

Dan Blumenthal

Concerns with Respect to China's Energy Policy

THE TREMENDOUS INCREASE IN China's appetite for energy, and the response to this by regional powers, is changing the dynamics of international politics. Over the past two decades, the growth in China's demand for natural resources has been dramatic. Twenty years ago China was East Asia's largest oil exporter; now it is the world's second largest oil importer. According to various estimates, in the last two years the increase in China's energy demand has made up anywhere from 20–40 percent of worldwide growth. China's expanding portion of the worldwide demand for energy and other natural resources helps to explain China's booming presence on the international stage. China's share of worldwide aluminum, nickel, and iron ore consumption, which are now each approximately 20 percent, doubled from 1990 to 2000 and will probably double again by the decade's end.¹

As China scours the globe for energy resources, it has become a new player in some important regions. It receives between 40 and 45 percent of its energy imports from the Middle East, 11 percent from Iran alone. More than 30 percent of its oil now comes from Africa. President Hu Jintao and Premier Wen Jiabao have worked hard to secure and protect China's far-flung investments. Through high-level diplomacy, economic aid, and military relations,

Chinese leaders have increased Beijing's influence in oil-producing states. As a latecomer to the world energy consumption game, Beijing has entered markets forbidden to Americans. Some of these relationships have strengthened the hand of dangerous regimes looking for an alternative to the United States: for example, China's presence in Latin American resource markets has allowed Hugo Chavez to boast that no longer will the United States be the dominant consumer of Venezuelan oil; now, "[Venezuela is] free and place[s] this oil at the disposal of the great Chinese fatherland."²

Washington is concerned that China is underwriting dangerous and repressive dictatorships from Khartoum to Tehran. Its response, within the framework of a diplomacy that encourages China to become a "responsible stakeholder" in international affairs, is to persuade China to embrace the international energy market rather than "lock-up" upstream resources. The United States is also trying to convince China that supporting dictators in oil-producing states is not conducive to the long-term stability of the international system and does not even enhance Beijing's own oil supply security.

As Chinese energy investments expand around the globe, Chinese strategists and officials are debating options for securing China's oil supply. This debate is unfolding in the context of Beijing's larger debate regarding China's strategic direction. To be sure, the Chinese energy debate has produced some policies consistent with evolving international norms. For example, Beijing is constructing a Strategic Petroleum Reserve, participating in the spot oil market, and making efforts to increase energy efficiency at home and therefore decrease demand. Still, some major elements of China's energy security policy remain attempts to "lock-up" energy supplies at the source, develop strategic relationships with oil producers, and develop the military capability to deter hostile supply disruptions.³ The policy is informed by suspicion of the United States and regionally powerful nations including Japan and India, as well as by the economic nationalist impulse that China should have as much control as possible over its own strategic resources.

Beijing perceives the United States to be opposed to key Chinese strategic objectives. China sees Washington as standing in the way of unification with Taiwan and suspects that the United States has a longer-term objective of containing China's rise. This perception reinforces a widespread Chinese belief that the United States "controls" the oil market and will manipulate it to China's detriment. Moreover, many in Beijing believe that the United States will use its dominance at sea to interrupt fuel supplies should China behave in a manner that displeases Washington. These views about American policy

help to explain why China has not moved more toward the “liberal” end of the economic policy spectrum.⁴

Washington’s response, as articulated by former deputy secretary of state Robert Zoellick, has been to convince China of the mutual benefits of sustaining the international energy system. Responding to Beijing’s announcement of a peaceful rise (now called “peaceful development”) strategy, Zoellick laid out what Washington believes a peaceful rise would look like. China, he said, benefits from the international system that America created and guarantees.⁵ The system is characterized by an expansion of free and open trade, the promotion of human rights and democracy, efforts to counter proliferation, a well-functioning energy market, transparency in military affairs, and attempts to resolve disputes peacefully. China joined and benefited from the international system and is now being asked to help strengthen it. Today the system is under threat from jihadi terrorists, state sponsors of terrorism seeking to acquire nuclear weapons, and genocidal dictators. China is being asked to help thwart those threats and define its national interests more broadly.

A China that rejects the main characteristics of the international system and attempts to rewrite the rules will be viewed as a noncooperative rising power, one that challenges the guarantors of the system. Those guarantors will in turn more aggressively contain that rise. A China that helps sustain the system, instead of challenging it, will be accepted as a great power.

China’s foreign policy is largely driven by its energy policy. Increasingly, Beijing’s approach undermines the international system Zoellick described. China’s oil diplomacy has provided cover to Iran as the United States and European Union work to thwart Tehran’s nuclear ambitions. China’s energy policy has protected Sudan and Burma from tough international sanctions, and China is providing African dictators with a shield against international pressure to reform.

In addition, current Chinese energy moves fuel tension with Washington’s key Asian ally, Japan, and are causing consternation within India. China’s actions have also reinforced economic nationalist impulses in both Japan and India, sucking them into an energy competition in countries such as Burma.⁶

Looming over the horizon is China’s debate over military options to secure its energy supply. China has become more open about the People Liberation Army’s (PLA) role in “safeguarding China’s economic development.” Indeed, China’s 2006 defense white paper notes that “China’s national defense provides the guarantee for maintaining China’s security and unity, and realizing the goal of building a moderately prosperous society in an all-

round way. To build a powerful and fortified national defense is a strategic task of China's modernization drive.⁷ Chinese military officers talk about developing a blue water navy.⁸ The ambition is real, but the future characteristics and capabilities of China's military are unknown. A China developing greater power projection capabilities would significantly alter the geopolitical landscape for an America used to dominating the sea.

If the Chinese perception of energy security as a zero-sum game persists alongside suspicion of U.S. strategic intentions, Sino-U.S. relations will become more competitive. If China continues to grow richer and stronger, Beijing will develop capabilities to defend its oil supply, just as other rising powers have done. While such a development need not inevitably lead to conflict with the United States, barring changes in China's national aspirations, Washington is likely to view greater Chinese power projection capability as threatening.

The United States is engaging China in countless attempts to cooperate on energy security in such areas as clean coal and the U.S.-China Oil and Gas Industry Forum. But these initiatives seem to be having a limited impact on China's strategic perceptions. Such efforts should continue, but Washington should be humble about its ability to change China's policy. As long as China vies for preeminence in Asia, it will view Washington as a threat standing in the way of that ambition. Beijing's strategies will be conceived with an "America threat" in mind. Because energy policy is closely tied to foreign policy, China will only change its approach to energy security if it accepts the current system of international politics.

Beijing's Perceptions

China's concern over energy security has become significantly more palpable since it became a net oil importer in 1993. But fears of containment accelerated since the United States launched the war on terror. For many Chinese strategists, the United States is boxing China in along its periphery, with a presence in Central Asia; partnerships with India, Pakistan, Japan, Korea, and Australia; and increased engagement with Vietnam and the Philippines. America's objective is said by some to be to prevent "China's influence from rising in the region."⁹

Washington's deployments and increased presence in Central and South Asia and in the Middle East have fueled the Chinese perception of a containment strategy that includes impeding Chinese access to oil. Although Beijing had initially supported U.S. operations in the region, China became increas-

ingly suspicious of the American presence once the United States began to encourage Central Asian states to undertake political reform and the color revolutions unfolded.¹⁰ The turbulence that China assumes will accompany political reform in Central Asia is perceived in Beijing to place its resource suppliers at risk and threaten Chinese Communist Party regime stability.

An overwhelming reliance on Middle Eastern suppliers has compounded Chinese anxiety over energy security. In particular, American naval control of regional sea lines of communication, through which most of Beijing's crude passes, is seen as a troubling vulnerability.¹¹ The fact that over 80 percent of the People's Republic of China's (PRC) oil imports pass through the Strait of Malacca in particular has caused some alarm in the Chinese media, who refer to it as the "Malacca dilemma."¹² Zhao Nianyu of the state council-run Shanghai Institute for International Studies pointed to the Regional Military Security Initiative (RMSI)—a collective security exercise to protect the sea lanes that was proposed in 2004—as a first step by the U.S. military to "garrison the Strait" under the "guise of counterterrorist measures."¹³ It should be noted that the RMSI was mischaracterized by the media and soon scrapped as sovereignty-sensitive Indonesia and Malaysia quickly stepped up antipiracy measures such as patrols and aerial surveillance.

Chinese responses to an increased sense of vulnerability, as James Holmes and Toshi Yoshihara have documented, have included an important debate about the necessity of sea control for a nation reliant upon foreign commerce. Officers writing in Chinese military journals speak in Mahanian terms: "[he] who controls the seas controls the world,"¹⁴ "the command of communications on the sea . . . is vital for the future and destiny of the nation,"¹⁵ "it is extremely risky for a major power such as China to become overly dependent on foreign import without adequate protection."¹⁶ Some Chinese scholars, such as Zhang Wenmu of the Center for Strategic Studies at Beijing University of Aeronautics & Astronautics, also advocate naval expansion. Zhang has bluntly stated that "[China] must build up our navy as quickly as possible" to prepare for "sea battle"—the way in which many seafaring nations have previously resolved economic disputes.¹⁷

In some quarters of the PLA, even Taiwan is viewed in geostrategic terms because its acquisition would ease China's breakout to the open ocean. For General Wen Zongren of the PLA Academy of Sciences, regaining control of Taiwan would be "of far reaching significance to breaking international forces' blockade against China's maritime security. . . . Only when we break this blockade shall we be able to talk about China's rise. . . . China must pass through oceans and go out of the oceans in its future development."¹⁸

The Chinese view of Washington as an obstacle to its rise reinforces mercantilist inclinations. Why would America *not* use its dominance to starve China of its economic lifeline if Washington objected to China's behavior? America controls the sea lane and the shipping chokepoints. From Beijing's perspective, the oil weapon is a potent one in America's arsenal.

America's oil weapon would be especially threatening if China thought its actions would provoke a response, for example in a Taiwan, South China Sea, or Japan contingency. A China that believes Washington is intent on containment will inevitably view its energy supply lines as insecure. Given the salience of these perceptions of geopolitics, China's energy policy is troubling but not altogether surprising.

China's Energy Policy and the Rogues

To circumvent America's perceived "control" of the energy market, Beijing is pursuing relationships with oil producers isolated by Washington. China views oil diplomacy, particularly the formation of special relationships with oil producers, as an important element of its energy security strategy. Sudan, Iran, and Burma are cases in point.

Sudan

China has been Sudan's biggest investor in its growing energy sector, giving Khartoum the means to expand its military. Sudan is the largest source of oil production by Chinese national oil companies and is Beijing's seventh largest supplier of crude imports at 133,000 barrels per day (bpd).¹⁹ China is Sudan's largest trading partner, purchasing roughly two-thirds of Sudan's exports and providing some 20 percent of its imports. Over the past decade, Beijing has also been the chief supplier of weapons, military supplies, and weapons technology to the Khartoum regime, despite the 2005 UN arms embargo on the government.²⁰

China has consistently protected Khartoum from serious diplomatic sanctions, even going so far as to threaten vetoes when UN efforts seem to squeeze Khartoum too tightly.²¹ Beijing succeeded in watering down Security Council Resolution 1556, which imposed an arms embargo on nongovernmental combatants in Darfur and required Khartoum to allow humanitarian assistance into Darfur and disarm the Janjaweed militia.²² In 2006, during debate on UNSCR 1672, China impeded efforts to sanction Sudanese government officials charged with war crimes, reducing from seventeen to

four the list of individuals subject to Security Council travel bans and financial sanctions.

Although China has eased its obstructionism slightly in response to international pressure, it is unwilling to risk its oil investments by imposing serious costs on Khartoum. While Hu Jintao made a well publicized trip to Khartoum in February 2007 to urge its compliance with international demands, he also announced new economic agreements, including \$104 million to write off Sudanese debt and \$17 million to provide an interest-free loan for infrastructure projects, including a new presidential palace.²³

Iran

Iran is China's third-largest supplier of crude oil at 287,000 bpd in 2005, and China became Iran's largest oil export market in 2004. Since 2002 Iran has supplied China with more than 15 percent of its annual oil imports (a narrow second to Saudi Arabia).²⁴ Bilateral trade totaled \$10.09 billion in 2005, more than four times the amount of trade five years earlier (\$2.49 billion in 2000).²⁵

During the past few years, as the United States and European Union were trying to isolate Tehran in an effort to gain compliance with nonproliferation commitments, China signed several major energy deals. In February 2006 China signed a \$33 million three-year contract with Iran to repair and maintain the Alborz semisubmersible drilling rig in the Caspian Sea.²⁶ In October 2004 Sinopec signed a \$100 billion deal to import 250–270 million tons of liquefied natural gas from Iran's South Pars oil field over twenty-five years. The deal also provides China with 150,000 barrels of crude oil per day for the twenty-five-year period from the Yadavaran oil field and a 50 percent stake in Yadavaran's estimated 17 billion barrel reserve.²⁷

In March 2004 Zhuhai Zhenrong Corporation, a state-owned Chinese oil trading company, signed a \$20 billion, twenty-five-year deal to import 110 million tons of liquefied natural gas from Iran. At the same time, Beijing signed a seven-year deal worth \$121 million when the Chinese state-owned oil company Sinopec purchased the Iranian subsidiary of Sheer Energy, a Canadian firm, and received a 49 percent stake in the Masjed-I-Suleiman oil field.²⁸ To consummate these deals, Chinese foreign minister Li Zhaoxing made several trips to Tehran, promising diplomatic support in Iran's showdown with the West.

Moreover, along with Russia, China has been key in promoting Iranian participation in the Shanghai Cooperation Organization (SCO). President

Mahmoud Ahmadinejad was given great moral support when he addressed the SCO in Shanghai, where he called upon the SCO to “prevent threats and interventions by bullying powers,”²⁹ and the Chinese publicly rebuked the United States for calling Iran a terror-sponsoring nation. While China plays a careful game—it will not jeopardize stable relations with the United States, which explains its UN Security Council vote to sanction Iran in 2006—it still allows Iran to believe that it has a powerful protector. After voting to sanction Iran, China quickly made clear that the vote would not jeopardize good bilateral relations.

Failure to bring collective will to bear against Iran strengthens Tehran's defiance of the international community, and leads to greater instability. While Washington is trying to convince Beijing that both have an interest in pressuring Iran to abandon its nuclear weapons program, China will not risk its energy investments.

Burma

China pursues a similar “energy security for protection” trade-off with Burma. China sees Burma as its outlet to the Indian Ocean and has invested in highways and oil and gas pipelines that would link it southwest to Burma's coast. China's relationship with Burma has three main military components: provision of military technology to the State Law and Order Restoration Council (SLORC), the building of various military facilities, and the construction of intelligence collection installations.³⁰ Weapons provided to the junta, such as communication gear, armored personnel carriers, and rocket-propelled grenades, helped the SLORC turn the tide against antijunta insurgents. Conventional Chinese weaponry is reportedly deployed along the Indian and Thai border for possible use by the Chinese in various contingencies, thereby pushing China's strategic perimeter out into Southeast Asia and closer to the Indian Ocean.³¹

Many observers, in India especially, believe that the grand prize in China's relationship with Burma has been the construction of ports and bases along the Indian Ocean coast, including a major base at Haingyi Island. The fact that this base can port ships larger than anything in the Burmese fleet has not gone unnoticed in India.³² Chinese intelligence facilities on the Great Coco Island near the Nicobar and Andaman islands provide Beijing with the ability to monitor naval and air movements across a large expanse of the Indian Ocean. While the extent of Chinese influence over port construction

and intelligence facilities has been disputed, there is little doubt that China seeks to maximize its access to maritime facilities along the Indian Ocean.³³

Burma is an important component of China's pipeline strategy as well. In 2005 China provided Burma with nearly \$300 million in financial assistance and trade deals, certainly key to securing Burma's support for a five-hundred-mile pipeline linked to Yunnan to transport offshore natural gas that PetroChina will extract from Burma. Beijing hopes this gas pipeline will pave the way for an oil pipeline with a terminal on the Arakan coast that would lead back along the same route to Yunnan.³⁴ A number of Chinese and Western observers believe these pipelines would help China bypass the Strait of Malacca and its security risks (e.g., blockades, piracy, terrorism).

To be sure, it can be argued that the proposed pipelines would do little to enhance Chinese oil security. The planned Burma line can only carry 200,000 bpd of crude while China's annual oil import demand grows by more than 200,000 bpd each year, meaning that the pipeline's already small relative contribution to import security would quickly be erased by demand growth. Moreover, the per barrel cost of pumping oil through Burma to Yunnan and then refining it and transporting it to market will likely be several times the cost of carrying it through Malacca on a supertanker to Eastern China's large demand centers. These costs would be even higher for a pipeline from Gwadar, Pakistan, to Xinjiang province in Western China.

Nevertheless, it is clear that China views Burma as a strategic asset of some significance. In return for some degree of economic, resource, and perhaps even security cooperation, China has protected Burma from UN sanctions and U.S. pressure. It has also created a "race to the bottom" dynamic with Japan and India. In the case of Japan, Tokyo announced an aid cutoff after the Burmese junta massacred dissidents in May 2003. However, by October 2003, Japan had resumed aid to nongovernmental organizations and many other development projects. According to some reports, Japan's decision to resume aid was influenced by China's deal to assist the Burmese government with the development of the Irrawaddy River. Japanese government officials "are in favor of providing more aid to the military regime in order to offset China's increasing influence."³⁵ The Japanese government's posture toward Burma was "due in part to apparent concern about China replacing Japan as a likely source of economic assistance to, and political influence on, Burma."³⁶ Then in 2006, despite strong pressure from the West, Japan defied international expectations and voted against a 2006 UN Security Council (UNSC) resolution condemning human rights abuses in Burma, leading some commentators to ponder whether Tokyo's action was motivated by

Beijing's growing influence.³⁷ These concerns are well founded, given Tokyo's expressed desire to place human rights and democracy at the forefront of its foreign policy.

Observers of the India–Burma relationship have also noted an Indian response to a perceived increase in Chinese influence in Burma. Despite India's rhetorical commitment to democracy promotion, it sent a \$40 million aid package and consummated a large natural gas deal in 2006 just as the UNSC was addressing the issue of Burma, leaving one analyst to conclude, "India has also recently moved to offer substantial international, political and economic support for Myanmar in what is quite clearly a concerted policy by India to counter Chinese commercial and military influence in Myanmar."³⁸ Indian security officials believe that India is "10 years behind" China in a competition for influence in Burma, and must catch up.³⁹

All three countries view Burma as being geopolitically important. Tokyo and Delhi have undermined their own stated desires to incorporate human rights into their foreign policy in response to Beijing's increased activity in the country after the 2003 massacre.⁴⁰

India and Japan must be held accountable for these irresponsible actions. However, from a U.S. perspective, one of the most promising developments in Asia has been Tokyo's and Delhi's attempts to reshape their foreign policies toward the provision of collective rather than simply national goods. China's actions have reinforced less altruistic elements of Japanese and Indian foreign policy.

Increased Presence in Central Asia

Beijing's perception that it is vulnerable to naval blockade has made land-based energy supply routes more attractive. After first deciding that an oil pipeline from Kazakhstan was uneconomical, China changed course in 2003 and signed the deal for \$3–3.5 billion. In July 2006, the pipeline began to transport oil, some 200,000 barrels daily, from Atasu in northern Kazakhstan to Xinjiang Uyghur Autonomous Region.⁴¹ Beijing has not surprisingly taken a strong interest in Central Asian politics and has tried to strengthen the SCO. Chinese analysts talk of using the SCO to turn the old Central Asian Silk Road into an "energy road."⁴² China and Russia together secured an SCO statement calling for a timeline for the American military departure from Central Asia in 2005.

Beijing similarly took advantage of Uzbekistan's souring on its relationship with the United States after the Andijon massacre of 2005 to provide

moral support to Uzbek president Islam Karimov, receiving him in Beijing with a twenty-one-gun salute not two weeks after the crackdown.⁴³

China's interest in piping energy from Central Asia and its concomitant need to increase its influence in that region pose challenges to American policy. First, as in the Middle East and Africa, Western goals of democratization are frustrated by a new China card in the hands of regional dictators. Projecting into the future, it is very likely that China will want to protect its land-based energy investments. China is already forming two powerful armor-heavy mechanized corps modeled after the 1980s Soviet Operational Maneuver Groups for land-based threats.⁴⁴ In the future China will have more ability to contest, and perhaps even to restrict, American freedom of action in Central Asia, a development that will conflict with U.S. goals in the war on terror.

The View from Tokyo and Delhi

Already suspicious of China's long-term intentions, India views China as a competitor for global energy resources. Prime Minister Manmohan Singh articulated India's angst in a speech in New Delhi in 2005: "China is ahead of us in planning for its energy security—India can no longer be so complacent."⁴⁵ Both countries are scouring the globe for oil and gas deals and have invested heavily in Iran. Indian Oil and Gas minister Shankar Aiyar has advocated more collaboration, and some have talked about extending the proposed Iran–Pakistan–India pipeline to China. But many Indian strategists view this proposal with skepticism, especially in light of an Indian view that China is a competitor for regional influence.

China's energy policy in Burma and along the Indian Ocean exacerbates Indian concerns. India views Chinese construction of roads and waterways, ports and intelligence posts along the Indian Ocean as an attempt to eventually contest the Indian Ocean.⁴⁶ Indian naval planners in particular worry about Chinese forays into the Indian Ocean and expect that as China's energy insecurities grow, the Chinese navy will accelerate attempts to project power.⁴⁷ Indian Army Officers see China as a land power, increasingly able to project power across the Eurasian landmass after investing heavily in road and rail networks.⁴⁸ The need to secure pipelines would undoubtedly accelerate this trend.

Indians remain suspicious of China's intentions regarding the Spratly and Paracel islands as well. Indian security officials similarly warn that they will not "cede" Iran—a country that Delhi believes is of vital strategic impor-

tance—to China.⁴⁹ Delhi is trying to foster cooperation with China on energy matters while keeping options open for more intensified competition. India's concern over a future in which China increases its influence in Central Asia explains its observership in the SCO, but it is concerned that a diluted American presence in that region will result in another portion of its backyard dominated by China.⁵⁰

Tokyo, which used to be the dominant Asian player in energy markets, has been shocked by China's growing oil needs. Japan's view of Chinese energy policies is shaped by its perception that a stronger China is asserting itself regionally and globally to Tokyo's detriment. In particular, Japan views the dispute over territorial demarcation and oil and gas resources in the East China Sea as part of a more aggressive Chinese posture. Japan has responded assertively as well, chasing away a Chinese nuclear submarine that intruded into Japanese waters in 2004. In 2005 relations deteriorated when China and Japan accused one another of beginning to extract resources in contested regions of the East China Sea.⁵¹ China sent a small fleet led by Sovremenny-class destroyers in a show of force around the gas field, and a Chinese ship reportedly trained its guns on a Japanese P-3C patrol craft.⁵² Japan declared for the first time in its 2004 defense white paper that Chinese naval power should be a cause of concern for all of Asia. The prospect of two Asian powers using military force to emphasize or settle competing claims for oil and gas is unsettling. The United States has significant treaty obligations to Japan, meaning that risk of conflict with Japan is a risk of conflict with the United States.

Japan is alarmed by the rate of China's energy consumption growth and a perceived mercantilist tilt in China's energy policy.⁵³ This Japanese perception has prompted Japanese national security policymakers to take a tougher line with China and upgrade the alliance with the United States. Japanese energy policy is likewise responding: following a two-decade period of liberalization, Japan's latest energy strategy has a more nationalist cast, with calls for government intervention to compete on an equal footing with China for international resources.⁵⁴ To be sure, Japan is also taking measures to reduce demand and proposing multilateral cooperation, but a view insisting that energy is a strategic resource, and that Japan will need to compete for it with China, has grown prominent of late in Tokyo. Tokyo's and Beijing's recent competition for Russian energy supplies from East Siberia and Sakhalin is a case in point.

An energy policy that fuels great power competition threatens the security of Asia. Given Japanese and Indian angst over Beijing's energy strategy,

it is incumbent upon the United States to maintain its predominance in Asia through robust economic and military presence. The appearance of American withdrawal or inattention would create a vacuum to be filled by intensified security competition among the three major powers, two of whom have nuclear weapons.

Unfortunately as Beijing works to secure its energy supply it has also developed anti-access/area denial capabilities that have the potential to restrict American freedom of access to the Asian rim lands and the continent, and therefore call into question Washington's staying power as the regional hegemon. This, in turn, further fuels Japanese and Indian worries that they may have to face a dominant China alone, prompting less than optimal energy policies.

Speculating about China's Future Energy Security Strategy

The speculation game is a perilous one, but given China's importance it is necessary to engage in it. China is a dynamic country with a highly skilled population. As its economy continues to grow, so too does its defense industrial and technological base, as well as the capabilities of its military personnel. The PRC has developed its military in ways not predicted by analysts less than a decade ago. No longer can China watchers say that "the PRC's armed forces are not very good and not getting better fast."⁵⁵ Most national security analysts now believe that China can pose serious challenges to an American military trying to come to the defense of Taiwan or other allies in the region. In the past decade a very small arsenal of ballistic missiles has grown into an arsenal of some nine hundred more accurate and lethal ballistic and cruise missiles. A decade ago China had just a few modern Kilo-class diesel submarines; today China has Kilos, Songs, and Yuans as well as two nuclear submarine programs. A decade ago, China's fleet of fourth-generation aircraft was minimal, today it is significant: an increasing percentage incorporate fourth-generation technology.⁵⁶ China has made additional strides in mine warfare and information warfare, and is contesting the United States in space. China has also grown bolder in using its military capabilities as evidenced by its activity in and around the East China Sea. A decade ago few if any analysts predicted that China would provoke Japan in this way.

There is no reason to believe that China will stop improving its military capabilities. Its defense industrial base is improving, it has money to spend on military projects, and it has the ambitions of a country anxious to retake its place in the sun. The ongoing energy debate will obviously influence the PLA's

course. If China continues to tend toward the energy-mercantilist side of the energy policy spectrum, as compared to relying solely on the open market, then the PLA will increase in importance to Beijing's energy strategy.

A continued Chinese perception that the United States remains committed to preventing it from taking Taiwan by force, controlling the energy market, and preventing its rise as a great power, will reinforce impulses to control energy supply lines. Moreover, as China increases its overseas investment in energy, it will feel more exposed to a spectrum of threats and will want to provide security for those investments. Finally, the "Mahanian" impulse is strong in rising powers. The idea that a great power must be able to protect its own seaborne trade is the norm—practiced in the past by a rising Great Britain, a rising America, a rising Germany, and by a rising Japan.

There are some positive indicators that China's energy security strategy may not be the cause of a more conflictual relationship with its neighbors or with the United States. Washington is deeply engaged in a cooperative energy policy with China, including over twenty ongoing official cooperative energy initiatives, which may push the Chinese energy debate to the more economically liberal side of the energy spectrum.⁵⁷ In addition to bilateral cooperative programs, Washington is promoting China's entry into multilateral energy forums and greater engagement with the IEA. The purpose of this engagement policy is to encourage China to embrace the energy market and the international mechanisms of energy security.⁵⁸ China's own energy insecurities may be a motivation to seek more independence by investing in renewable energy sources and becoming more energy efficient. These developments would be welcome.

But there are reasons to be skeptical of optimistic scenarios. Unless China radically changes its national objectives, it will continue to anticipate an American response to actions Washington deems threatening. One response, in Beijing's view, is a disruption of energy supply. So long as Washington has the means to "control" Beijing's energy supply, China will seek ways to access and secure energy for itself.

Even more discouragingly, great powers often decide that to be considered truly great they must be capable of securing their own trade. In the early part of the twentieth century—an earlier example of economic globalization—Norman Angell suggested that Imperial Germany should rely on the collective good provided by the Royal Navy and continue to prosper from it. The Kaiser did not accept his advice, challenged the Royal Navy, and the rest is unfortunate history.

We can and should offer up more opportunities for cooperation with China on energy security. But we should also be humble. A real embrace of the current energy system will only materialize if China undergoes a profound strategic reorientation. China's current energy insecurity is a product of its fears over possible American reactions to a range of future Chinese actions. Washington thus infers that China holds out the possibility of taking actions that may provoke an American response. In turn, China's energy security policy seeks ways to circumvent American responses to Sino-American conflict. A change in Beijing's energy security policy—a true embrace of the market, an acceptance of the international system of energy security, a reneging of its support for dangerous regimes, a decision to forego blue water capabilities—may be a key indicator of China's peaceful intentions.

Notes

1. For statistics on demand growth see, for example, David Zweig and Bi Jianhui, "China's Global Hunt for Energy," *Foreign Affairs* 84, no. 5 (2005): 25–38.
2. *Ibid.*
3. Recently, some Chinese analysts have begun to question this logic, noting that the foreign equity oil obtained by China's national oil companies (almost exclusively by China National Petroleum Corporation) accounts for a small percentage (roughly 15 percent) of Beijing's oil imports. The very fact, however, that Beijing has so aggressively pursued upstream equity speaks to the still prevailing belief in many Chinese circles that equity oil constitutes a more secure supply than does the world market. Erica S. Downs, "China's Role in the World: Is China a Responsible Stakeholder?" testimony before the U.S.-China Economic and Security Review Commission, 4 August 2006, http://www.uscc.gov/hearings/2006hearings/hro6_08_03_04.php.
4. Erica Strecker Downs, "China's Energy Security" (PhD diss., Princeton University, January 2004).
5. "Deputy Secretary Zoellick Statement on Conclusion of the Second U.S.-China Senior Dialogue," U.S. Department of State, 8 December 2006, <http://www.state.gov/r/pa/prs/ps/2005/57822.htm>.
6. Jill McGivering, "India Signs Burma Gas Agreement," *BBC News*, 9 March 2006, http://news.bbc.co.uk/1/hi/world/south_asia/4791078.stm.
7. "China's National Defense in 2006," Information Office of the State Council, People's Republic of China, 29 December 2006, <http://www.fas.org/nuke/guide/china/doctrine/wp2006.html>.
8. Author's conversations with PLA officers in Beijing, April 2007.
9. Zhai Kun, "What Underlies the U.S.-Philippine Joint Military Exercise?," *Beijing Review*, 14 March 2002, 9. Quoted in Mohan Malik, *Dragon on Terrorism: Assess-*

- ing China's Tactical Gains and Strategic Losses Post September 11* (Carlisle, Pa.: Strategic Studies Institute, 2002), 30.
10. Ge Lide, "Will the United States Withdraw from Central and South Asia?" *Beijing Review*, 17 January 2001, 8–9.
 11. Downs, "China's Role in the World," testimony.
 12. Hu Jintao allegedly urged a closed-door government session in 2003 to find ways around the "Malacca dilemma"—the fact that much of China's seaborne trade, including oil, goes through the Malacca Strait. "Certain major powers," he is reported to have said, were trying to dominate the strait. Shi Hongtao, "Nengyuan anquan zaoyu 'Maliujia kunju' Zhong-Ri-Han nengfou xie shou" ["Energy Security Runs Up Against the 'Malacca Dilemma'; Will China, Japan and Korea Cooperate?"], *Zhongguo qingnian bao* [*China Youth Daily*], 15 June 2004, business.sohu.com/2004/06/15/49/article220534904.shtml.
 13. Dan Blumenthal and Joseph Lin, "Oil Obsession," *Armed Forces Journal* (June 2006), <http://www.armedforcesjournal.com/2006/06/1813592>. Although Malaysia, Indonesia, and Singapore have taken the lead on patrols, the perception remains in some Chinese circles that "American control" of the strait is a strategic vulnerability. Indonesia and Singapore have declined the U.S. Navy offer to help patrol the strait and have instead embarked on a fairly successful multilateral effort themselves. Thus, China's fears of the United States controlling the Strait of Malacca are not well based.
 14. Xie Zhijun, "Asian Seas in the 21st Century: With So Many Rival Navies, How Will China Manage?" *Junshi Wenzhai* (1 February 2001): 20–22, FBIS-CPP10010305000214. Quoted in Toshi Yoshihara and James Holmes, "The Influence of Mahan upon China's Maritime Strategy," *Comparative Strategy* 24, no. 1 (2005): 23–51.
 15. Jiang Shiliang, "The Command of Communications," *Zhongguo Junshi Kexue* (2 October 2002): 106–14, FBIS-CPP20030107000189. Cited in James Holmes and Toshi Yoshihara, "China and the Commons: Angell or Mahan?," *World Affairs* 168, no. 4 (2006): 172–91.
 16. Shi Hongtao, "China's 'Malacca Straits,'" *Qingnian Bao*, 15 June 2004, OSC# CPP 20040615000042.
 17. Zhang Wenmu, "China's Energy Security and Policy Choices," *Shijie Jingji Yu Zhengzhi* 5, (14 May 2003): 11–16. Cited in James Holmes and Toshi Yoshihara "China and the Commons," 181–82.
 18. "Annual Report: The Military Power of the People's Republic of China," Office of the Secretary of Defense (Washington, D.C.: Government Printing Office, 2005), 12.
 19. Downs, "China's Role in the World," testimony; Amy Jaffe, "China's Role in the World: Is China a Responsible Stakeholder?" testimony, U.S.-China Economic and Security Review Commission, 4 August 2006, http://www.uscc.gov/hearings/2006hearings/hro6_08_03_04.php.

20. Eric Reeves, "Darfur and the Olympics: A Call for International Action," testimony before the House Committee on Oversight and Government Reform, Subcommittee on National Security and Foreign Affairs, 110th Cong., 1st sess., 7 June 2007.
21. Peter S. Goodman, "China Invests Heavily in Sudan's Oil Industry," *Washington Post*, 23 December 2004.
22. Yitzhak Shichor, "China's Voting Behavior in the UN Security Council," The Jamestown Foundation, 6 September 2006, <http://www.jamestown.org>.
23. House Committee on Foreign Affairs, "The Escalating Crisis in Darfur," introduction by Representative Tom Lantos, 110th Cong., 1st sess., 8 February 2007.
24. Ilan Berman, "The Impact of the Sino-Iranian Strategic Partnership," testimony before the U.S.-China Economic and Security Review Commission, 14 September 2006, http://www.uscc.gov/hearings/2006hearings/written_testimonies/06_09_14wrts/06_09_14_berman_statement.pdf.
25. Global Investment cites International Monetary Fund Direction of Trade Statistics, March 2007, www.imf.org.
26. Ehsan Ahrari, "China's Proliferation to North Korea and Iran, and Its Role in Addressing the Nuclear and Missile Situations in Both Nations," testimony before the U.S.-China Economic and Security Review Commission, 14 September 2006, http://www.uscc.gov/hearings/2006hearings/written_testimonies/06_09_14wrts/06_09_14_ahrari_statement.php.
27. Jephraim Gundzik, "The Ties That Bind China, Russia and Iran," *Asia Times*, 4 June 2005.
28. Borzou Daragahi, "China Goes Beyond Oil in Forging Ties to Persian Gulf," *The New York Times*, 13 January 2005.
29. John Douglas, Matthew Nelson, and Kevin Schwartz, "Fueling the Dragon's Flame: How China's Energy Demands Affect Its Relationships in the Middle East," report prepared for the U.S.-China Economic and Security Review Commission, 14 September 2006.
30. Ross Munro, "China's Strategy Towards Countries on Its Land Borders," final report of study commissioned by the Director of Net Assessment of the Office of the Secretary of Defense (McLean, Va.: Booz Allen Hamilton, August 2006), 58.
31. Malik J. Mohan, "Myanmar's Role in Regional Security: Pawn or Pivot," *Contemporary Southeast Asia* 19 (June 1997): 52-73.
32. Rahul Bedi, "Rural India Trying to Build Military Ties with Burma," *The Asian Age*, 6 July 2000; Donald L. Berlin, "The Great Base Race in the Indian Ocean Littoral: Conflict Prevention or Stimulation," *Contemporary South Asia* 13, no. 3 (2004): 239-55. Quoted in Munro, "China's Strategy Towards Countries on Its Land Borders," 65.
33. Andrew Selth of the Griffith Asia Institute urges caution in claiming that Burmese ports or intelligence facilities are Chinese owned or controlled. See Andrew Selth, "Chinese Military Bases in Burma: The Explosion of a Myth," *Griffith Asia Institute: Regional Outlook* 10 (2007). Such analysts as Ross Munro and Juli MacDonald,

- however, have found evidence of Chinese investment, influence, and some control over significant ports and intelligence facilities. Professors Toshi Yoshihara and James Holmes of the Naval War College likewise argue that China views the ports and facilities along the Indian Ocean as key elements of a Chinese energy security policy. See Dr. Yoshihara's U.S.-China Economic and Security Commission testimony, 14 June 2007.
34. Munro, "China's Strategy Towards Countries on Its Land Borders," 108–9.
 35. "Did Japanese ODA to Burma Really Stop After the Massacre on May 30th, 2003?" *Mekong Watch*, 27 May 2004, <http://www.mekongwatch.org/english/policy/oda.html>.
 36. "Is Japan Really Getting Tough on Burma? Not Likely," *Burma Information Network*, 28 June 2003, <http://burmainfo.org/oda/analyseGOJpolicy20030628.pdf>.
 37. Michael Green, "Japan Fails Test on Democracy and Burma," *Washington Post*, 8 June 2006; "Japan's Lackluster Policy on Burma," editorial, *The Nation* (Thailand), 3 June 2006.
 38. Helen James, "Myanmar's International Relations Strategy: The Search for Security," *Contemporary Southeast Asia* 26, no. 3 (2004): 530; Michael Jonathan Green, "U.S.-Burma Relations," testimony before the Senate Committee on Foreign Relations, Washington, 29 March 2006.
 39. Bethany Danyluk, Amy Donahue, and Juli MacDonald, *Perspectives on China: A View from India*, (Washington, D.C.: Booz Allen Hamilton, 2005): 17.
 40. On 30 May 2003, forces associated with Burma's ruling junta attacked a convoy carrying National League for Democracy leader Aung San Suu Kyi and her supporters. Several League members were killed or injured in the attack and many others including Suu Kyi were arrested. She remains under house arrest. See USAID, <http://www.usaid.gov/policy/budget/cbj2006/ane/mm.html>.
 41. "China Country Analysis Brief," Energy Information Administration, August 2006, <http://www.eia.doe.gov/emeu/cabs/China/Background.html>.
 42. John Douglas, Matthew Nelson, and Kevin Schwartz, "Fueling the Dragon's Flame: How China's Energy Demands Affect Its Relationships in the Middle East," report prepared for the U.S.-China Economic and Security Review Commission, 14 September 2006, 12.
 43. Chris Buckley, "China 'Honors' Uzbekistan Crackdown," *The International Herald Tribune*, 27 May 2005.
 44. Martin Andrew, "PLA Doctrine on Securing Energy Sources in Central Asia," *China Brief* 6, no. 11 (2006): 6.
 45. Manmohan Singh, "Speech to Petrotech 2005," New Delhi, India, 17–18 January 2005, Prime Minister of India website, <http://pmindia.nic.in/speech/content.asp?id=69>.
 46. Danyluk, Donahue, and MacDonald, "Perspectives on China," 17.
 47. *Ibid.*, 6.
 48. *Ibid.*, 7.

49. Ibid., 18.
50. Russia has maintained close ties to India, including energy and weapons sales, and it is not inconceivable that Moscow and Delhi might cooperate to balance against increased Chinese influence in Central Asia and elsewhere.
51. "Japan's Provocation in East China Sea Very Dangerous," *People's Daily Online*, Opinion, 21 July 2005, http://english.people.com.cn/200507/21/eng20050721_197493.html.
52. James Holmes and Toshi Yoshihara, "Japanese Maritime Thought: If Not Mahan, Who?" *Naval War College Review* 59, no. 3 (2006): 14.
53. Peter C. Evans, "Japan," *Brookings Energy Security Series* (December 2006): 2.
54. Ibid.
55. Bates Gill and Michael O'Hanlon, "China's Hollow Military," *The National Interest*, no. 56 (Summer 1999, 55–62).
56. "Annual Report: The Military Power of the People's Republic of China," Office of the Secretary of Defense (Washington, D.C.: Government Printing Office, 2007).
57. Some cooperative programs include the Energy Policy Dialogue, the United States–China Oil and Gas Industry, the Protocol for Cooperation in the field of Fossil Energy Technology Development and Utilization, the Peaceful Uses of Nuclear Technologies Agreement, and the United States–China Strategic Economic Dialogue (SED). "China's Energy Consumption and Opportunities for U.S.-China Cooperation to Address the Effects of China's Energy Use," testimony of Assistant Secretary Karen Harbert, U.S.-China Economic and Security Commission, Office of Policy and International Affairs of the Department of Energy, 14 June 2007.
58. "U.S.-China Relationship: Economics and Security in Perspective," testimony by Deputy Assistant Secretary David Pumphrey, U.S.-China Economic and Security Commission, Office of Policy and International Affairs of the Department of Energy, 1 February 2007.