich countries in Latin America and Asia, while strengthening its presence in Central Asia and the Middle East. This change signifies a successful policy to increase Chinese influence over the globe in order to secure its vital interests. It is important to notice that instead of cooperating over energy security and trusting markets, China is using its growing capabilities to secure its presence from the beginning of the oil extraction process to the end. China uses bilateral deals with energy rich countries or newly created international organizations (SCO) and summits (FOCAC) to enhance diplomatic relationships. Thus there is no sign of China truly cooperating with or through any Western organizations. Moreover, as Chinese policy makers have revealed, there is a deep distrust of Western oil companies, energy markets, as well as US policies.

Chinese foreign policy therefore foresees an active energy diplomacy, which includes financial, economic, and political measures. The aim of such policies is creating close partnerships between China and energy rich countries and regions in order to secure better access to their energy resources as well as to reduce chances of political manipulation. Due to the high consumption levels of both US and China, China's energy partnerships have been increasing China's weakening US role in these regions, at other times simply strengthening China's strategic influence and thereby contributing to bilateral competition. The US has therefore been understandably anxious when observing this spread of Chinese influence in regions that are central to US energy security as well as for maintaining its general global influence and

authority.¹³⁹ China's energy security foreign policy has great potential to undermine US agenda and influence in energy rich countries and regions while spreading unease about pro-Chinese political realignments. One example of such is Central Asia, where China's active energy diplomacy has significantly weakened US presence and has undermined its energy, security, and democratization concerns.

Although China and the US in fact share a number of interests in the region as both countries gain from security and stability in the region, the common concerns have not facilitated cooperation¹⁴⁰ This is because next to common concerns stand diverging interests, an important one of which is democratization. The United States sees democracy and a strong civil society as the basis for a stable and US friendly Central Asian region, while China does not prioritise this. Furthermore, on the basis on events in Uzbekistan in 2005, when China gave its support to the Uzbekistani authoritarian leader after domestic violence, it might seem that China is even acting against those interests. Indeed, a recent US government study also suggests that SCO military cooperation is concentrated on preventing and clamping down on counter-revolutionary military practices, as China and Russia together support the regional status quo of massive corruption and repression.¹⁴¹

When it comes to energy interests, more competitive interests emerge. First of all, all energy consumers, both in the East and West are interested in Russian resources. China has recently been making headway in securing favoured access to them. The pipeline through Siberia to Daqing in China will offer China a rich source of energy which does not pass through maritime routes. However this means China will offer Russia an alternative market and thus increases its leverage against the Western markets, especially since the Siberian pipeline will now not only have one, but two destinations. Knowing Russian politicised energy policy, this development is surely a

¹³⁹Brookes, Peter and Shin Jihye. 2006. "China's Influence in Africa: Implications for the US." *The Heritage Foundation*, Backgrounder #1916, February 22. <http://www.heritage.org/research/asiaandthepacific/bg1916.cfm>; Mufson, Steven. 2006. "As China, US Vie for More Oil, Diplomatic Friction May Follow." *The Washington Post*, April 15: D01. <http://www.washingtonpost.com/wp-dyn/content/article/2006/04/14/AR2006041401682.html>; Jiang, Wenran. 2007. "China's Growing Energy Relations with the Middle East." *China Brief*, Vol. 7(14). [http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=4299&tx_ttnews\[backPid\]=197&no_cache=1](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=4299&tx_ttnews[backPid]=197&no_cache=1).

¹⁴⁰Oresman, Matthew. 2008. "Reassessing the Fleeting Potential of US-China Cooperation in Central Asia." *China and Eurasia Forum Quarterly*, Vol. 6(2): 5-13, 6.

¹⁴¹Blank, Stephen J. 2007. *US Interesting Central Asia and the Challenges to them*. Strategic Studies Institute, US Army War College: 7.

cause for concern. In the central Asian region, there will be similar issues over the direction of Kazakhstani oil.

China's energy partnership with Russia and Central Asia is being solidified through the SCO. While the organisation has a number of purposes and is not openly anti-US, it is widely perceived "as a Chinese tool to counter U.S. presence in Central Asia and promote Beijing's economic interests,"¹⁴² and as a way to advance its worldwide power status as a rising power.¹⁴³ While US presence is weakening, the SCO has an increasing list of observer nations, including such strategically important nations as Iraq, Iran, and Pakistan.

US' weakening influence in the region can be illustrated by policies such as Uzbekistan's eviction of American forces from their bases in Karshi-Khanabad and a more recent call by the Kyrgyzstan's government to move the last military outpost in the region, a US military air base in Manas, out of its borders. The SCO member states have also conducted collective military exercises together, such as the one in the Ural Mountains in 2007. In addition to US' dwindling military presence, China has also exceeded US involvement in the region on economic terms, offering more aid, investment, and trade.¹⁴⁴ In addition to the recent loans and investments to Russia and Kazakhstan, during the most recent summit of the SCO, China offered a \$10 billion loan to its Central Asian partners, a move which will most likely further increase Chinese influence in the resource rich region.¹⁴⁵

China's undermining effect on Western and especially US interests is noticeable in other places, such as Venezuela, Iran, Burma. In addition China's energy diplomacy has also had a hand in reviving US interest in Africa. In conclusion, competition rather than cooperation has been the result of China's increasing strategic global involvement, and this points to a rising China that is challenging the existing power balance and inviting competition. Moreover, this challenge is not only evident through the cultivation of strategic relationships, but also in the military field.

¹⁴² Chang, Parris. 2008. „China's Policy towards Iran: Arms for Oil?“ *China Brief*, Vol. 8(21). [http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=34141&tx_ttnews\[backPid\]=168&no_cache=1](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=34141&tx_ttnews[backPid]=168&no_cache=1); Lanteigne (2009): 103

¹⁴³ Oresman, "Reassessing the Fleeting Potential of US-China Cooperation in Central Asia," 7.

¹⁴⁴ Ibid, 9.

¹⁴⁵ Gorst, Isabel and Jamil Anderlini. 2009. "China puts up \$10bn for central Asia loans." June 17.

Despite Chinese efforts to diversify its energy routes, it is still highly dependent on maritime SOLCs for transporting its energy supply. China's diplomatic response to the threats it perceives from overwhelming dependence on SLOCs has brought about a substantial number of projects and policy initiatives in the countries lining the South Asian coast, as well as pipeline projects on the mainland. Ultimately however China still maintains that a strong navy is necessary, with or without the coastal projects and diplomatic connections. According to one Chinese study, the schemes involving pipelines from Pakistan and Myanmar and the canal at Kra Isthmus would not be able to protect China from hostile action from certain major powers and "thus before the Chinese navy's ocean-going squadrons can achieve some kind of force parity with the navies of major powers in the Indian Ocean, the security problem of China's oil transport routes and straits cannot be resolved."¹⁴⁶ As result, China has been active in promoting the modernization and development of People's Liberation Army Navy (PLAN).

According to Chinese analysts, the greatest threat the Chinese perceive to the security of these sea lanes emanate from the presence of the US Navy in the region.¹⁴⁷ The US sees itself having the role of the sole protector of the global free trade movement in the regional maritime affairs as well as of a regional order conducive to the operation of free markets. The position is also crucial for maintaining its position of economic hegemony.¹⁴⁸

Cooperation between China and the US on maritime security in the region is inhibited by mutual distrust. The Chinese government remains very suspicious of US naval activity in the region, and its indirect control over China's economic lifelines. China's leaders realize that US position as a guarantor of free energy movement can also be used for containing other powers or exerting political pressure. These suspicions were enhanced by a US proposed Regional Maritime Security initiative and US Proliferation Initiative that would greatly increase US presence and authority in the

¹⁴⁶ Holmes, James. 2007. "China's Energy Consumption and Opportunities for U.S.-China Cooperation." *Testimony before the U.S.-China Economic and Security Review Commission*, June 14. http://74.125.153.132/search?q=cache:XfdEuvsQs3MJ:www.uscc.gov/hearings/2007hearings/transcripts/june_14_15/holmes_prepared_remarks.pdf+gwadar+china+pakistan+chinabrief&cd=20&hl=en&ct=clnk, 8.

¹⁴⁷ Blair, Bruce, Chen Yali, and Eric Hagt. 2006. "The Oil Weapon: Myth of China's Vulnerability." *China Security*, Issue 3: 32-63. http://www.chinasecurity.us/images/stories/cs_issue3_theoilweaponmyth.pdf.

¹⁴⁸ Wesley, *Energy Security in Asia*, 6.

Southeast Asia waterways. In addition to the US naval force, China is also growing increasingly watchful of India's modernizing navy and the Japanese Maritime Self-Defense Force, navies of US allies in the region.¹⁴⁹

Although common security carries with it an increased capacity for defense against piracy and terrorism, China does not trust the forces of such major powers in possible political turmoil, and believes the routes can be used as political leverage against China, especially in the potential instance of a conflict with Taiwan. History offers China worrying precedents of similar US policies used in 1939 against Japan, or more recently an oil blockade against Iraq during the oil embargo, or a planned blockade of North Korean energy routes 1994.¹⁵⁰ Thus Ye Hailin from the Chinese Academy of Social Sciences comments, "no matter how much China desires a harmonious world and harmonious oceans, it cannot possibly rely on other countries' naval forces to guard the safety of its SLOCs. A big country that builds its prosperity on foreign trade cannot put the safety of its ocean fleet in the hands of other countries."¹⁵¹ China's dispatch of a fleet into the Gulf of Aden displayed China's conviction of playing a more active role in maritime security while also displaying its growing military strength on the oceans.¹⁵²

Chinese military forays in Southeast and East Asia (quest for territories in the South China Sea and East China Sea) and the growth and modernization of the PLAN is very worrying to the US. Likelihood of a direct conflict between US and China over energy security on maritime routes is slim, however conflicts between US allies in the region and China are a possibility in the long term in the South China Sea, especially if any significant offshore energy resources were found. Recently, China's activity around the South China Sea issue has taken on a more decisive character and the principle introduced in the 1990s, to "set aside differences, jointly develop" seems to be sinking as China's energy needs surface. In 2007 China unilaterally expanded administrative control over two islets in the South China Sea, claiming "indisputable

¹⁴⁹ Zhang, „China's Energy Corridors in Southeast Asia.“

¹⁵⁰ Blair, Chen and Hagt, "The Oil Weapon. Myth of China's Vulnerability," 39.

¹⁵¹ Ye, Hailin. 2009. "Safe Seas." *Beijing Review*, No.13, April 2.

http://www.bjreview.com/world/txt/2009-03/31/content_188746.htm .

¹⁵² Jian, Junbo. 2009. „China-US Spat A Drop in the Ocean.“ *Asia Times*, March 14.
<http://www.atimes.com/atimes/China/KC14Ad01.html>.

sovereignty.”¹⁵³ In May 2009, China was accused of harassing a US ship in the South China Sea, while China claims it was intruding in its Exclusive Economic Zone and conducting hostile activities, and thereby caused further friction in Sino-US maritime affairs.¹⁵⁴ However, the greatest potential for a conflict is the Taiwan issue, which is considered the main reason for China’s worries over a blockade of its oil tankers.

Increasing Chinese naval presence thus creates a much more explosive situation on regional waterways. Rivalries between China and India and the rise of Chinese naval presence on the Indian Ocean’s strategic sea lanes and disputed territories can cause additional problems for the US and will seriously challenge its role as the global defender of free trade and stability in the region. In addition, there is a concern that although China and the US are unlikely to embark on an arms race, there is the possibility of what Joseph Nye has termed an *arms walk*, namely a very low-intensity build-up of military power against each other.¹⁵⁵

In conclusion it can be said that the impact of strategic energy security issues on China’s foreign policy have increased China’s global influence and has thereby reduced Western presence as well as strategic influence. This also applies to US dominance of strategic SLOCs in the Indian Oceans, where the growth of China’s navy challenges US’ role as the protector of maritime trade routes. All of this is not to say that there could not be cooperation over issues of maritime or energy security, however, it is clear that China prefers to act alone to secure its strategic interests and still demonstrates a clear distrust of Western involvement and shows signs of soft balancing against the West when securing its strategic interests. This policy foresees limited, tacit, and indirect bargaining strategies through coalition building and diplomatic bargaining within regional or international institutions. The strategy is also characterised by the use of largely non-military tools to delay, challenge, undermine or raise the costs of US policies. Energy security foreign policy reveals China’s campaign of increasing regional presence and institutionalization without the participation of the US, which while not directly presenting a challenge, is not

¹⁵³ Hsiao, Russell. 2007. „China Exerts Administrative Control Over Disputed South China Sea Islets.“ *China Brief*, Vol. 7(23).

[http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=4611&tx_ttnews\[backPid\]=197&no_cache=1](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=4611&tx_ttnews[backPid]=197&no_cache=1).

¹⁵⁴ Jian, „China-US Spat A Drop in the Ocean.“

¹⁵⁵ Nye, Joseph. 1997. *China and the Future of the Asia-Pacific*. Conference Paper, International Institute for Strategic Studies (IISS) 39th Annual Conference, Singapore, September 1997.

conducive to the cooperation between US and China. Rather is indicative of China's viewpoint that a multilateral international order is the ideal and reveals China's quest to decentralise international relations in order to reduce the power of the US.

Strategic issues of power balancing are not the only ones that come to play when talking about China's rise and the West. As a result of it's the impact of energy security on China's foreign policy, growing dependence on foreign energy has left the Chinese government facing issues that require a wider commitment to world affairs and international security. China has as a result been confronted with the question of whether it should manage such threats through existing institutions and by following existing international norms and values; or anticipate future competition over resources and therefore prioritize its interests over wider global concerns and develop its close strategic channels of cooperation with energy exporters, striving to independently achieve protection against perceived threats? In order to analyse the effects of widened China foreign policy on stability and security of the international order, the following chapter will analyse how the policies outlined above affect the international institutions that underlie this order and work to protect and spread its values.