

CHINESE OIL CONSUMPTION AND SINO-AMERICAN RELATIONS

THESIS

Presented to the Graduate Council of
Texas State University-San Marcos
in Partial Fulfillment
of the Requirements

for the Degree

Master of ARTS

by

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San Marcos, Texas
December 2009

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ACKNOWLEDGEMENTS

I would like to thank the members of my thesis committee (especially Dr. Alfred Sullivan, the committee chair) for their patience while I took forever to complete this work.

This manuscript was submitted on April 15, 2009.

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INTRODUCTION

We stand at a very important juncture in history. Napoleon Bonaparte's famous comment about China being a "sleeping giant" that will awaken and "shake the world" appears to be coming true. At this, the dawn of the twenty-first century, China has arrived; this communist country, home to one-fifth of the world's population, has emerged to become a rapidly-growing global power. Its economy has been transformed from that of an inefficient and protectionist socialist state to the second largest in the world in roughly thirty years.

The United States is still the most powerful nation in the world – the wealthiest, the most developed, and the most powerful militarily. However, with China's rapid development, and the economic and diplomatic ties with other nations that both accompany it and make it possible, the prospect of the United States remaining the sole hegemonic power for more than a couple of decades is strongly in doubt. Since China has a communist government, some are quick to predict that, as China cements its status as a global power, it will assume the de facto role of the former Soviet Union, effectively challenging the power and influence of the United States and of the "free world." Others point to China's flirtations with capitalism and free markets and assert that the development of democratic institutions generally follows the growth of a substantial middle class in authoritarian countries that experience pronounced economic growth. If the United States and China *are* to exist together in the twenty-first century as hegemonic

powers, perhaps it is not an overstatement to say that the two nations presently “bear a large burden of responsibility for the future of humanity.”¹ How relations develop in the near future between the two countries, then, is a subject of the utmost importance.

One of the issues with the potential to severely impact U.S. interests is China’s growing demand for energy, especially its enormous and increasing consumption of oil, which has led to a rapidly increasing reliance on foreign imports. For nations such as the United States and China which are dependent upon massive amounts of imported petroleum, foreign policy is overwhelmingly shaped by the need to maintain steady and uninterrupted supplies; a failure to do so has the wherewithal to severely damage a nation’s economy and cause political instability, the latter being especially true in the case of China. China’s growing reliance on foreign oil is already affecting global U.S. interests. The focus of this study is whether or not U.S. and Chinese oil consumption has the capacity to seriously strain relations between the two countries and lead to prolonged diplomatic friction or even military showdown.

Chapter 1 examines China’s rise to global prominence in the past thirty years, the factors behind it, and the domestic political forces that China’s rapid economic development have helped to produce. The ruling Chinese Communist Party (CCP) is increasingly under pressure to extend more of the fruits of the country’s economic growth to segments of Chinese society – mainly rural – that are still extremely poor and increasingly impatient with the slow pace of reform. Other factors such as illegal land seizures, government corruption, factory closings in the face of the global economic downturn, and dissatisfaction with working conditions and wages have also contributed

¹ Suisheng, Zhao, *Chinese Foreign Policy Pragmatism and Strategic Behavior*, (Armonk, N.Y.: M.E. Sharpe, 2004), 24.

to a climate of unrest in China, manifesting itself in the form of mass protests that have become increasingly common. In order to help address some of these problems and legitimize their rule to the Chinese people, the government must oversee the continuation of robust economic growth, a process that is ever dependent on growing Chinese energy consumption, especially petroleum.

Chapter 2 is a general overview of recent trends in Sino-American relations, examining some of the issues that have become points of contention between the two nations such as trade issues, human rights, China's growing military, U.S.-China-Taiwan relations, and oil consumption. Although all of these issues are important to the relationship, it is oil consumption that perhaps has the biggest potential to harm relations, considering the extreme importance of petroleum to each nation's economy and the extensive web of ties each country has to the numerous foreign suppliers of oil and the uncertainties involved in obtaining uninterrupted access to these reserves. The chapter also introduces a brief survey of international relations theory as it applies to the prospect of harmonious future Sino-American relations.

Chapter 3 examines some of the countries in various regions of the world that are major suppliers to either the United States or China – or in many cases both – and their respective political environments in an effort to determine how they that might affect effective petroleum extraction and importation. Some nations that are major petroleum suppliers to China, such as Sudan and Iran, are countries that the U.S. is trying to isolate for political reasons or influence politically while others such as Venezuela or Saudi Arabia are major U.S. suppliers who might rather do business with China, possibly at the expense of U.S. supplies.

Chapter 4 gives an overview of some problems that could arise from each nation's reliance on petroleum imports and harm Sino-American relations such as an invasion of or attack on Iran by the U.S. or its allies, a Chinese invasion of Taiwan, a cutoff of Venezuelan oil to the U.S., and possible disruptions of oil supplies by terrorist actions. Recent trends in U.S. and Chinese foreign policy should give us a better understanding of how the U.S. or China might react to a serious foreign policy crisis involving oil disruption but are also applicable to possible crises in Sino-American relations in general. In addition, a modest survey of the military resources and expertise of each side will allow for a more accurate estimation of whether a military showdown between the U.S. and China is even feasible from a Chinese point of view.

Chapter 5 examines what each country is doing to reduce its consumption of foreign oil and thus lessen the chance of an eventual diplomatic or military showdown involving access to petroleum resources. Also surveyed is the extensive and growing involvement of China in multilateral institutions and how this might affect the willingness of the Chinese government to employ diplomatic – as opposed to military – solutions to international relations crises such as those involving access to oil. The high degree of economic and political interdependence between China and the United States is another major factor that has the potential to positively influence relations between the two nations. Finally, the marked improvement in Sino-American relations that has taken place in the past three or four years, evidenced by the number and frequency of meetings high-level government officials from both sides and the demonstrated willingness indicated by both sides for more such exchanges is also a positive sign that the two nations will have a harmonious 21st-century relationship.

CHAPTER I

PORTRAIT OF A RISING POWER

For almost two thousand years China was one of the world's most advanced civilizations. During this extensive period, China is thought of by many Chinese as having been at the center of a "harmonious pre-modern East Asian order," a "Sinocentric international hierarchy" that was based on the perceived superiority of "Confucian cultural principles" instead of military might and coercive power.¹ By the 19th century, however, China began to suffer a series of devastating setbacks, including civil strife, famines, military defeats, and occupation and colonization by foreign powers, all of which are factors greatly influencing Chinese national identity and the perception of China's rightful place in the world.

Although the establishment of the People's Republic of China by Chairman Mao and the Chinese Communist Party (CCP) in 1949 virtually put an end to foreign interference in China's domestic affairs, the party would use the remembrance of "victimization" at the hands of foreign powers as a cornerstone of its legitimacy, a practice that still reverberates today. Such a narrative greatly influenced the establishment the highly centralized and autocratic socialist system – one virtually closed to international trade and investment – that came to characterize "Red China." Mao sought to create a Chinese "workers' paradise" by attempting to adapt Marxist economic

¹ Yong Deng and Fei-Ling Wang, eds., *China Rising Power and Motivation in Chinese Foreign Policy* (Lanham, MD: Rowman and Littlefield, 2005), 56.

philosophy to China's agrarian realities. The results were disastrous, and millions would die as a result of his misguided efforts at industrialization and farm collectivization. (The ironically named "Great Leap Forward" from 1959 to 1962, for example, would claim over 20 million lives due to resulting famine, with some sources estimating 30 to 50 million casualties.)²

After Mao's death in 1976, his successor, Deng Xiaoping, set out to define the new direction of China's domestic and foreign policy. Choosing "peace and development" as the slogan for the post-Mao era, Deng declared that economic development would be the "central task" for the Chinese government for the next hundred years.³ The international face of this effort would stress a non-confrontational approach to global affairs, avoiding the ideological conflicts of the Maoist era that sought to help shape the international order along the lines of Chinese communism. Recalling the memory of foreign influence over Chinese affairs, Deng emphasized the importance of non-involvement in geopolitical matters not related to China's immediate - in most cases economic - concerns, a practice that still looms large in Chinese foreign policy. His foreign policy stressed positive relations with all nations, most importantly with the wealthy Western countries in a position to help advance China's economic development. In other words, it can be said that Deng de-revolutionized China's international objectives and oriented them towards modernization.⁴ All of these factors have shaped what has come to be referred to as the "pragmatic" trend of China's current foreign

² Peter Katel, "Emerging China," *CQ Researcher Online* 15, no. 40 (November 11, 2005): 957-980. <http://library.cqpress.com/cqresearcher/cqresrre2005111100> (accessed June 5, 2009).

³ Yong and Fei-Ling 32.

⁴ Jamestown Foundation, *Interpreting China's Grand Strategy*, Jamestown Foundation China Brief 5, no. 15, John Garver (Washington, D.C.: July 05, 2005), http://www.jamestown.org/publications_details.php?volume_id=408&issue_id=3390&article_id=2369971. (accessed September 15, 2008).

policy. Ideology, idealism, and confrontation are out; realism, the utmost prudence, and very carefully crafted relations with the international community are in.

In the economic sector, Deng initiated a series of market-oriented reforms that included “the phasing out of collectivized agriculture, the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, the foundation of a diversified banking system, the development of stock markets, the rapid growth of the non-state sector, and the opening to foreign trade and investment,” moves that are credited with laying the groundwork for the enormous growth that led China’s economy to experience a four-fold increase in output by the year 2000 ⁵ In justifying the abandonment of Marxist economic ideology in favor of capitalist methods that would actually bring results, Deng declared that “it doesn’t matter whether a cat is black or white as long as it catches mice.”⁶

The “open door” policy of the post-Mao era that has helped attract foreign direct investment (FDI) and increased trade was facilitated by the establishment in 1980 of four Special Economic Zones (SEZ’s) in the eastern and southeastern coastal areas that acted as market-oriented reform experimentation centers. These areas, which were augmented by the mid-1980’s by the “opening up” of 14 Open Coastal Cities (OCC’s), China’s three delta areas, Hainan island, and some border cities, benefited from a variety of favorable development policies which included tax breaks, more state investment, lower tariff rates for imports, relaxed foreign investment control, reduced foreign exchange regulation, and

⁵ U.S. Central Intelligence Agency, *The World Factbook. China* (Washington D.C.: May 14, 2009), <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed May 21, 2009); Deng also promoted Zhao Ziyang’s “responsibility system,” which allowed peasants much more control over what kind of crops they planted and allowed for free-market sales of produce.

⁶ Seth Faison, “China after Deng: The Overview,” *The New York Times*, Feb. 20, 1997, A1.

more autonomy.⁷ These reforms, in addition to China's huge domestic market and cheap labor, helped increase foreign direct investment in China from \$1.26 billion in 1984 to \$37.7 billion in 1995, making it the second largest recipient of FDI behind the United States.⁸ The United States has consistently been one of the largest sources of investment, supplying an astounding 39 percent of all FDI going into China during the critical 1978 through 1982 phase.⁹

As a result of Deng's reforms, from 1990 to 2004, China's economy grew at an average of 9 to 10 percent, making it the world's fastest growing.¹⁰ Due to a tenfold increase in GDP since 1978, its economy is the second largest in the world – following the United States – in terms of purchasing power parity.¹¹ China is now referred to as the “workshop of the world” due to its preeminence in manufacturing. It produces well over half of all of the world's copiers, microwave ovens, DVD players, shoes, and much of its clothing.¹² Its goods can be found in great quantities in countries all over the world, especially in the U. S., which receives roughly 21% of all Chinese exports¹³

⁷ Yehua Dennis Wei, *Regional Development in China. States, Globalization, and Inequality*, (London: Routledge, 2000), 186-87.

⁸ Yehua 113, 115.

⁹ Yong and Fei-Ling 208.

¹⁰ U.S. State Department, *Background Note: China* (Washington D.C.: January 2009), <http://www.state.gov/r/pa/ei/bgn/18902.htm> (accessed May 21, 2009).

¹¹ U.S. Central Intelligence Agency, *The World Factbook: China*.

¹² Fareed Zakaria, “Special Report: Does the Future Belong to China?,” *Newsweek*, May 9, 2005, 26.

¹³ U.S. Central Intelligence Agency, *The World Factbook: China*.

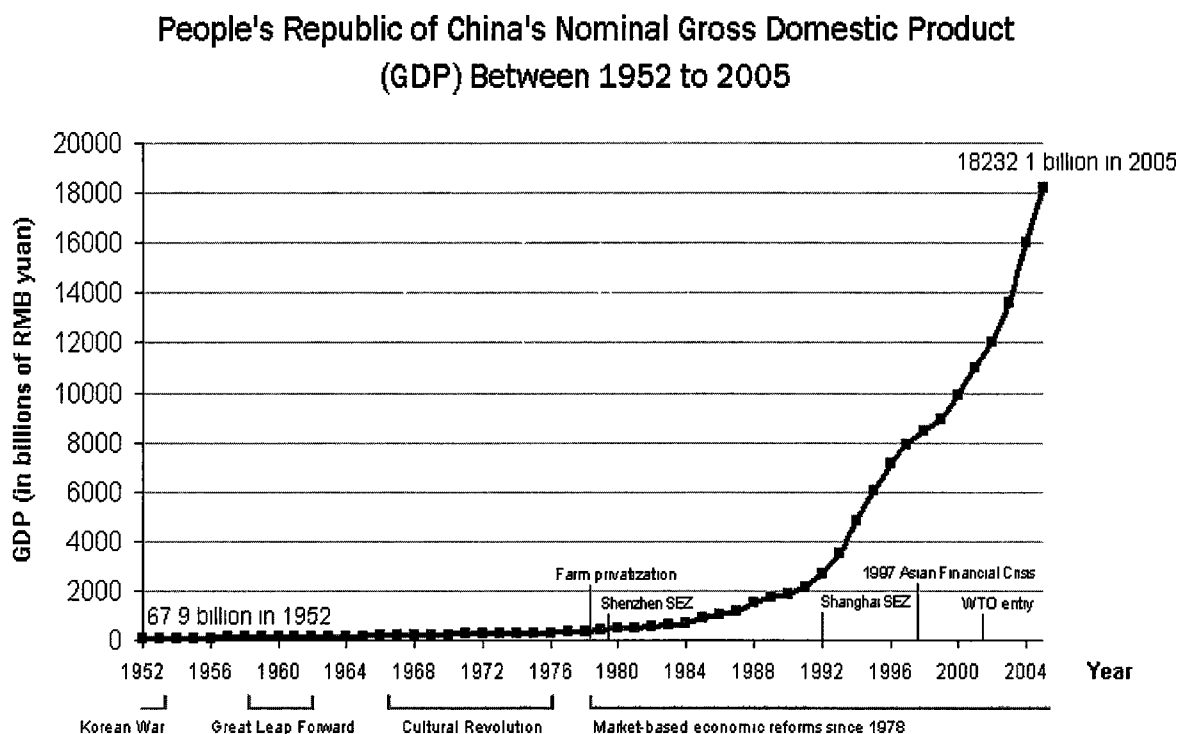


Figure 1.1. People's Republic of China's GDP Between 1952-2005.

The current global economic crisis is understandably taking a toll on China's export-driven economy. The final quarter of 2008 saw growth of only 6.8 percent, helping to bring the figure for the full year down to 9.0 percent.¹⁴ When demand in overseas markets plummeted, thousands of Chinese factories were forced to close, putting millions of Chinese – especially rural Chinese – out of work, adding to a previously-existing climate of civil unrest.

Growing Domestic Unrest

While it is not hard to be impressed by the economic transformation of post-Mao China, its economic successes not only reveal deep societal fissures; it is indeed the root

¹⁴ "Asia's Economies Reeling as Exports Evaporate," *Agence France Presse*, January 22, 2009, <http://www.zimbio.com/AFP+Business/articles/2606/Asia+economies+reeling+exports+evaporate>. (accessed June 5, 2009).

cause of many of them. Over the past quarter-century, while the income of the average Chinese citizen has more than quadrupled and 300 million of China's citizens have been lifted out of poverty, an equal amount of Chinese citizenry still remain desperately poor, a figure roughly equal to the population of the United States,¹⁵ and over 150 million Chinese live on less than a dollar a day.¹⁶ China's flirtations with a market economy have also been accompanied by the gradual dismantling of what is considered one of the most marked characteristics of communist societies – the welfare state, along with its social safety net and guarantee that basic human needs will be met by the state, if necessary. The vast majority of those who have benefited from China's improving economic performance live in the more developed eastern and coastal parts of the country, while in the rural areas, home to 800 million to 900 million people and where the fruits of a soaring GDP have not been as pronounced, the unemployment rate was estimated in 2005 to be well over 30%¹⁷ (The recent economic downturn will help to increase this figure; it is estimated by China's National Bureau of Statistics that as many as 6 million rural Chinese have lost their factory jobs in the cities due to shrinking global export demand.)¹⁸

Uneven economic development has been the major factor in making China the most socio-economically unequal nation in Asia, as recently asserted in a United Nations report.¹⁹ The disparity of wealth is so great that the country's statistical measure of inequality – known as the “Gini Coefficient” – is past the point that is considered a

¹⁵ Katel.

¹⁶ U.S. State Department, *Background Note: China*

¹⁷ Katel.

¹⁸ “World Crisis Deepens as Downturn Hits China,” *Agence France Presse*, January 22, 2009.

¹⁹ United Nations Development Programme, *UN Country Team China: Common Country Assessment 2004*, Khalid Malik, United Nations Resident Coordinator/ UNDP Resident Representative in China (Beijing: 2004), 4. <http://www.un.org.cn/public/resource/7958894aaf56162428f433093ea3757b.pdf>.

threshold of social unrest.²⁰ Making the matter worse is the fact that, prior to the post-Mao economic development, China was much more of an egalitarian society, albeit a very poor one; now the disparity in wealth in modern China is increasingly evident for all to see.

The government is highly alarmed over the growing frequency of public protests and other “public-order disturbances” and “mass incidents” that are being held in virtually all parts of China but are most frequent and pronounced in the rural areas. According to Chinese police records, there were 58,000 mass protests in 2003 in which 300 million Chinese citizens participated; in 2004, 74,000 such protests were recorded; in 2005, the figure had increased by almost 7 percent to 87,000²¹ (Not accounted for in these figures are the smaller protests, strikes, and drives to petition the government for various grievances that occur virtually every day.)

In recent years, the major catalyst for rural protests has been land seizure by corrupt local officials. Because China’s economy has moved from being primarily rural and agricultural to industrial in less than 20 years, farmers are the hardest hit; it is estimated that 40 million lose their land every year, the vast majority of which is taken for real estate development, factories, or highways, with little or no compensation to the owners.²² Protests over land seizures have often turned violent and many have required a robust police presence to help keep the peace. Other causes of frustration among rural

²⁰ United Nations Development Program, *Launch of the China Human Development Report 2005*, Khalid Malik, United Nations Resident Coordinator/ UNDP Resident Representative in China (Beijing: December 16, 2005).
<http://www.undp.org.cn/modules.php?op=modload&name=News&file=article&catid=13&topic=40&s1d=236&mode=thread&order=0&thold=0> (accessed June 5, 2009).

²¹ Katel; Tracy Quek, “China Hit by Rise in Social Disturbances,” *The Straits Times* (Singapore), January 20, 2006.

²² Lawrence Brahm, “Anatomy of a Farmer’s Protest,” *South China Morning Post*, February 7, 2006 Tuesday, News; p. 15.

Chinese include growing industrial pollution, government corruption, and access to healthcare.

Driven by such grim circumstances, many rural poor have sought work in the cities, where it is estimated that approximately 200 million work in the factories in the large employment-rich cities such as Beijing and Shanghai in order to support their families in the country, a figure that is expected to double by 2015. A major problem for migrant workers is a lack of rights to housing and education due to strict urban regulations²³

Growing inequality is also becoming a disturbing characteristic of urban life as well. According to a 2006 study by the PRC's National Development and Reform Commission, the poorest 20% of urban Chinese earned less than 3% of all urban income, while the richest 10% owned or controlled 45% of urban assets; the poorest 10%, in contrast, owned only 1.4%.²⁴ With over 2 million people entering the job market each year, job creation is lagging behind demand.²⁵

The slowdown in the Chinese economy due to global recession has exacerbated all of these problems and increased the frequency of protests and strikes among rural and urban Chinese alike. Beginning in the waning months of 2008, protests have increased among laid-off factory workers and others upset over working conditions and salaries.²⁶ In some cases, managers of recently-closed factories have fled abroad, leaving workers

²³ "Focus: China 2006 Legislative Session to Zoom in on Rural Issues," *Japan Economic Newswire*, March 3, 2006, <http://www.lexisnexis.com.libproxy.txstate.edu/us/lnacademic/search/homesubmitForm.doc> (accessed June 5, 2009).

²⁴ "China Frets over Widening Income Disparity; Gap Fuels Unrest in Workers' Paradise," *The Globe and Mail* (Canada), February 9, 2006, International News, A1.

²⁵ Brahm.

²⁶ "Shanghai Factory Protest Enters Third Day," *Associated Press Financial Wire*, December 10, 2008.

unemployed and owed back pay.²⁷ Middle-class workers, such as teachers and even police employees, have been involved in recent – and sometimes violent – protests over what they see as inadequate pay.²⁸ Especially alarming to the government is the prospect of “better-organised” mass protests and strikes that occur within days of each other in two or more provinces and appear to be connected.²⁹ To date, most incidents have been localized and relatively easy to contain; however, two high-profile mass-strikes have occurred recently that demonstrate the ability for disgruntled citizens and workers to unite across provincial lines. One involved mass strikes by taxi drivers in eight provinces in November of 2008;³⁰ the other was led by construction workers who blocked major traffic routes in six cities in six different provinces in January of 2009.³¹ Adding to the volatile environment is the growing use of the internet by an increasing number of Chinese “netizens” who are able to spread “propaganda” and possibly organize strikes and protests online.³²

The specter of civil unrest presents the ruling CCP with a serious problem. The party’s major supporters in recent years appear to be the urban elite and the modest emerging middle class – those who have benefited the most from economic development and who see the CCP as the best hope for continuing prosperity. It is the rural and urban poor, disenfranchised and angry while watching others prosper, that the party must justify

²⁷ “1,000 Chinese Workers Protest Over Unpaid Wages: Rights Group,” *Agence France Presse*, October 2008.

²⁸ “Teachers in South China Protest over Pay,” *Agence France Presse*, Jan 5, 2009; “100 Police Staff Protest over Pay: Rights Group,” *Agence France Presse*, Dec. 3, 2008.

²⁹ Ivan Zhai, “Protests in Wake of Financial Crisis will be ‘Better Organised,’” *South China Morning Post*, Jan 17, 2009, News, p. 4.; O’Brien, Chris, “Economy Protests Worry Beijing; Communists Face Challenge,” *The Washington Times*, November 28, 2008, AO1, 1.

³⁰ John Garnault, “Democracy or Disarray? China’s Taxi Drivers Protest and it Makes the News,” *The Age* (Melbourne, Australia), Nov 27, 2008, International News, 12.

³¹ “Workers Protest over Unpaid Wages in Chinese Cities; Watchdog,” *Japan Economic Newswire*, International News, Jan 16, 2009.

³² Marianne Barriaux, “China Wary about the Power of Netizens in 2009: Analysts,” *Agence France Presse*, Jan 14, 2009.

itself to by extending to them more of the fruits of China's economic successes. Indeed, the party's very monopoly over political power may be at stake. Well aware of this, the CCP knows that China must sustain a high economic growth rate both to satisfy its major constituents who have "come to expect steadily rising incomes" and lift hundreds of millions out of poverty.³³

In order to help protect the Chinese economy from further deterioration and to help spur growth, China announced in November of last year a two-year economic stimulus package of \$586 billion – described as "China's version of America's New Deal" – that would include tax cuts and "a loosening of credit" as well as investment in "low-income housing, rural infrastructure, water, electricity, transportation, environmental protection, technological innovation and rebuilding from several disasters" such as the earthquake of May 2008.³⁴ (Such measures are an addition to previous steps taken to strengthen the economy that included "interest-rate cuts, tax rebates for exporters and reduction of reserve requirements" so banks could more readily lend money.)³⁵

Well aware of the need to help placate the approximately 750 million farmers and 200 million rural migrant workers, especially in the face of the economic downturn, the Chinese government appears to have designed the stimulus package to benefit them and increase their incomes.³⁶ The plan, which calls for huge infrastructure projects until the

³³ Scott McDonald, "China Announces 586 Billion Stimulus Plan," *Associated Press Financial Wire*, November 10, 2008, <http://www.lexisnexis.com.libproxy.txstate.edu/us/lnacademic/results/docview/docview.do?docLinkInd=true&risb=21> (accessed June 5, 2009).

³⁴ Don Lee, "China's Stimulus Sets High Bar, The \$586-Billion Lift Should Help the World Economy, Experts Say," *Los Angeles Times*, Nov 10, 2008, Main News, Business Desk, A1; "China's Economic Planners Explain Economic Stimulus Measures," *Xinhua General News Service*, Dec. 9, 2008, Domestic News, Economic.

³⁵ Lee.

³⁶ Li Baojie and Huang Xin, "Focus on Growth Quality Rather than on Pure GDP, Officials, Experts Say," *Xinhua General News Service*, Dec. 12, 2008, Domestic News, Economic.

year 2020, “promises to carry the modernity of China’s coasts deep into the hinterlands” of rural China, a move that will, according to Keith Bradsher of the New York Times, “[prime] China for a new level of global competition.”³⁷

Forecasts for China’s economic growth in 2009 tend to vary, from 6 percent according to some international research institutes to over 9 percent by Chinese state sources. (The Chinese Academy of Social Sciences has forecast 9.3 percent growth.)³⁸ The World Bank estimated in late November of 2008 that the figure will be closer to 7.5 percent, which is still two to three times that of Western economies.³⁹ However, as Chinese Premier Wen Jiabao stressed at the recent World Economic Forum in Davos, Switzerland, a rate of 8 percent is necessary in order to stop China’s growing social discontent from “boiling over.”⁴⁰ Although Wen admits that achieving such a rate in 2009 is “a tall order,” he is confident that it “can be managed through hard work.”⁴¹ Any nation’s economic growth is undoubtedly dependent upon energy; a country with China’s population and impressive rate of growth must understandably consume vast and growing amounts of it.

Energy Consumption and Oil Importation

China is currently the second-largest consumer of energy in the world, second to the United States, and the third largest producer of energy after the United States and

³⁷ Don Lee and Keith Bradsher, “China’s Route Forward,” *The New York Times*, Jan. 23, 2009.

³⁸ “Nation’s Stimulus Package Constructive WB Chief,” *Chinadaily.com*, Dec 15, 2008, Global News Wire – Asia Africa Intelligence Wire.

³⁹ “China’s Stimulus Policies are Key for Growth in 2009 and Opportunity for More Rebalancing, Says World Bank,” *Thai Press Reports*, Nov 26, 2008.

⁴⁰ Neo Hui-Min, “China Confident of Getting Back onto Fast Track Growth,” *Agence France Presse*, Jan. 29, 2009.

⁴¹ Neo.

Russia.⁴² From 2001 to 2006, its overall energy consumption grew by 60%, comprising nearly half of the growth in global energy consumption for that period.⁴³

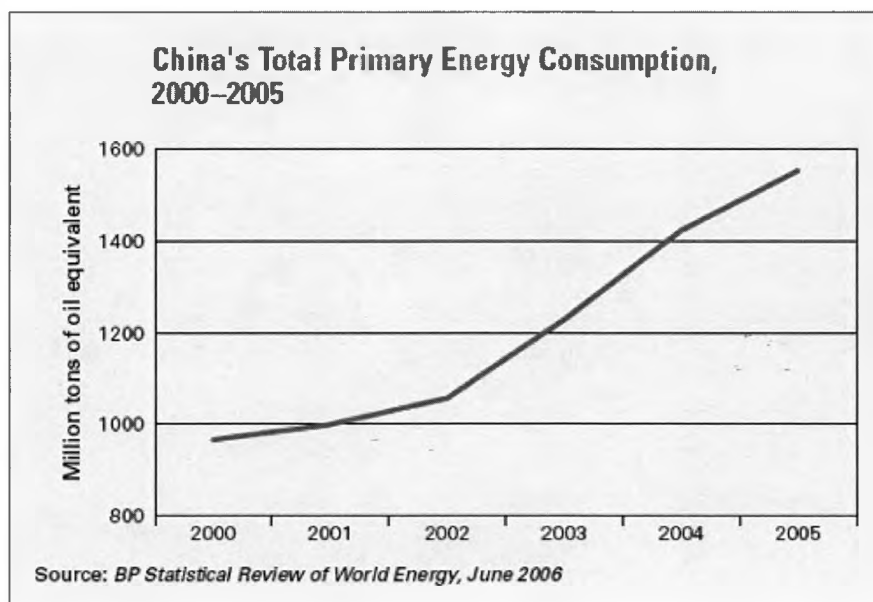


Figure 1.2. China's Total Primary Energy Consumption, 2000-2005.

The vast majority of China's energy needs are met by coal (70%), a figure that has been on the rise over the past five years after the relative decline in coal consumption that was seen during the last few years of the 1990's.⁴⁴ Since 2002, there has been a 46% increase in coal consumption, a direct result of the growing Chinese economy.⁴⁵ Because of the environmental impact of coal, however, the Chinese government desires to replace

⁴² U.S. State Department, "Background Note: China," <http://www.state.gov/r/pa/ei/bgn/18902.htm>

⁴³ British Petroleum Global, *BP Statistical Review of World Energy 2007*, by Christof Rühl (June 12, 2007), http://www.bp.com/liveassets/bp_internet/bp_korea/bp_korea_korean/STAGING/local_assets/downloads_pdfs/b/bp_Statistical_Review_of_World_Energy_report_2007_christof_ruhl_speech_and_slides.pdf (accessed May 19, 2009).

⁴⁴ U.S. Energy Information Administration, *EIA Country Analysis Briefs: China* (Washington, D.C.: August 2006, <http://www.eia.doe.gov/emeu/cabs/China/pdf.pdf> (accessed June 5, 2009).

⁴⁵ Ibid.

some of its use with cleaner alternatives. Natural gas, although historically not widely used in China, is making a meager but growing contribution. However, in 2004, natural gas accounted for only 3% of China's total energy consumption, hampered by a lack of a comprehensive national system to regulate prices and taxation and by a fragmented system of pipelines and distribution networks.⁴⁶ Although hydroelectric energy is making a modest contribution to China's overall energy consumption (currently at 6%), there are obvious physical limitations to its potential as a major source.⁴⁷ Nuclear and renewable sources combined account for less than 2% of China total energy consumption.⁴⁸

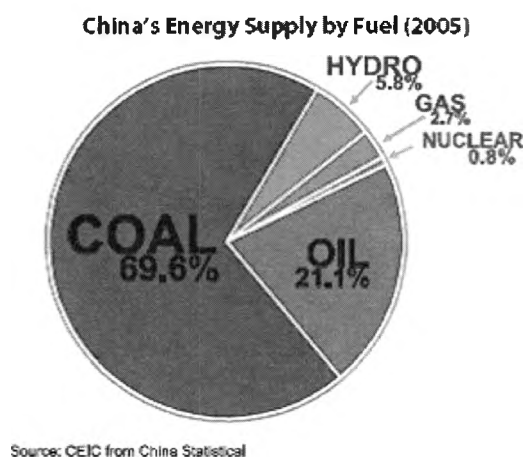


Figure 1.3. China's Energy Supply by Fuel (2005).

Oil, which is slightly more clean-burning than coal, currently accounts for approximately 22% of China's total energy demand.⁴⁹ As is true of China's total energy

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

consumption, industry accounts for the majority of oil use, although transportation, which has accounted for over 42% of the growth in oil consumption since the mid 1990's, is an increasingly important factor.⁵⁰ From 2001 to 2006, the total number of motor vehicles on the road in China doubled, driven in part by the increasing ownership of passenger cars,⁵¹ a trend that has increased steadily with the growth of China's GDP. (Although demand for cars is expected to decline somewhat for "a year or two" due to the economic downturn, the future of China's car market, according to international assessments, "remains bright.")⁵² Petrochemical production and power generation have also played a growing part in petroleum demand.⁵³

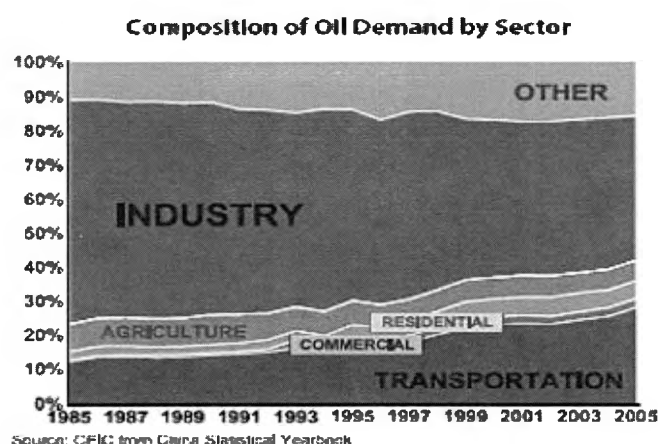


Figure 1.4. Composition of Oil Demand by Sector.

⁵⁰ Daniel H. Rosen, *China Energy: A Guide for the Perplexed*, The Center for Strategic and International Studies and the Pearson Institute for International Economics, May 2007, 19, <http://www.iie.com/publications/papers/rosen0507.pdf> (accessed June 5, 2009).

⁵¹ Ibid.

⁵² "China: Automotive: Tougher Road Ahead: A Sputtering Economy is Forcing China's Car Makers to Line Up for Government Help," *The Economist*, Country Monitor – Main Report, February 2, 2009.

⁵³ Rosen 19.

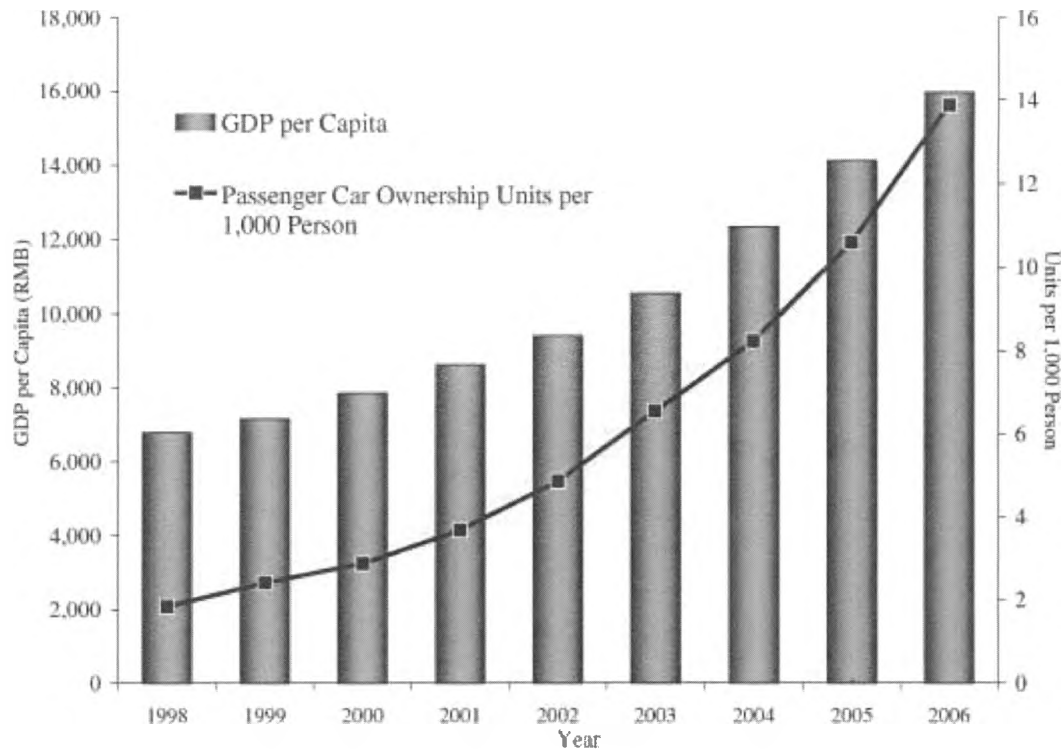


Figure 1.5. Growth in Chinese Car Ownership 1998-2005.

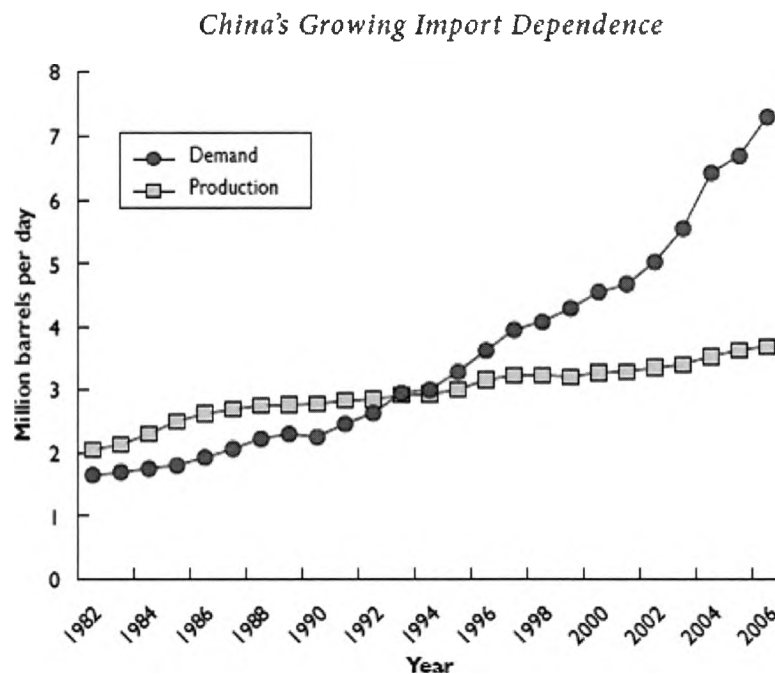
Although China meets over 90% its total energy demand with domestic supplies, it imports nearly half of its oil. With its sizable oil reserves, China was self-sufficient until 1993, the year it became a net oil importer. Its annual importation of oil grew from 22.8 million tons in 1996 to 122.7 million tons in 2004, accounting for more than 40% of the growth of the global demand for oil from 2001 to 2005.⁵⁴

Prior to the recent slowdown in the economic growth, China's domestic oil consumption was projected to grow by an average of 7% a year.⁵⁵ Though Chinese refineries produced record amounts of fuel in 2008, projections for 2009 and beyond, due

⁵⁴ United States Senate, *Capital Hill Hearing Testimony: Energy Trends in China and India*, Senate Foreign Relations Committee, Congressional Quarterly Transcription, July 26, 2005, (Washington D.C.: 2005), 4.

⁵⁵ Matthew Forney, "China's Quest for Oil," *Time Magazine*, Oct. 18, 2004, <http://www.time.com/time/magazine/article/0,9171,501041025-725174,00.html>, (accessed June 5, 2009).

to decreased demand, are expected to be down slightly until the Chinese economy improves.⁵⁶



Source: "World Energy Statistics and Balances 2007," International Energy Agency ~ <http://www.iea.org>; data from China's National Bureau of Statistics and the China Petroleum and Chemical Industry Association provided by CEIC statistical service accessed through ISI Emerging Markets, 2007; and author's calculations.

Figure 1.6. China's Growing Import Dependence.

In the mid-1990's, China relied on three countries for almost 70% of its imported oil – Oman, Yemen, and Indonesia, with Oman and Indonesia accounting for approximately half of its total imports.⁵⁷ The Chinese government has recognized the need for mitigating the risk of being such a large net importer of oil by diversifying and multiplying its sources of crude. By 2004, Saudi Arabia, Sudan, Iran, Angola, and Russia had become major sources (with Saudi Arabia accounting for the largest amount –

⁵⁶ "China's Oil Demand in December Expected to Decline," *Asia Pulse*, Jan 26, 2009, Nationwide International News.

⁵⁷ United States Senate, *Capital Hill Hearing Testimony: Energy Trends in China and India*, 2.

16%),⁵⁸ helping reduce the impact on the Chinese economy of losing the supply of oil from one (or more) of its source countries and helping to ensure uninterrupted petroleum supplies.

China's petroleum consumption is increasingly driving its foreign policy. The imperative by Beijing to sustain strong economic growth has added a sense of desperation to China's effort to secure global oil supplies. "From the Chinese oil companies' point of view, there's a sense that [they're] late comers [on the international oil scene]." Since many of the world's oil reserves are under the control of Western oil companies, their Chinese counterparts "feel that there's not that much left. So whatever [they] can do to get deals [they'll] do."⁵⁹ As a result, China's state-owned oil companies, China National Petroleum Corporation (CNPC), China National Offshore Oil Corporation (CNOC), and China Petrochemical Corporation (Sinopec) have been seeking supplies of oil virtually wherever they can, and "no oil-rich country is too dangerous or remote for exploration, and no regime too corrupt or unsavory for a contract."⁶⁰

Since the United States is by far the world's largest consumer of oil, accounting for approximately a quarter of global annual oil consumption, the growth of China's petroleum imports has been causing concern for U.S. policymakers. Increasingly, China is seeking and obtaining vast amounts of oil from countries that are preeminent U.S. suppliers, raising questions concerning the ability of big petroleum exporting states to meet the combined appetite of Sino-American oil consumption at affordable prices. Other important Chinese suppliers are states with which the U.S. has very poor relations,

⁵⁸ Ibid., 3.

⁵⁹ Kari Huus, "In China's Oil Quest, No Deal is Too Unsavory: Beijing Targets all Crude Producers, Even the Global Pariahs," *MSNBC*, May 4, 2006, <http://www.msnbc.msn.com/id/12501039> (accessed June 5, 2009).

⁶⁰ Ibid.

some of which are targets of U.S.-led sanctions or other initiatives intended to isolate what are seen as corrupt and dangerous rogue regimes with horrible human rights records; increasing Chinese relations with such countries are seen as “complicating” U.S. foreign policy objectives.

Of course, the problems that China’s increasing oil importation may pose to U.S. interests are not the only factors that have the potential to complicate future Sino-American relations. Although relations between the two nations have been improving in recent years, diplomatic friction between the two nations is already exacerbated by other factors. Trade issues, China’s growing military, its growing influence in Asia and the rest of the world, issues of human rights, weapons proliferation, and the ongoing China-Taiwan-U.S. situation are also major factors that have helped add mistrust and suspicion to an already volatile mix; increasing Chinese oil consumption appears to only help threaten to further jeopardize the possibility of a cooperative and constructive future Sino-American relationship.

CHAPTER II

SINO-AMERICAN RELATIONS

In a June 2005 article for the Washington Post, former Secretary of State Henry Kissinger characterized the relationship between the U.S. and China as one “beset by ambiguity.”¹ Such opacity in Sino-American relations, caused by the multitude of uncertainties concerning the future of the Sino-American relationship, has been a source of anxiety for both sides. Many U.S. government officials, including former President Bush, have asserted that Sino-American relations are at their best ever, yet there remains a certain amount of uneasiness and, in some cases, outright suspicion in the United States concerning the implications of China’s growing economic power and subsequent influence around the globe.² Debate among American policymakers and scholars alike has centered around China’s foreign policy intentions; is China a “status quo” power that is satisfied operating within the framework of the current American-led international system, or is it a “revisionist” power that seeks to change the current global distribution of power, through force if necessary? For many in China, partly as a result of its history of domination by foreign powers, the suspicion that the United States seeks to “contain” its rise as a global power continues to influence Beijing’s perception of international relations and geopolitical events.

¹ Henry A. Kissinger, “China: Why Containment Won’t Work,” *The Washington Post*, June 13, 2005, http://www.washingtonpost.com/wp-dyn/content/article/2005/06/12/AR2005061201533_pf.html (accessed May 25, 2009)

² “A New China Rises,” *Time Magazine*, June 19, 2005, <http://www.time.com/time/magazine/article/0,9171,1074133,00.html> (accessed May 25, 2009); Kissinger.

The road to the “normalization” of relations between the United States and China is viewed as beginning in 1972, when President Nixon made his historic first trip to the PRC and held meetings with Mao Zedong, after which China began to import high-tech goods from the United States, although official diplomatic and trade relations were not established until 1979. (Prior to that, the official position of the U.S. was to recognize Taiwan (the Republic of China – ROC) as the legitimate government of China, with the initial hope that it would one day regain control of the mainland.) As relations between the Soviet Union and China began to sour during the waning decades of the Cold War, China began to be viewed as a strategic partner, although not quite an ally, of the United States against what were seen as the U.S.S.R.’s expansionist goals.

At the end of the Cold War, however, the dissolution of the Soviet Union left China as the last major Communist power, resulting in China’s de facto inheritance of the role of the “evil empire” in the eyes of many American scholars, politicians, and policy analysts due to disagreements over human rights, trade deficits, arms proliferation, and the uneasy triangular relationship between China, the U.S., and Taiwan, among other issues. Although President Clinton attempted to form a new partnership with China during his second term, the beginning of the Bush administration saw China redefined as a “strategic competitor” and a potential security threat, a position that was radically changed by the attacks of September 11 and the subsequent shift in American foreign policy priorities.³

³ “Bush Reassures China,” *BBC News*, March 23, 2001, <http://news.bbc.co.uk/1/hi/world/asia-pacific/1236923.stm> (accessed May 25, 2009).

International Relations Theory, Hegemony, and the “China Threat”

Mainstream international relations theory, as it relates to the rise of emerging powers such as China, is applicable using three major perspectives: realism, liberalism, and constructivism, all three of which depend upon the identification of “causal mechanisms” (factors or sets of forces), positive or negative, that contribute, at least theoretically, to how international relations will develop in the future. What is known as the realist perspective views foreign policy intentions and behavior in terms of a “zero-sum” power struggle, in which nations seek security and survival by maximizing their power through economic and military means, while at the same time seeking to undermine the relative power of other states.⁴ China’s intentions, according to this view, can be understood by its place within the hierarchy of the international system that was brought about by the end of the Cold War. The notion of the United States as the single hegemonic power of the post-Soviet global hierarchy is virtually accepted as fact by political theorists. Scholars and geopolitical analysts have asserted that the U.S. is “the unchallenged superpower,” “the only country with the military, diplomatic, political, and economic assets to be a decisive player in any conflict, in whatever part of the world it chooses to involve itself.”⁵

Because the realist perspective contends that the structure of the international hierarchy determines the behavior of the states that exist within it, a rising power like China should, with the goal of maximizing its security and survival, seek to increase its power through economic and military means by ultimately challenging and seeking to

⁴ Suisheng Zhao, *Chinese Foreign Policy Pragmatism and Strategic Behavior* (Armonk, N.Y.: M.E. Sharpe, 2004), 24; Yong Deng and Fei-Ling Wang, eds., *China Rising: Power and Motivation in Chinese Foreign Policy* (Lanham, MD: Rowman and Littlefield, 2005), 51.

⁵ Charles Krauthammer, “The Unipolar Moment,” *The National Interest* 70, no. 1 (1991): 23, 24.

weaken more powerful states and ultimately the power of hegemons such as the United States.⁶ Analysis of China's foreign policy as seen through the lens of such a theory would ascribe an inherently threatening nature to the rise of China and to the assumed challenges to United States hegemony that would result. It is exactly such a view that drives what is known as the "China threat" theory that has been prevalent in recent years among many within the United States government, the American scholarly community, and among other analysts of Sino-American relations.

The liberal perspective on the rise of China is much less alarmist; it contends that a reform-minded China that is experiencing rapid economic development will one day be transformed into a liberal and civil society. According to this perspective, a growing Chinese middle class will naturally strive for more political freedom and more of a say in the political decision making process, which will have a moderating influence on China's political system and create the foundations for the eventual realization of democracy.⁷ Other East Asian nations, including Taiwan and South Korea, are often used as examples to demonstrate how political liberalization and democratization can be a by-product of economic growth and the growth of the middle class.⁸

Supporters of the liberal view often use "the theory of democratic peace" to assert that the international community has nothing to fear from a rising China that is slowly democratizing, noting that democracies generally do not go to war against other democracies due to constitutional restraints, transparency in diplomacy and

⁶ Shuisheng 24.

⁷ Kenneth Lieberthal, "A New China Strategy: The Challenge," *Foreign Affairs* 74, No. 6 (Nov. - Dec., 1995): 36-37.

⁸ Shuisheng 66.

communication, relatively more peaceful approaches to conflict resolution, and general shared democratic principles and ideals⁹

Moreover, the liberal perspective contends that the extensive economic ties that China shares with an ever-increasing number of nations and the subsequent interdependence that they create will virtually dictate that China will not be a military threat to other states. The “strong economic linkages” and “flows of investment” that China shares with many states will serve “to make military conflict all the more costly” for China. (In other words, China will not commit acts of aggression against other states if such moves are counter to its own economic interests).

A constructivist perspective holds that international relations are “socially constructed” by subjective factors – beliefs and ideas, held individually or collectively – that influence people to interpret political phenomena and events in particular ways.¹⁰ Constructivists group such ideas into three main categories: “identities” (collective self perceptions); “strategic cultures” (beliefs about the character of international politics and the about the best ways of managing it); and “norms” (beliefs about what is effective and appropriate in international relations), all of which are heavily influenced by a society’s shared historical experiences.¹¹ These historically-influenced beliefs and ideas can be seen as “biases” that affect how a nation views the character of – and thus the motives and actions of – another nation. Sino-American relations are deeply affected by each side’s vastly different shared historical experiences. For the United States, the experience of being a rival hegemonic power to the communist Soviet Union understandably

⁹ Ibid., 31, 32.

¹⁰ Aaron L. Friedberg, “The Future of U.S.-China Relations; Is Conflict Inevitable?,” *International Security* 30, no. 2 (Fall 2005): 34.

¹¹ Ibid.

influences many Americans to view the rise of China with suspicion. Indeed, the prospect of another Cold War with a new hegemonic communist power is arguably the main force behind the development of the “China Threat” theory. In accordance with this line of thinking, American foreign policy should be focused on “containing” China, with an emphasis on military might.

For the Chinese, the collective memory of domination by foreign powers and the subsequent sense of humiliation and shame that exists to a certain extent in the Chinese national psyche is the major factor influencing the perception of the character and motive of the United States. The sense of Chinese greatness that is perceived as having existed prior to foreign control, and the sense of nationalism that is in part a product of this memory, also exerts great influence over how the Chinese view their rightful place in the world, which in turn affects to a pronounced extent China’s drive for sovereignty, economic prosperity, and international status and prestige. To many Chinese, the United States desires to impede China’s rise and prevent her from attaining her former glory.

Regardless of the theoretical perspective one chooses to employ, it is understandable that the aggregate existence of negative factors (or sets of factors) affecting the Sino-American relationship, if not balanced or exceeded by positive ones, may contribute, at least theoretically, to the “deterioration” of relations that may lead towards “increasingly open competition and perhaps even war.”¹²

The general outlook for relations with the PRC at the beginning of the second term of the Bush administration was one of increasing concern. A number of U.S. House and Senate committee and subcommittee hearings outlined several seemingly aligned negative factors that appeared to point to a diplomatic showdown at best or, at worst,

¹² Ibid., 7.

perhaps even a Sino-American military conflict if not diffused through carefully crafted bilateral negotiation and/or by mediation through international governmental and nongovernmental organizations. Almost all of these factors, including trade issues, China's growing military, the PRC's increasing influence around the globe, the ongoing China-Taiwan-U.S. triangular relationship, and China's growing energy appetite continue to be major forces influencing the future of Sino-American relations. An examination of some of them should provide a deeper understanding of the prospect for positive future Sino-American relations.

Trade Issues

Due to the preponderance in America of Chinese made goods, economic and trade issues are easily the most visible aspect of Sino-American relations. China is the United States' second largest trading partner; in 2007, trade between the two nations accounted for \$386 billion.¹³ While China's economy benefits substantially from exporting its goods to the U.S., the enormous growing U.S. deficit that has resulted from uneven trade stood in 2007 at \$256.3 billion.¹⁴ China has generally been unwilling to "float" its currency, the renminbi (more commonly referred to as the yuan), choosing instead to keep its value artificially low, which helps keep Chinese goods artificially cheap and thus more competitive and, consequently, makes it more difficult for American manufacturers to compete. Due in part to unrelenting pressure from the U.S., which raises the issue of currency valuation at virtually every opportunity, the Chinese government announced in July of 2005 that it would allow the yuan to be valued against several other major currencies, a move that allowed the yuan's value to appreciate slightly, but not enough to

¹³ U.S. State Department, "Background Note: China," <http://www.state.gov/r/pa/ei/bgn/18902.htm>

¹⁴ Ibid.

pacify China watchers in the U.S. Congress and keep them from proposing legislation to raise U.S. tariffs on Chinese imports¹⁵ With the advent of the Obama administration, the issue of currency valuation has again come to the fore. In October of 2008, then-candidate Obama asserted that “the massive current account surpluses accumulated by China are directly related to its manipulation of its currency’s value, and current treasury secretary Tim Geithner has been quick to support that assertion (and add that such a practice is in “violation of international law”), despite Chinese claims to the contrary.”¹⁶

In order to combat what is seen as unfair Chinese trade subsidies, the U.S. Department of Commerce unveiled its decision in March of 2007 to apply “countervailing duties” against Chinese paper companies whose exports to the U.S. had risen 177% from 2005 to 2006, a move that led to the speculation that similar measures might be taken against textile, plastic, and steel companies and other Chinese industries that are enjoying what are perceived as unfair trade advantages.¹⁷ In typical fashion, this has evoked sharp criticism from the Chinese government and raised the possibility of retaliatory measures against the U.S.¹⁸

Another trade issue that has complicated Sino-American relations is Beijing’s seeming reluctance to enforce U.S. intellectual property rights. It is estimated that the piracy rate of American products in China is 90%, a figure that is estimated by the U.S. Chamber of Congress to cost the American economy \$200 to \$250 million in annual

¹⁵ U.S. Congressional Research Service. CRS Report for Congress - China-U.S. Relations: Current Issues and Implications for U.S. Policy (RL32804; March 17, 2008), Kerry Dumbaugh, 9.

¹⁶ “China Hits Out at Obama Claims on Currency Manipulation,” *Agence France Presse*, October 30, 2008; Kerry Stirton, “Team Obama Takes on U.S.-China Trade Imbalance: A Shifting and Uncertain Battlefield Develops as the Incoming Treasury Secretary Accuses the Chinese of ‘Currency Manipulation,’” *The Globe and Mail* (Canada), January 30, 2009, A11.

¹⁷ CRS Report for Congress - China-US Relations Current Issues and Implications for U.S. Policy, 10.

¹⁸ Ibid.

global sales and to displace 750,000 American jobs.¹⁹ The failure of China to effectively prevent such piracy, which involves a myriad of industries including recording, publishing, film, electronics, automotive, software, chemicals, and pharmaceuticals, is in direct contravention of its obligations under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement that China agreed to as part of its accession to the World Trade Organization and has led the U.S. to threaten action against China in the WTO.²⁰

Any fears of a “trade war” between the U.S. and China have thus been assuaged by each nation’s willingness to address trade concerns through bilateral negotiations and, if necessary, through the proper WTO channels. In September of 2008, the China-U.S. Joint Commission on Commerce and Trade (JCCT) met for the 19th time in its 25-year history, resulting in agreements that included “beefed-up cooperation” with China on enforcing intellectual property rights.²¹ The ongoing Strategic Economic Dialogue (initiated in 2006) between economic representatives from both sides has also provided a means through which to resolve trade disputes.

As a result of WTO mediation, the U.S. decided against applying duties against Chinese paper imports.²² In September of 2008, China initiated a dispute at the WTO against countervailing duties imposed by the U.S. on steel pipes, industrial vehicle tires, and laminated woven sacks, measures that the U.S. International Trade Commission

¹⁹ U.S. China Has High Rate of U.S. Intellectual Property Rights Infringements, <http://usinfo.state.gov/usinfo/Archive/2005/Apr/29-580129.html>; U.S. Congress, *Testimony Before the US-China Economic and Security Review Commission*, Myron Brilliant Vice President, East Asia Affairs, United States Chamber of Commerce (Washington, D.C. June 7, 2006), http://www.uscc.gov/hearings/2006hearings/written_testimonies/06_06_07wrts/06_06_7_8_brilliant_myron.php (accessed May 25, 2009)

²⁰ “U.S. China Has High Rate of U.S. Intellectual Property Rights Infringements.”

²¹ Veronica Smith, “U.S., China Announce Agreements after Bilateral Trade Talks,” *Agence France Presse*, September 17, 2008.

²² “China Launches WTO trade Dispute against U.S. Over U.S. Steel Pipes, Tyres, Woven Sacks,” *Xinhua Financial Network News*, September 19, 2008.

(USTC) has contended were necessary in order to neutralize Chinese government subsidies to the products.²³ The United States has likewise sought mediation through the WTO, which ruled in December of 2008 that taxes imposed by China on imports of U.S. auto parts were a breach of the organization's rules.²⁴ In the same month, the U.S. initiated a case in protest of what is seen as numerous illegal subsidies to certain Chinese brand-name products that allow them to be sold at below-market value.²⁵

A December 2008 report to Congress by the Office of the U.S. Trade Representative (USTR) praised China's leadership "for an increased willingness to work constructively and cooperatively with Washington" to resolve trade issues – either through bilateral negotiation alone or through WTO mediation – and posited that "“significant progress”” on Sino-American trade relations ““is obtainable in 2009””²⁶ Chinese Foreign Ministry spokesman Qin Gang echoed this sentiment, predicting that the two nations will continue to resolve trade issues through “equal and friendly” dialogue.²⁷ However, the current global financial crisis may test the otherwise-improving Sino-American trade ties and threaten to affect broader bilateral relations. As the U.S. plunges deeper into recession and China's economic growth contracts, tensions between the two nations “are likely to intensify,” possibly threatening to “poison the US-China relationship in a manner that could have long-term deleterious consequences on many fronts,” according to a former head of the China division of the International Monetary

²³ Ibid.; “China Protests U.S. Import Duties at WTO: Report,” *Agence France Presse*, December 24, 2008.

²⁴ “WTO Confirms China's Breach of Trade Laws in Car Parts Case,” *Bernama, The Malaysian News Agency* (Kuala Lumpur, Malaysia), December 19, 2008.

²⁵ “China Urges U.S. to Prevent Trade Protectionism,” *The Associated Press*, December 23, 2008.

²⁶ “U.S.-China Trade Relations Improve Incrementally, Report Says; U.S. Trade Agency Concerned That Beijing May Retreat to Trade Restrictions,” *State Department Documents and Publications, News from America.com and the Washington File*, January 6, 2009.

²⁷ “China Calls for ‘Equal, Friendly’ Dialogue on Sino-US Trade Imbalances,” *BBC Monitoring Asia Pacific – Political*, November 6, 2008.

Fund.²⁸ A February 2009 article in *The Washington Post* asserted that Sino-American trade ties were “eroding” due to accusations of trade protectionism coming from both sides, with the U.S. rhetoric about China’s manipulation of its currency and illegal subsidies to Chinese exporters being met with China’s concern over the “Buy America” provision of the recently-passed U.S. economic stimulus package that would require the use of “U.S. iron, steel, and manufactured goods” in public works projects that are called for by the bill.²⁹ Mei Xinyu of the Chinese Commerce Ministry has contended that the financial crisis has “pushed the China-U.S. relationship to a flash point;” from “now on,” he states, “it will either become more stable or more confrontational.”³⁰

China’s Growing Military

Perhaps the most alarming trend among U.S. policy makers concerning Sino-American relations is China’s increasing investment in its military, a “‘continuing source of concern and interest’ for the world” according to U.S. officials.³¹ According to the PRC, from 1990 to 2005 China’s defense spending grew by an annual average of 9.6%.³² The increase in recent years has been higher; Beijing announced an increase of 19.47% in 2007, bringing total expenditures for that year to \$49.99 billion.³³ The U.S. Department of Defense estimates that actual spending may be at least twice the PRC official figures, increasing suspicion about China’s ultimate military intentions.

²⁸ P. Parameswaran, “US-China Tensions Rise Amid Financial Chaos: Experts,” *Agence France Presse*, February 18, 2009.

Ariana Eunjung Cha, “U.S.-China Trade Ties Erode Amid Accusations; Officials from Each Nation Complain of Protectionism,” *The Washington Post*, February 20, 2009, A18; Fran Wang, “China Expresses Deep concern Over US Trade Protectionism,” *Agence France Presse*, February 16, 2009.

³⁰ Cha 2009.

³¹ U.S. Office of the Secretary of Defense, *Annual Report to Congress:*

Military Power of the People’s Republic of China 2007, United States Department of Defense (Washington, D.C.: 2007), <http://www.defenselink.mil/pubs/pdfs/070523-China-Military-Power-final.pdf> (Accessed May 25, 2009).

³² Ibid.

³³ Ibid.

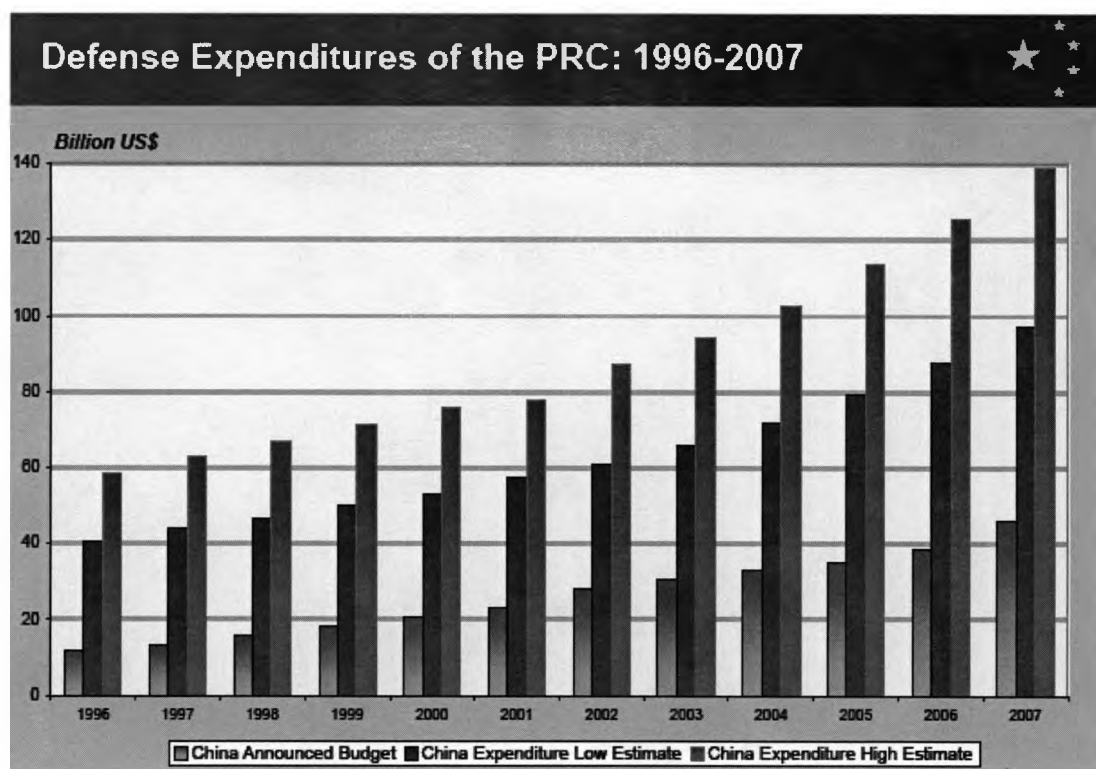


Figure 2.1. Defense Expenditures of the People’s Republic of China, 1996-2007.

The concern in Washington over these increases was summed by former Defense Secretary Donald Rumsfeld in 2005 when he pondered, “since no nation threatens China, why this growing investment?”³⁴ Partly in response to urging by U.S. officials for the PRC to allow for greater transparency of its growing military budget, Beijing has asserted that military spending as a percentage of China’s GNP has remained constant after adjusting for inflation and contends that, since China’s defense spending was relatively low during the post-Mao period from 1979 to 1989 – primarily due to Beijing’s intense focus on economic growth – the increase in military spending since then has been

³⁴ Thom Shanker, “Rumsfeld Issues a Sharp Rebuke to China on Arms,” *The New York Times*, June 4, 2005, <http://www.nytimes.com/2005/06/04/international/asia/04rumsfeld.html> (accessed May 25, 2009).

“compensatory in nature” and is “designed to enhance the originally weak defense foundation.”³⁵ Such assurances do not appear to allay American concerns.

The U.S. Department of Defense’s annual report on China’s military power indicates that China has vastly improved its military capabilities through a growing arsenal of increasingly advanced technological weapons systems, increased air and sea power, and the number and capability of its nuclear arsenal.³⁶ U. S. military planners and specialists are convinced that the majority of these improvements are focused on preventing any further movements toward independence by Taiwan and to complicate the intervention of forces by a “third party” – assumed to be the U.S. – should China feel the need to militarily enforce its claims over Taiwan.³⁷

U.S. Secretary of Defense Robert Gates stated in March 2007 that he did not “at [that] point see China as a strategic adversary” but made three main tenets concerning Sino-American military relations clear: that the U.S. “seeks to deter China from [military] aggression” and of the risks of “miscalculating American power and intentions;” that American military leaders “see China as a potential adversary but assert that open military conflict is not inevitable;” and that China’s military forces “are not capable of defeating the U.S. now with either conventional forces or nuclear weapons.”³⁸

That same month, Chinese Premier Wen Jiabao tried to allay concerns that China’s increased military spending signifies aggressive intentions, stating that “the Chinese nation knows fully well the tremendous sufferings of being enslaved and subject

³⁵ “China’s Defense Expenditure is Low Compared with Major Powers: White Paper,” *People’s Daily Online*, December, 26, 2006, http://english.peopledaily.com.cn/200612/29/eng20061229_336884.html (accessed May 25, 2009).

³⁶ Military Power of the People’s Republic of China 2007, 2-4.

³⁷ *Ibid.*

³⁸ Richard Halloran, “Wary Boxers in the Military Ring,” *South China Morning Post*, March 16, 2007, News, 17.

to foreign aggression” and that “we are most sincere in our commitment to peaceful development.”³⁹ In an address made by Wen to the 2007 annual session of the National People’s Congress, the premier asserted that China’s defense policy “is defensive in nature” and that the role nation’s military is “only to safeguard the country’s security, independence, and sovereignty,”⁴⁰

China’s space activities have added a new dimension the U.S.-China relationship. In 2003, China became the third country – after the U.S. and Russia – to send manned flights into space, an achievement that is reminiscent of the space race between the U.S. and the Soviet Union.⁴¹ The PRC’s anti-satellite test of January 2007, in which one of China’s own weather satellites was destroyed by a ground-based ballistic missile, raised concerns in Washington about the safety of American military or non-military communications satellites and about China’s stated peaceful intentions.⁴²

Since 2007, Sino-American military exchanges and joint exercises had been occurring on a fairly regular basis. However, following the October 2008 announcement in by the U.S. of a \$6.5 billion arms sale to Taiwan (the biggest U.S. arms sale package to Taiwan since 1982), Beijing broke off military exchanges in protest and threatened to halt exchanges in other fields.⁴³ A foreign ministry spokesman contended that the arms sale “endangered Chinese national security” and “poisoned the good atmosphere of military

³⁹ “China Wants New International Treaty on Peaceful Use of Space,” *The Press Trust of India*, March 16, 2007, www.lexisnexis.com.libproxy.txstate.edu/us/lnacademic/results/docview/docview.do?docLinkInd=true&risb=21 (accessed May 25, 2009).

⁴⁰ “Talks Can Help Build Trust,” *China Daily*, March 20, 2007, <http://www.china.org.cn/english/international/203586.htm> (accessed May 25, 2009).

⁴¹ *CRS Report for Congress - China-U.S. Relations. Current Issues and Implications for U.S. Policy*, 10.

⁴² *CRS Report for Congress - China-U.S. Relations. Current Issues and Implications for U.S. Policy*, 10; Shihoko Goto, “Analysis: U.S. Military Concerns for China,” *United Press International*, March 10, 2007.

⁴³ Pauline Jelinek and Matthew Lee, “China Cancels Military Contacts with U.S.,” *Associated Press Worldstream*, Washington Dateline, October 7, 2008; “U.S. to Blame for Damage to Bilateral Relations: Chinese FM,” *Xinhua General News Service*, October 7, 2008, Domestic News – Political.

relations” between the two nations, a situation for which the U.S. “should bear full responsibility.”⁴⁴ A government white paper issued by the CCP in January 2009 stated that the sale had done “serious harm” to bilateral relations between the two nations.⁴⁵ The U.S. has contended that the arms sale upholds the provisions of the Taiwan Relations Act, under which the U.S. sells military items to the island in order to allow it to maintain a sufficient level of self-defense.⁴⁶ As China’s military might continues to grow, the U.S. feels the need to try to maintain a balance of power between Taiwan and the mainland by increasing arms sales to the island.

The change of administration in the U.S. and the global financial crisis apparently provided China with impetus to change its mind concerning Sino-American military exchanges. Though the two sides held talks in late February of this year that were “more frank and more direct” than they had been in the past, the Chinese side was quick to point out that the talks “did not necessarily mean the formal resumption of military exchanges” and that “‘China-U.S. military relations still remain at a difficult period.’”⁴⁷ Chinese Major General Qian Lihua, Sedney’s counterpart in the talks, outlined “obstacles” to the development of stronger bilateral military ties that “have yet to be removed,” a reference to U.S. support for Taiwan.⁴⁸

Whatever enthusiasm for improved military relations that existed between the two sides was dampened somewhat by a March 8th naval incident in which an American surveillance ship was surrounded by five Chinese vessels. The American ship, in

⁴⁴ “U.S. to Blame for Damage to Bilateral Relations: Chinese FM.”

⁴⁵ Sim Chi Yen, “Beijing wants ‘Concrete Measures’ as Talks Resume; It Says Onus is on Washington to Improve Ties after Announcement of U.S. Arms Sale to Taiwan Angered the Chinese,” *The Straits Times* (Singapore), February 28, 2009, Asia-China.

⁴⁶ Jelenik 2008.

⁴⁷ “US, PRC Hold Military Talks,” *China Post*, March 4, 2009; Sim 2009.

⁴⁸ “US, PRC Hold Military Talks.”

international waters off the coast of southern China, was towing sonar equipment designed for use for use in anti-submarine warfare. After unsuccessful attempts by the Chinese side to get the American vessel to leave the area, one of the Chinese ships – apparently a naval vessel – came within 25 feet of the American ship, according to Pentagon officials, as Chinese sailors tried to snag the cables towing the equipment.⁴⁹ The U.S. lodged a formal complaint with Beijing, which denies the American version of events and holds that the area in which the incident occurred lies within a South China Sea “special economic exclusion zone” that extends 230 miles from the Chinese coastline.⁵⁰ The incident, occurring within the first two months of the inauguration of President Obama, is highly reminiscent of a 2001 incident in which a U.S. Navy surveillance aircraft in international airspace off the coast of China was involved in a midair collision with a Chinese jet-fighter that got too close. That episode, which took place within three months of the inauguration of the George W. Bush, which resulted in the 24-day detention of the American crew of the aircraft, was considered that administration’s first international crisis.⁵¹ Both incidents, taken from the point of view of a Chinese government that apparently has a disagreement with most of the international community over how far Chinese air and sea boundaries extend, occurred out of Beijing’s need to defend what it sees as its territorial integrity.

The Issue of Taiwan

The question of Taiwan’s political status in relation to the PRC is considered the most complicated issue facing Sino-American relations. Taiwan has been a thorn in the

⁴⁹ Mark McDonald and Thom Shanker, “*China Says U S Provoked Naval Incident*,” *The New York Times*, March 11, 2009.

⁵⁰ Thom Shanker, “China Harassed U.S. Ship, the Pentagon Says,” *The New York Times*, March 10, 2009.

⁵¹ McDonald 2009.

side of the PRC ever since its founding by General Chiang Kai-shek and the KMT Nationalist Party in 1949. Since then, Beijing has repeatedly asserted its claim to sovereignty over Taiwan and made clear its intentions to eventually have the island politically reunified with the mainland, while simultaneously indicating its prerogative to use force to assert control over Taiwan should the latter make any official moves toward political independence. To emphasize its position on Taiwanese independence, the PLA maintains a robust military presence on the Chinese mainland just opposite Taiwan which includes a growing number of more than 700 missiles.⁵²

The United States, due to its traditional anti-communist stance, has over the decades supported Taiwan's moves toward democracy and has helped to strengthen the islands meager defense capabilities. The decision by the United States to adopt the "One-China" policy (to recognize that the PRC is the sole government of China and that Taiwan is part of that entity) in 1979 resulted in severance of official U.S.-Taiwan diplomatic relations. Debate within the U.S. Congress over what to do about Taiwan produced the Taiwan Relations Act of 1979 (TRA) which states the U.S. commitment to sell "defense articles and services" to Taiwan in order to enable it "to maintain a sufficient self-defense capability" against possible PRC aggression.⁵³ In place of officially recognizing Taiwan, the TRA created the American Institute in Taiwan (AIT) through which to carry out diplomatic relations.⁵⁴

Regardless of the United States' pledge of support for Taiwan, the exact strategy of the United States in case of a Chinese invasion of Taiwan has deliberately been

⁵² U.S. Congressional Research Service, *CRS Report for Congress Taiwan: Recent Developments and U.S. Policy Choices* (RL33510; September 25, 2007), Kerry Dumbaugh. 15.

⁵³ U.S. Congress, *Taiwan Relations Act, United States Public Law 96-8*, April 10, 1979, <http://www.taiwandocuments.org/tra02.htm> (accessed May 25, 2009).

⁵⁴ Ibid.

shrouded by ambiguity. Past attempts by the PRC to strong-arm Taiwan into submission have been met with resistance by the U.S. When the PLA carried out military exercises adjacent to Taiwan in 1996 that involved the firing of missiles into the Taiwan Strait, the U.S. responded by quickly sending two aircraft carriers to the area. Not long after taking office in 2001, President George W. Bush took a defiant stance in support of Taiwan when he stated in April of 2001 that the U.S. would do “whatever it takes” to defend Taiwan in case of a Chinese invasion and that “the Chinese must understand that.”⁵⁵ It soon became clear that the President drastically misspoke and that his statement did not reflect official U.S. policy on the matter. In subsequent statements concerning Taiwan, Bush stated his opposition to any moves by the Taiwanese to “change the status quo” concerning Sino-Taiwanese relations, referring to Chen’s intention to have a referendum over Taiwanese independence. The Bush administration did, however, support a move by Congress in 2001 to approve a substantial arms package for Taiwan, the biggest since 1992, much to the chagrin of the PRC.⁵⁶

The rhetoric concerning what the PRC sees as U.S. interference in Sino-Taiwanese relations heated up in July of 2005 when Major General Zhu Chenghu of the PLA pondered a possible Chinese response to American military intervention over the matter, stating “If the Americans draw their missiles and position guided ammunition on to the target zone on China’s territory, I think we will have to respond with nuclear weapons.” This alarming statement was tempered by the general’s assertion that he was only representing his own personal views and was declaring any official policy of the

⁵⁵ Crystal Hsu, “One Year On: Cross-Strait Relations are as Chilly as Ever,” *Taipei Times*, May 20, 2001, <http://www.taipeitimes.com/News/local/archives/2001/05/20/86576> (accessed May 25, 2009).

⁵⁶ U.S. Congressional Research Service. *CRS Report for Congress: Taiwan’s Political Status: Historical Background and Ongoing Implications* (RS22388; February 23, 2006), Kerry Dumbaugh, 5.

PRC.⁵⁷ This was not the first statement of its kind from a senior PLA official. The current deputy chief of staff of the PLA stated in 1995 that China “would consider using nuclear weapons in a Taiwan conflict” and that “Americans should worry more about Los Angeles than Taipei.”⁵⁸ China, a nuclear power since 1964, does possess land and sea-based nuclear missiles that can reach the west coast of the United States, although there has been some debate among senior American military officials concerning the size and capabilities of the Chinese nuclear arsenal.⁵⁹

Nonetheless, China appears to be more comfortable with its official stance on the Taiwan issue since the passing of what is referred to as Taiwan “anti-secession law.” While the law, which was adopted in March of 2005, does encourage “cross-strait economic and cultural exchanges and resumption of direct trade, air, and mail links” with the Taiwan, Article 8 of the document reiterates the PRC’s stance on possibly using military force to dissuade what is seen as “secessionist forces” on the island:

In the event that the “Taiwan independence” secessionist forces should act under any name or by any means to cause the fact of Taiwan’s secession from China, or that major incidents entailing Taiwan’s secession from China should occur, or that possibilities for a peaceful reunification should be completely exhausted, the state shall employ non-peaceful means and other necessary measures to protect China’s sovereignty and territorial integrity.⁶⁰

The volatility of Taiwanese politics further adds an element of uncertainty to the mix. Two opposing party coalitions vie for power: the “Pan-Green” coalition, led by the Democratic Progressive Party, which advocates Taiwanese independence from China, and the “Pan-Blue” coalition, led by the conservative longtime rulers of Taiwan, the

⁵⁷ Joseph Kahn, “Chinese General Threatens Use of A-Bombs if U.S. Intrudes,” *New York Times*, July 15, 2005, <http://www.nytimes.com/2005/07/15/international/asia/15china.html> (accessed May 25, 2009).

⁵⁸ Ibid.

⁵⁹ Ibid.

⁶⁰ *CRS Report for Congress: Taiwan Recent Developments and U.S. Policy Choices*, 9.

KMT, which supports a more engaging and less confrontational posture towards the mainland. The DPP, led by President Chen Shui-bian, broke the KMT's 50-year hold on power in March of 2000 with a slim election victory. Chen won re-election in 2004, but not without provocative campaign rhetoric that called for a possible referendum on Taiwanese independence, resulting in the further buildup of PRC's capabilities on the Chinese coast opposite Taiwan.⁶¹

The inauguration in early 2008 of President Ma Ying-jeou of the KMT, who has made improved relations with China a "centerpiece" of his administration, has helped drastically reduced cross-strait tensions. In early November, China and Taiwan agreed to allow for planes and ships to travel directly across the Taiwan Strait, setting aside a policy that required each side to go through a third country before reaching its destination and cutting hundreds of miles off of such trips.⁶² A speech that Chinese President Hu Jintao gave in late December emphasized that "the two sides may have contacts and exchanges regarding military issues" "to explore the topic of establishing a mechanism of mutual military and security trust," assertions that raise the prospect of a peace agreement between the two entities.⁶³

Traditional wisdom has held that the Taiwan issue is the one most likely to bring about a shift for the worse in Sino-American relations – possibly even armed conflict. Considering the realities of Taiwanese politics, however, such a situation is unlikely. Taiwan already enjoys de facto independence without actually being a politically independent entity. It has a thriving capitalist economy, a dynamic democracy, and can

⁶¹ Ibid., 3.

⁶² "China, Taiwan Reach Deal," *The Associated Press*, November 5, 2008.

⁶³ Eli Lake, "China Signals Thaw on Taiwan; Peace Hopes to Pass to Obama," *The Washington Times*, January 7, 2009, A1.

pursue unofficial economic or diplomatic relations with any nation – without opposition from the PRC – as long as it is not seen as violating the “one China” policy. The cost of pursuing actual independence, which China has pledged would provoke military action, would likely result in the loss of the virtual independence that Taiwan now enjoys and also would inevitably harm, at least temporarily, the booming China-Taiwan trade relationship. In addition, the recent warming of PRC-ROC relations further reduces the chance in the near future that political forces in Taiwan would make any official move toward independence, thus further lessening the chance of military conflict.

The prospect of a diplomatic clash over oil imports is much more of a potential threat to Sino-American relations. The sheer dependence of each nation on petroleum imports, coupled with the myriad of uncertainties involved with obtaining uninterrupted long term supplies, virtually dictates that the issue will become preeminently important in the near future, with the potential to help ensure the kind of Sino-American competition for oil that could bring about major deterioration of relations and, at worst, possibly even military conflict.

CHAPTER III

U.S. AND CHINESE PETROLEUM SUPPLIERS

The United States is responsible for approximately a quarter of all global annual petroleum consumption, an appetite that is expected to grow by 50% within the next 20 years.¹ The lifestyle that Americans have become accustomed to “is twice as energy intensive as that of Europe and Japan, and about ten times the global average.”² In contrast to China, for which transportation comprises less than 25% of its petroleum consumption (although this figure is growing), transportation accounts for over two-thirds of the oil used in the U.S.

The United States’ huge appetite for oil makes it the most important of all global energy consumers; its enormous demand makes it a preeminently important customer for the big oil-producing states, and the sheer amount of U.S. energy imports is so crucial to the global energy market that a drop in the U.S. energy economy can cause global recession. The vulnerability of industrial societies such as the U.S. “to economic and political disruption” as a result of even minor reductions in energy resource availability” is a constant and growing threat to national and international political stability.³ Since American global power stems from the fact that it virtually presides over a global

¹ Travis Tanner, “The Oil that Troubles US-China Waters,” *Asia Times*, June 18, 2004, <http://www.atimes.com/atimes/China/FF18Ad04.html> (accessed May 21, 2009).

² Paul Roberts, *The End of Oil: On the Edge of a Perilous New World*, (Boston: Houghton Mifflin, 2005) 5

³ Richard Heinberg, *The Party’s Over: Oil, War, and the Fate of Industrial Societies*, (Gabriola Island, B.C.: New Society Publishers, 2005), 2.

economy that is almost solely dependent upon on oil and other fossil fuels for its energy needs, “the United States sees itself as having no choice but to defend the global energy infrastructure from any threat and by nearly any means available – economic, diplomatic, or even military.”⁴ The big question is whether China’s rapidly growing consumption of foreign oil will lead it to become such a threat to American access to the oil of the Middle East and other regions.

Oil is obviously a finite resource. There is considerable debate concerning how much oil is left in the world and how long the remaining reserves will last, but suffice it to say that the gradual depletion of these reserves may, if the world’s preeminent petroleum consumers are serious about it, allow time for the global economy to adopt and adjust to new fuels and energy technologies. In the meantime, however, the United States and China will be dependent upon acquiring an ever increasing amount of foreign oil from a number of the same countries, many of which have questionable governments and uncertain futures, putting their long-term dependability as suppliers in question. Making matters worse is the fact that many of these oil-rich nations, especially those with authoritarian regimes, might rather do business with China than with the U.S. Where U.S. supplies aren’t directly threatened, Chinese oil consumption may frustrate American foreign policy toward countries such as Iran and the Sudan.

The Persian Gulf region alone accounts for almost 20% of total U. S. oil imports (a figure projected to rise to approximately 25% by the year 2025) even though the area is “racked by violent ethnic, religious, and political conflicts.”⁵ U.S. forces have been involved in at

⁴ Roberts 15.

⁵ Rocky Mountain Institute, *Winning the Oil Endgame: Innovation for Profits, Jobs, and Security*, Amory B. Lovins, E. Kyle Datta, Odd-Even Bustnes, Jonathan G. Koomey, and Nathan J. Glasgow (Snowmass, Colorado; March 1, 2005), 8.

least four military conflicts there “without stabilizing the region;” it remains “volatile, militarized, geographically challenged, and hostile to American values.”⁶



Figure 3.1. Where the U.S. Gets Its Oil.

⁶ Lovins 9.

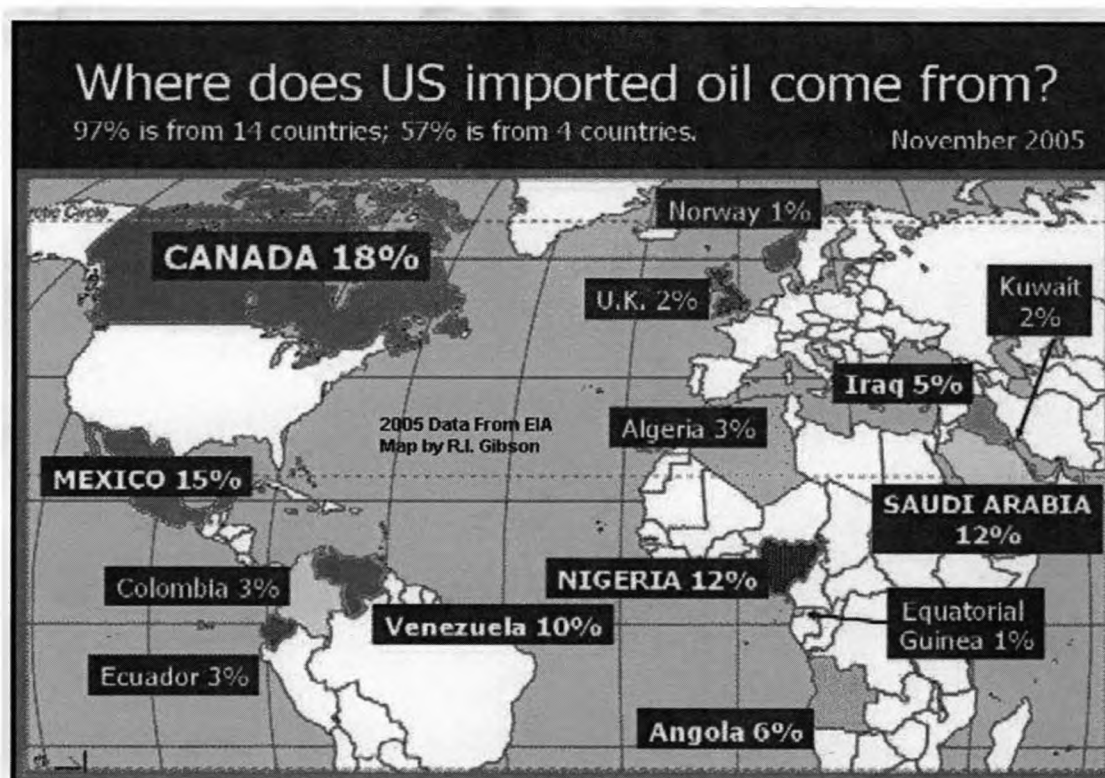


Figure 3.2. Source of U.S. Oil Imports

Uncertainty over access to petroleum has also led China to change how oil is being bought and sold. Traditionally, oil purchased on the international market is drawn from available global resources, with the price being determined by the relative surplus or scarcity of global supply. China, however, has recently been cutting long-term, bilateral deals – for what is known as “equity oil” – with its present and possible future energy suppliers. The impact of such deals on the international market is potentially staggering: these supplies are taken out of the global supply pool, reducing the total supply and forcing oil prices upward. As of late 2005, approximately 11 percent of China’s 3.5 million barrels that it imported daily came from such bilateral deals; this figure is

gradually rising as China makes more such arrangements.⁷ Each barrel of oil that goes exclusively to China is one that the U. S. has to find on the global market.⁸ As recent spikes in U.S. gas prices can attest, a shrunken global oil supply pool can cause damage to the U.S. economy.

In addition, many of China's suppliers (or potential suppliers) of oil do not have positive relations with the U.S. and some – such as Iran or Sudan – are countries that the U.S. is trying to isolate for political reasons; China's interest in these countries threatens to undermine such efforts. In a testimony before the Senate Foreign Relations Committee on April 5th, 2005, former U.S. Secretary of State Condoleezza Rice put it this way:

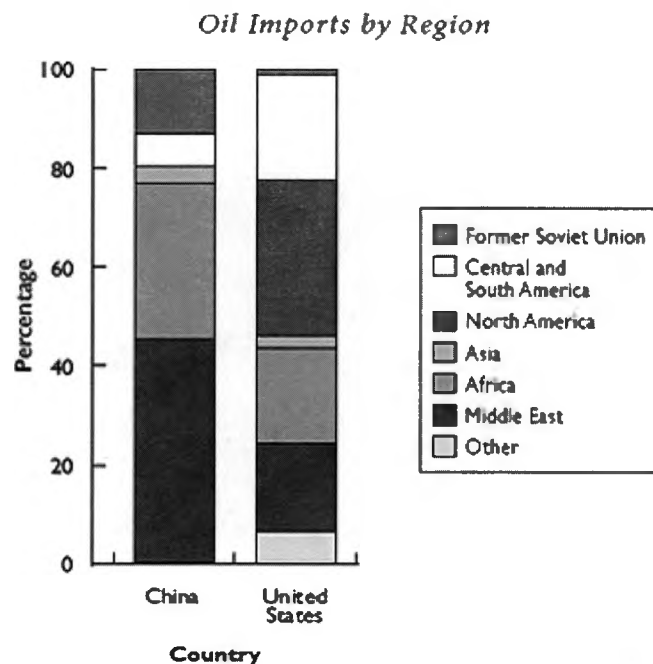
I can tell you that nothing has really taken me aback more as secretary of state than the way that the politics of energy is – I will use the word 'warping' – diplomacy around the world. It is sending some states that are growing very rapidly in an all-out search for energy – states like China...really sending them into parts of the world where they've not been seen before, [which is] challenging, I think, for our diplomacy.⁹

To appreciate the potential negative impact that American and Chinese petroleum imports may have on the future of Sino-American relations, it is helpful to look at some of the countries that are major suppliers to each.

⁷ "Balancing Fuel and Freedom," *CQ Guide to Current American Government*, Spring 2006 (Washington, D.C.: CQ 2006), 20.

⁸ Ibid.

⁹ Stephen Mufson, "As China, U.S. Vie for More Oil, Diplomatic Friction May Follow," *The Washington Post*, April 15, 2006, D01.



Source: "U.S. Imports by Country of Origin," U.S. Energy Information Administration ~ http://tonto.eia.doe.gov/dnevr/pet/pet_move_impcus_a2_mus_ep00_im0_mbb1_m.htm; data from China General Customs Administration provided by CEIC statistical service accessed through ISI Emerging Markets, 2007; "Trade Statistics of Japan," Ministry of Finance ~ http://www.customs.go.jp/toukei/info/index_e.htm; and UN Comtrade Database, United Nations Commodity Trade Statistics Department ~ <http://comtrade.un.org>.

Figure 3.3. Oil Imports by Region.

Africa

Many of the China's preeminent petroleum suppliers are located on the continent of Africa, where countries with economies and political conditions seen by many potential western investors as less than sound welcome Chinese investment, which has skyrocketed in recent years. Chinese energy companies, apparently undaunted by risky business ventures that most potential investors would shun, have been outbidding western firms on infrastructure projects, perhaps influenced by the fact that China has lost contracts to western multinationals elsewhere in the world. The CCP may view Africa as

one of the few places its companies can win contracts, primarily due to either sanctions imposed, for example, by the U.S. that prohibit American companies from doing business with what are seen as rogue regimes, or by limitations imposed by the sheer political instability of many African nations. Beijing is making deals with these countries that it might not otherwise do business with in part because major western firms don't offer substantial competition.

Speaking at a House Committee on International Relations Committee hearing on China's Influence on Africa, New Jersey Representative Christopher H. Smith encapsulated how China's involvement in Africa, which is "largely being ignored" by the media, may run counter to U.S. interests in the region:

China is playing an increasingly influential role on the continent of Africa, and there is concern that the Chinese intend to aid and abet dictators, gain a stranglehold on precious African natural resources, and undo much of the progress that has been made on democracy and governance in the last 15 years in African nations¹⁰

During the same hearing, Representative Donald M. Payne (also from New Jersey) helped define the specific threat that China's role in Africa may pose to the U.S.:

Africa sits squarely at the center of a resource grab that will likely mark the beginning of the 21st century. Over the past decade, the engagement of China and the United States in Africa has begun to resemble a competition for resources and influence that has the potential to result in an ugly dynamic akin to that created by the Soviet union and the Cold War.¹¹

China is also a critic of U.S. policy in the region, decrying U.S. and western objectives of promoting democracy and responsible governance that are seen as interfering in internal affairs of African nations, objectives that run counter to promoting what China refers to

¹⁰ United States House of Representatives, *U.S. Representative Christopher H. Smith Holds Hearing on China's Influence in Africa*, House International Relations Committee, Subcommittee on Africa, Congressional Quarterly Transcription, July 28, 2005 (Washington D.C.: 2005), 2.

¹¹ *Ibid.*, 5.

as “‘African cultural and economic rights’ that [allow] governments to go their own way despite efforts of the international community and their own citizens to promote reforms.”¹² According to Chinese policy, these African nations are virtually free to adopt any policy, economic or foreign, that they desire, “even if they violate international treaties and standards” involving “democracy, human rights and good governance” as well as policies protecting “Africa’s wildlife and other natural resources.”¹³ Indeed, Chinese trade violates international laws on the exportation of African ivory and timber. The only caveat to China’s policy of letting African countries go their own way appears to be insisting that these states adopt the “One China Policy” in regard to Taiwan; these states must refuse to recognize the sovereignty of Taiwan and refuse to promote such sovereignty.

China has been interested in Africa since the 1950’s, when the CCP was a lot more interested in spreading its own form of Marxism than securing sources of petroleum. Starting in the 1960’s, and influenced by the growing rift between China and the Soviet Union, the CCP tried to outspend the international community in Africa in order to raise its visibility and influence on the continent and thus on the international stage. It invested heavily in infrastructure projects, one of the most visible being the Tanzam railway across southern Africa (from Tanzania to Zambia) that was completed in 1975.

Throughout the 1950’s and 60’s, China supported African liberation movements against Western colonial forces. While this policy was explicitly carried out in direct competition with Soviet interests on the continent, it also seemed to run counter to U.S.

¹² Ibid., 4.

¹³ Ibid.

policy in the region. The United States did not specifically aim to help maintain European colonial influence in Africa, but its reluctance to interfere with European colonial interests amounted to *de facto* support, a fact that is not overlooked by the governments and citizens of many African nations. To many of these, China's African interests appear much more sincere than those of the U.S.

The United States currently obtains just over 20% of its total petroleum imports from Africa, primarily from Nigeria (11%), Angola (3%), Algeria (2.1%); China currently imports about 31% of its foreign oil from Africa, primarily from Angola, Sudan, The Congo, Equatorial Guinea, and Nigeria.¹⁴

Perhaps the most controversial situation created by Chinese energy investment in Africa involves business deals with Sudan, where China has spent more than \$8 billion on refinery and pipeline infrastructure.¹⁵ In the mid 1990's, China sent several engineers and construction teams to Sudan in order to set up the necessary infrastructure to facilitate oil production and importation. China has almost single-handedly built the infrastructure to develop oil fields in southern Sudan, including a 900-mile pipeline ending with a port on the Red Sea.¹⁶ By 1999, the oil was being pumped, and by 2004 Sudan had become China's 6th largest supplier of oil.¹⁷ More than half of Sudan's total output of oil goes to China, comprising 7 percent of total Chinese oil imports.¹⁸ The considerable Chinese investment in relatively volatile Sudan has also led to an unofficial

¹⁴ "Balancing Fuel and Freedom," *CQ Guide to Current American Government*, 23; Lei Tu, "Angola, China's Biggest Oil Supplier," *China Daily*, December 21, 2006, http://www.chinadaily.com.cn/bizchina/2006-12/21/content_764387.htm (accessed May 21, 2009).

¹⁵ "Balancing Fuel and Freedom," *CQ Guide to Current American Government*, 21.

¹⁶ U.S. House of Representatives, *U S Representative Christopher H Smith Holds Hearing on China's Influence in Africa*, 3.

¹⁷ *Ibid*

¹⁸ James Eades, "Trader with Rogues or Force for Progress? – China is Chasing Energy and Mineral Resources in Africa, Attracting Criticism for its Apparent Willingness to Deal with 'Despotic Regimes,'" *The Banker*, May 1, 2006, Section: China in Africa.

Chinese military presence in the country. As of late 2005, approximately 4,000 non-uniformed troops were exercising the task of guarding these supplies ¹⁹

Sudan's oil supplies are currently off-limits to the U.S.; its companies are forbidden to do business with Sudan due to its human rights record and the ongoing crisis in Darfur. China, having no such restrictions, seems unaffected by the direct confrontation with stated U.S. policy that their business and political interests in Sudan may place them. Furthermore, and as one of several testaments to how China appears to care about business and nothing else, China used its permanent position on the U.N. Security Council to veto a resolution that would have imposed sanctions on the Sudanese government for its role in the genocide in western Darfur. Former China deputy foreign minister summarized how the Chinese government views the issue: "Business is business – we try to separate politics from business."²⁰

While stated Chinese policy may paint a picture of non-interference in Sudanese internal politics, the military equipment that Beijing has supplied the government in Khartoum acts as de facto support of Sudanese policies. The group Human Rights Watch reported that "the Chinese have supplied Sudan with ammunition, tanks, helicopters and fighter aircraft, as well as anti-personnel and anti-tank mines" that have "contributed to thousands, tens of thousands of Sudanese deaths, most recently in Darfur."²¹

While the U.S. does not import oil from Sudan, Nigeria supplies the U.S. with approximately 12% of its total oil imports.²² In January of 2006, China's state-owned

¹⁹ "Balancing Fuel and Freedom," *CQ Guide to Current American Government*, 21.

²⁰ Ibid.

²¹ U.S. House of Representatives, U.S. Representative Christopher H. Smith Holds Hearing on China's Influence in Africa, 3

²² U.S. Department of State, *Background Note Nigeria*, (Washington, D.C.: April 2009) <http://www.state.gov/r/pa/ei/bgn/2836.htm> (accessed May 21, 2009).

National Offshore Oil Corporation (CNOOC) invested \$2.27 billion (its largest investment to date at that time) for a 45% stake in an oil and gas field located in Nigerian coastal waters and has committed \$2.25 billion to refurbish an aging oil refinery that no private company has dared to touch for fear of losing money²³ If present investment plans are realized, Beijing's total investment in Nigeria may soon reach \$7 billion."²⁴

However, the relative lack of Nigerian energy infrastructure is not the only problem for international investors. Political corruption, extremist Islamic groups, criminal groups, and domestic rebel movements all act as threats to successful oil extraction and exportation. It is estimated that 70,000 to 300,000 barrels of oil a day are stolen by one or more of these elements, the profits of which can be used "to buy arms and influence and threaten the government's survival."²⁵

China and the U.S. both share the objective of contributing to the stability and security of the country but, predictably, each advocates different means in pursuit of this goal. The U.S. promotes democracy, economic transparency, and debt relief as means of stability, while attempting to use political change as part of the deal for assistance. China, on the other hand, appears to be solely concerned with political stability as a means to facilitate oil extraction and exportation and carry out other economic exchange. (China is Nigeria's leading import partner, responsible for approximately 11% of Nigeria's imported goods.)²⁶

²³ Eades.

²⁴ "Nigeria: Is Africa The New Oil Haven?" *AllAfrica.com*, June 14, 2006, <http://allafrica.com/stories/200606140899.html> (accessed April 16, 2007).

²⁵ Ibid.

²⁶ U.S. Central Intelligence Agency, *The World Factbook Nigeria*, (Washington D.C.: May 14, 2009) <https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html> (accessed May 21, 2009).

The plan of former Nigerian president Olusegun Obasanjo's to possibly change the Nigerian constitution to allow him to run for a third term also alarmed Washington. In a 2006 Annual Threat Assessment, Director of National Intelligence John Negroponte stated that such a move would cause "major turmoil and conflict" within the country, leading to a "disruption of oil supply, secessionist moves by regional governments, major refugee flows, and instability elsewhere in Africa"²⁷ Nigeria's National Assembly defeated the attempt to change to the constitution and, in April 2007, Umaru Yar'Adua was elected the new Nigerian president, marking the first civilian-to-civilian transfer of government since the country ended military rule in 1999.²⁸ Although the Yar' Adua administration has received recognition for its anti-corruption stance, its allowance for the free operation of Nigeria's respective branches of government, and its support for the rule of law, the country's history of political instability and dictatorial tendencies tend to somewhat dampen positive outlooks for lasting reform.

In December of 2005, a security agreement was signed by Nigeria and the United States that called for the two countries to contribute forces to jointly patrol the Nigerian delta region, an area vital to the oil industry, but fears concerning what was seen as President Obasanjo's dictatorial tendencies and human rights abuses caused the program to be delayed indefinitely. China, with no concern for Obasanjo's political excesses, quickly stepped in to offer security assistance of its own, donating necessary military equipment that would enable effective policing of the delta region.

Another example of how China's interest in Africa may be "warping" international diplomacy can perhaps be found in Angola, one of the many African nations

²⁷ "Nigeria: Is Africa The New Oil Haven?"

²⁸ U.S. Central Intelligence Agency, *The World Factbook: Nigeria*

devastated by civil war. Although Angola is held to be a multiparty democracy since 1992, President Jose Eduardo dos Santos (who has ruled for 30 years) and his ruling MPLA party are allegedly responsible for suppression political freedoms and other abuses in order to remain in power.²⁹ In some of the oil rich-areas of the country, ethnic separatists have been victims of arbitrary arrests and torture.³⁰

The International Monetary Fund, through the will of the international community, had been using the prospect of a sizable loan to try to get the Angolan government to agree to soften its authoritarian bent and allow for the transparency of profits from the oil industry. Such efforts were undercut in 2004, however, when China agreed to give Angola a loan worth \$2 billion (which has since increased to \$7 billion.)³¹ Although the money is earmarked for infrastructure development, terms of the loan also stipulate that 70% of the value of oil contracts had to be given to Chinese companies, a possible threat to the future of U.S. supplies from the country.³²

Angola recently replaced Nigeria as Africa's largest oil producer, primarily due to investment in oil infrastructure from China, which imports over 16% of its foreign oil from the country, making it China's largest supplier.³³ Sino-Angolan trade, largely driven by oil, is responsible for 95% of Angola's exports, 80% of its government's revenue, and has been a major force in the growth of its GDP, which was estimated by

²⁹ "Angola: Strengthen Voting and Rights Protections Uncertainty Over Presidential Elections in 2009 No Excuse for Inaction," *Human Rights Watch*, February 23, 2009, <http://www.hrw.org/en/news/2009/02/23/angola-strengthen-voting-and-rights-protections> (accessed May 21, 2009).

³⁰ "U.N. Reports Angola Torture Abuse," *BBC News*, September 28, 2007, <http://news.bbc.co.uk/2/hi/africa/7018226.stm>. (accessed May 21, 2009).

³¹ U.S. Central Intelligence Agency, *The World Factbook: Angola*, (Washington D.C.: May 14, 2009) <https://www.cia.gov/library/publications/the-world-factbook/geos/ao.html> (accessed May 21, 2009)

³² James Eades, "Trader with Rogues or Force for Progress?"

³³ Tu Lei, "Angola, China's Biggest Oil Supplier," *China Daily*, December 21, 2006, http://www.chinadaily.com.cn/bizchina/2006-12/21/content_764387.htm (accessed April 14, 2009).

the International Monetary Fund to have risen almost 25% in 2007.³⁴ In exchange for Angola's oil, Chinese companies have invested heavily in the country's infrastructure, building telephone networks, roads, bridges, railroads, schools, hospitals, shopping centers, office buildings, and housing projects.³⁵

The United States, which has been involved in Angola since the early 1990's, helped end the country's decade's long civil war (which formerly ended in 2002) and has encouraged the development of democracy, respect for human rights, economic prosperity, and sought to improve the overall health of the population. However, the economic aid that U.S. has provided – almost \$30 million in 2007 – falls drastically short of the billions invested by the Chinese.³⁶

The Middle East

The Persian Gulf region alone accounts for almost 20% of total U. S. oil imports (a figure projected to rise to approximately 25% by the year 2025) even though the area is “racked by violent ethnic, religious, and political conflicts.”³⁷ U.S. forces have been involved in at least four military conflicts there, and although the situation in Iraq has been stabilizing, much of the region remains “volatile, militarized, geographically challenged, and hostile to American values.”³⁸

The United States has had a close and long-standing business relationship with Saudi Arabia when it comes to oil. It was an American company that first discovered oil in the Arabian Peninsula in 1938, a move that would eventually make the Saudi nation

³⁴ U.S. Central Intelligence Agency, *The World Factbook: Angola*.

³⁵ Dave Durbach, “Aid for Oil; Angola Looks East,” *The Korea Times*, June 30, 2008, http://www.koreatimes.co.kr/www/news/opinion/2009/03/198_26735.html (accessed April 14, 2009).

³⁶ U.S. Department of State, *Background Note: Angola*, (Washington, D.C.: April 2009) (accessed May 21, 2009). <http://www.state.gov/r/pa/ei/bgn/6619.htm>

³⁷ Lovins 8.

³⁸ Lovins 9.

fabulously wealthy. The Arabian American Oil Company (ARAMCO), the company that began extracting and refining Saudi oil, eventually gave the Saudi government full ownership in 1980. Since then, the Saudi nation has been the United States' largest petroleum supplier outside of the western hemisphere, currently accounting for approximately 12% of its imports. The United States has also effectively been the policeman of Saudi oil wealth; its navy protects oil shipments in the Persian Gulf, and a robust Army presence in Saudi Arabia had until the ouster of Saddam Hussein acted as a bulwark against the possibility of Iraqi aggression.

There are signs, however, that the U.S.-Saudi relationship is perhaps becoming less important to the kingdom; as China's consumption of oil has increased, Arab states, including Saudi Arabia, have begun to view China as an alternative to the United States and Western Europe. One of the leading members of the royal family who helps oversee foreign investment, Prince Walid bin Talal, commented that "we are opening new channels, we are heading east. China is a big consumer of oil, [and] Saudi Arabia needs to open new channels beyond the West, so this is good for both of us."³⁹ After President Hu's much-lauded visit to the United States in April of 2006, his next destination was Saudi Arabia, where he signed a series of agreements with King Abdullah designed to enhance cooperation in several key areas, among them being energy exploration and security.

In 2004, one of China's largest state-owned energy companies, China Petroleum and Chemical Corp. (often referred to as Sinopec), won the right to explore for natural gas in the southern Saudi desert region known as the Empty Quarter; only five companies

³⁹ Hassan M. Fattah, "Avoiding Political Talk, Saudis and Chinese Build Trade," *The New York Times*, April 23, 2006, <http://www.nytimes.com/2006/04/23/world/asia/23saudi.html> (accessed May 21, 2009)

were granted this privilege – none of them American, although several U.S. companies were interested in pursuing deals the area ⁴⁰ In 2005, Saudi Aramco agreed for a joint \$3.6 billion venture with Exxon Mobil and Sinopec to invest in refining facilities in southern Fujian Province, and another agreement regarding investing in facilities in Qingdao (a northern Chinese port city) is in the works ⁴¹ In January of 2006, Saudi King Abdullah visited Beijing, where the two countries formerly agreed to cooperate in Chinese investment in Saudi oil and gas.

Saudi Arabia is another example of a non-democratic country that appreciates China's focus on economics instead of domestic policy. Although Saudi Arabia is not considered a "rogue state" by the Bush administration, the United States has encouraged political reform, something China could not care less about. One geopolitical analyst asserted that "with the Chinese there are no strings attached. They don't talk to you about democracy or reform. They give money, the Saudis give oil, and there are no hidden agendas. The Saudis find those kind of relationships more appealing."⁴²

Other factors also make business with the Chinese more attractive. Since the terrorist attacks of September 11th, restrictions on travel to the U.S. can force Saudi businessmen to wait months to obtain a visa; no such restrictions exist for travel to China. In addition, the ruckus caused by the Dubai Ports World bid to control the business of some American ports, which many in Congress and the American public vociferously opposed, has helped to convince many business leaders in the Arab world that more fruitful prospects may lie with China.

⁴⁰ Mufson

⁴¹ Fattah

⁴² Ibid.

Should the U.S. be nervous about Saudi Arabia preferring to do business with countries other than the U.S.? Former U.S. ambassador to Saudi Arabia, Charles W. Freeman Jr., does not appear to be worried: “Saudi Arabia is taking a Chinese wife,” he states, “[but] the Saudis are not divorcing us. In Islam you can have more than one wife.”⁴³ Omar Bahlaiwa, Secretary General for Saudi Committee for International Trade (a branch of the Saudi Chamber of Commerce), reiterated this notion, and added, “we are in a Catholic marriage with America,” meaning that “divorce” is not an option.⁴⁴

However, in the future, as Sino-Saudi ties grow stronger, it is foreseeable that China could assume more of an “American” role in the region, making the U.S. less important to the kingdom. Dr. Muhammad bin Huweiden of Emirates University (in the United Arab Emirates) put it this way: “With the growing power of the Shia [in Iraq], and Iran, Saudi Arabia has felt cornered, and it has begun to look eastward. They are betting the balance of power may be achieved again by going to the Chinese.”⁴⁵

A more immediate concern in the region is the broadening Sino-Iranian relationship. Iran has been a serious thorn in the side of the United States since the taking of American hostages during the Iranian Revolution of 1979. Recently, however, Iran’s recent nuclear enrichment activities have caused a stir in the international community. The nation’s claim that its nuclear pursuits are solely for peaceful and domestic purposes are very much in doubt by the U.S. and many others in the international community, and a vast majority of the members of the United Nations support sanctions against Iran.

Iran’s current hardline president, Mahmud Ahmedinejad, known for his fiery anti-American rhetoric, has inflamed world opinion with extreme anti-Semitic and anti-Israel

⁴³ Mufson

⁴⁴ Fattah

⁴⁵ Ibid

statements. In October of 2005, during a conference titled “A World Without Zionism,” Ahmedinijad called for Israel to be “wiped off the map;” in other statements he has called the Holocaust a “myth” and asserted that Israel is “heading toward annihilation.”⁴⁶

The Bush Administration’s “National Security Strategy” of March 2006 asserted that the United States “may face no greater challenge from a single country than from Iran” due to its nuclear program and ability to cause trouble for its neighbors.⁴⁷ The policy options for dealing with an increasingly defiant Iran are limited. Tehran appears steadfast in its intention to develop its own viable nuclear technology and it is doubtful that sanctions or any amount of United Nations resolutions, short of those leading to military action, are going to lead to an abandonment of Iranian enrichment activities.

Iran appears to be several years away from being able to produce either weapons-grade plutonium or highly enriched uranium. Although the U.S. National Intelligence Estimate for 2005 asserted that Iran is 10 years away from having a bomb, some sources estimate that the regime may develop nuclear weapons capabilities in as soon as a year.⁴⁸ Almost all analysts believe, however, that allowing Iran to continue with its nuclear activities at present will only encourage their efforts and ensure they will eventually have one.

The negotiations with Iran over its nuclear program have been ongoing since 2003 are of two types: those between Iranian officials and IAEA inspectors and Board of Governors, and those between Iran and the foreign ministers of the U.K., Germany, and

⁴⁶ U.S. Congressional Research Service, *Iran. U.S. Concerns and Policy Responses* (RL32048; May 19, 2009), Kenneth Katzman, <http://www.fas.org/sgp/crs/mideast/RL32048.pdf> (accessed May 25, 2009).

⁴⁷ Linda Feldman and Mark Sappenfield, “In U.S. Security Plan, More Realism Bush's Tempered National Security Strategy, Issued this Week, Lists Iran as a Top Threat,” *Christian Science Monitor*, March 17, 2006 <http://www.csmonitor.com/2006/0317/p01s03-usfp.html> (accessed May 21, 2009).

⁴⁸ Dafna Linzer, “Iran Is Judged 10 Years From Nuclear Bomb U.S. Intelligence Review Contrasts With Administration Statements,” *The Washington Post*, August 2, 2005, A01.

France (referred to as EU-3). Since the IAEA's mandate allows it to only *monitor* nuclear activities, not *influence* a particular countries nuclear policies, the EU-3 has been left with the task of encouraging the complete cessation of domestic uranium enrichment.

Invoking the "international peace and security clause" of chapter 7 of the U.N. Charter, the United States has sought a formal Security Council resolution to authorize economic sanctions or other punitive measures against Iran for non-compliance with the presidential statement. China and Russia, however, blocked passage of the resolution. The U.S., in an attempt to bolster the EU-3 process, in May the Bush Administration offered to join the talks with the caveat that Iran had to first cease all enrichment activities, a requisite that has yet to be met.

Though the Chinese government has agreed that Iran should not possess nuclear weapons, the fact that Iran's huge oil reserves account for approximately 16% of China's annual oil imports (a figure that is rising) and that China and Iran have considerable economic ties that extend well beyond the energy trade has led to a reluctance of China to use its position on the U.N. Security Council to support punitive measures against Iran.⁴⁹ In mid-May, 2006, just two weeks after Iran announced the relative success of its uranium enrichment activities, the CCP announced support for an initiative proposed by the European Union that would enable selling light water nuclear power technology to Iran if it agreed to halt domestic uranium enrichment⁵⁰ Such technology would enable

⁴⁹ Jamestown Foundation, *China's Voting Behavior in the UN Security Council*, The Jamestown Foundation China Brief 6, no. 18, Yitzhak Shichor (Washington, D.C.: September 6, 2006), http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=32007 (accessed May 21, 2009).

⁵⁰ Gareth Porter, "The Day the U.S. Took a Beating over Iran," *Asia Times*, June 13, 2006, http://www.atimes.com/atimes/Middle_East/HF13Ak04.html (accessed May 21, 2009).

nuclear power generation for light domestic use that could not be used for nuclear weapons.

The official position of the CCP is to agree that Iran must abide by its obligations under the Nuclear Non-Proliferation Treaty, but there is little evidence that China has privately rebuked Iran or tried to influence it to abandon its nuclear pursuits. In fact, there is much evidence to support the notion that Tehran's continued defiance of the U.N. and the international community is proceeding in coordination with and with advice from Beijing. The day prior to the resumption of uranium enrichment on January 10, 2006, Iranian Foreign Minister Mehdi Safari met with Chinese Foreign Minister Li Zhaoxing and Vice Foreign Minister Zhang Yesui; Mr. Zhang reportedly "reiterated the principled position of the Chinese side on properly settling the Iranian nuclear issue through diplomatic negotiation," and the following day, a spokesman for the Chinese Foreign Ministry stated, "We believe that the Iranian nuclear issue should be resolved within the framework of the IAEA" or, in other words, without U.N. Security Council action.⁵¹ Then, on January 26, just four days prior to the January 30th IAEA meeting during which it was agreed (along with China's support) to report Iran to the Security Council, Iran's National Security Council Secretary Ari Larijani, who also happens to be Tehran's chief nuclear negotiator, met again with Foreign Minister Zhaoxing, and later with Chinese State Councilor Tang Jiaxuan, in Beijing; the same day, the Foreign Ministry spokesman asserted, "The Chinese Government has consistently maintained that the issue should be

⁵¹ International Assessment and Strategy Center, *China's Alliance With Iran Grows Contrary to U.S. Hopes*, Richard Fisher, Jr. (May 20, 2006), http://www.strategycenter.net/research/pubID.109/pub_detail.asp (accessed May 21, 2009).

properly resolved through peaceful negotiation.”⁵² Such opposition to U.N.-imposed sanctions or possible military action, mirrored by Russia, was made clear to Iran: as the May 2006 push for a Security Council resolution that would allow for the imposition of economic sanctions on Iran was underway, Iran’s Foreign Minister, Manouchehr Mottaki stated, “The things [China and Russia] have officially told us and expressed to us in diplomatic negotiations is their opposition to sanctions and military attacks.”⁵³

Given Iran’s explicitly stated intention to develop nuclear capabilities regardless of the opinion of the international community and the notion that the power of negotiations and diplomatic carrot-and-stick approaches do not appear to have any possibility of convincing Tehran to do otherwise, it becomes increasingly evident that military action may be the only thing that could stand a chance of preventing Iran from developing nuclear weapons.

China doesn’t want to just *buy* oil from Iran; she wants direct access to it. China and Iran have recently concluded a series of oil and gas deals estimated at \$100 billion; part of these agreements involve China’s Sinopec Corporation developing Iran’s Yadavarian oil fields and constructing oil and natural gas processing facilities. In turn Sinopec will have the rights to 50 percent of the field’s production ⁵⁴ There are also plans to build an oil pipeline to the Caspian Sea that would enable transportation to a second planned pipeline through Kazakhstan and into western China ⁵⁵

⁵² Embassy of the People’s Republic of China in the United States of America, *Foreign Ministry Spokesman Kong Quan’s Regular Press Conference on 26 January 2006* (Washington, D.C) <http://www.china-embassy.org/eng/fyrth/t233090.htm> (accessed May 21, 2009).

⁵³ Porter.

⁵⁴ International Assessment and Strategy Center, *China’s Alliance With Iran Grows Contrary to U.S Hopes*

⁵⁵ Ibid

Central Asia

Central Asia is understandably a sensitive area for China. Due to the fact that many countries in the region exist in what is seen as China's "back yard," China is eager to have influence over the region and prevent these nations from developing close ties with the United States and the west in general. There are vast reserves of oil in the region, making the stakes that much higher for China and the U.S. It appears that China has the advantage: all of these Central Asian nations, as former Soviet republics, have autocratic leaders who appear to favor China's authoritarian government. The pressure from the United States for democratic reform is not especially comfortable for these regimes and, where it appears that the U.S. is gaining a foothold in terms of economic or political ties to any of these nations, China is likely to intervene and change circumstances to its own advantage. Nowhere has this been more evident as in the case of Uzbekistan.

This former member of the Soviet Union was one of the first countries to join the U.S.-led anti-terror coalition after the attacks of September 11th. Uzbekistan's main air base functioned as a stopping-off point for troops heading to Afghanistan. Considering the country's modest energy reserves, it appeared that the U.S. might have found not only a new ally in the region, but a new source of oil as well. However, starting in May of 2005, the relationship between the two countries began to sour. In an incident somewhat reminiscent of China's Tiananmen Square Massacre of 1989, Uzbek police fired upon several hundred pro-democracy demonstrators in the city of Andijan. The U.S. demanded an independent international investigation, which Uzbekistan's president, Islam A. Karimov, rejected, claiming that the protestors were Islamic extremists. Almost

immediately, the Uzbek president traveled to Beijing, where he was not only congratulated for the Andijan crackdown; he was also offered oil contracts worth \$600 million.⁵⁶

Following Karimov's trip to China, Uzbekistan quickly warmed up to China - and seemed to move further away from the U.S. China's demand to have U.S. troops removed from a country seen as being in its own "back yard" was by July being echoed by the Uzbek president, who announced that the U.S. had 180 days to evacuate its troops from the airbase. The U.S., having no leverage with which to change Karimov's mind, was forced to comply.

Although there have been no official statements issued from either the United States or China, there appears to be an unwritten understanding for the United States to limit its ties with the former Soviet Central Asian Republics. Despite the discovery of vast amounts of oil in Kazakhstan (and smaller deposits in Uzbekistan and Azerbaijan), U.S. interest in the region appears to be minimal. Not so for China, which has invested large sums of money in a pipeline to carry oil and gas from the Caspian Sea region through Kazakhstan and into western China. The first phase of the pipeline, completed in May of 2006, transports 10 million tons of oil per year, a figure that is expected to double when the pipeline is completed in 2011.⁵⁷

The Shanghai Cooperation Organization (SCO) appears to be the major instrument through which China hopes to combat western – and especially American – influence in Central Asia. Founded in 1996 and including China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan (although China retains the predominant

⁵⁶ "Balancing Fuel and Freedom," *CQ Guide to Current American Government*, 18.

⁵⁷ "Kazakhstan Oil Piped into China," *Xinhua Economic News Service*, May 25, 2006, http://english.peopledaily.com.cn/200605/25/eng20060525_268539.html (accessed May 21, 2009).

influence), the SCO was originally formed to protect against the rise of Islamic extremism in the region. However, fears that an expansion of NATO into Central Asia and a subsequent “encirclement” of China through NATO bases have given the organization increased significance in recent years.⁵⁸ Several rounds of joint military exercises involving SCO member states, carried out with the expressed aim of combating terrorism, have added to the organization’s credibility as a regional security mechanism. Perhaps to emphasize the SCO’s determination to exclude western encroachment into Central Asian affairs, the United States has sought but has been refused involvement in the group. To date, the SCO is the world’s only regional security organization without U.S. involvement.⁵⁹

Venezuela

Venezuela’s relationship with the United States is questionable at best. While the country supplies the U.S. with approximately 13% of its imported oil, Venezuelan President Hugo Chavez, a very vocal critic of U. S. policy towards Latin America and the world, has adopted a strategy of casting the U.S. as the villain working against the kind of Latin American unity that Chavez promotes and against the ability of the Known for having cozy relations with some of the United States’ longtime nemeses such as Fidel Castro and the late Saddam Hussein, Chavez is seen as a volatile and unpredictable character. His habit of threatening to cut off Venezuela’s oil supply to the U.S. helps put the future of energy relations between the two countries in doubt. Complicating the

⁵⁸ Jamestown Foundation, *The Central Asian Dimension of Chinese Military Strategy*, The Jamestown Foundation China Brief 4, no. 10, Stephen Blank (Washington, D.C.: May 12, 2004), http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=26504&tx_ttnews%5BbackPid%5D=194&no_cache=1 (accessed May 21, 2009).

⁵⁹ Foreign Policy in Focus, *Central Asia Between Competition and Cooperation*, Yu Bin (December 4, 2006), <http://www.fpiif.org/fpiftxt/3754> (accessed May 21, 2009).

matter is the fact that the China National Petroleum Corporation (CNPC) has been negotiating with Venezuela's state-owned oil company to explore for oil in Venezuela. CNPC is also helping to build a pipeline from the oil-rich area of the country to the Pacific coast of Columbia to help facilitate the shipment of oil to China. Such a pipeline would allow oil tankers to avoid having to pass through the Panama Canal, a possible "choke point" for China's oil shipments.

Chavez is seen as the a leader of a new wave of rising leftist and anti-U.S. sentiment that resents what is seen as a long history of Washington's interference in and control over Latin American affairs. Several South American states have elected leftist presidents in the past few years, leaders who grew up during the latter years of the Cold War, when the United States, desperate to oppose communism and extend its influence in Latin America, supported shady and corrupt dictators who committed numerous atrocities against their own country's people. Not surprisingly, this group admires and is influenced by Castro, with whom Chavez himself has a very close relationship.

Chavez views the agreements with China as a means of reducing Venezuela's economic dependence on the U.S. After signing the joint exploration deal with China, Chavez stated, "We have been producing and exporting oil for more than 100 years, but these have been 100 years of dependence on the United States. Now we are free and we place this oil at the disposal of the great Chinese fatherland."⁶⁰ If China helps Venezuela diversify its oil exports, then the Chavez government might be more able to afford to reduce the amount of oil its exports to the United States, a move that would undoubtedly cause considerable harm to the U.S. economy.

⁶⁰ "Balancing Fuel and Freedom," *CQ Guide to Current American Government*, 20.

As the title of a Washington Post article put it, Chavez “[cast] himself as the Anti-Bush” and an ardent foe of U.S. policy, which he has labeled “neo-liberalist” and “imperialist.”⁶¹ A former minister in the Chavez government encapsulated what seems to drive Chavez’ foreign policy: “His main motivation [has been to] negatively affect the United States, Bush in particular. He is trying to bring together all the enemies of the United States.”⁶² To this end, Chavez has been very active in the organization known as the Non-Aligned Movement, a group established during the Cold War by countries that did not affiliate with either the U.S. or the Soviet Union, currently composed of 116 countries, many of which share hostility to recent U.S. policy. In a 2006 meeting of the group in Cuba (which currently chairs the organization), Chavez took the opportunity to discuss opposition to U.S. foreign policy with the likes of President Ahmedinejad and President al-Bashir of Syria. As one specialist on Latin America put it, “Chavez really likes to go into places that are having battles or feuds with the U.S. and step in as some other alternative. This is his stage.”⁶³

In an interview on the Arab language al-Jazeera television station, Chavez has in the past exhorted developing countries to unite against the economic and political power of the United States. “What can we do regarding the imperialist power of the United States? We have no choice but to unite.”⁶⁴ Regarding his strategy against U.S. power, he has commented, “we use oil in our war against neoliberalism.”⁶⁵

⁶¹ Kevin Sullivan, “Chavez Casts Himself as the Anti-Bush: With Oil on His Side, Venezuelan Seeks Allies Against U.S.,” *The Washington Post*, March 15, 2005, A01.

⁶² Sullivan

⁶³ Jeremy Bransten, “World: Non-Aligned Movement Seeks Wider Role,” *Radio Free Europe*, September 16, 2006, <http://www.rferl.org/content/article/1071302.html>. (accessed May 21, 2009).

⁶⁴ Sullivan.

⁶⁵ Ibid

Although Chavez' anti-American tone has softened somewhat due to what he views as President Obama's more respectful stance toward Venezuela and the international community in general, Chavez' unpredictable nature and uncertainties concerning Iran's nuclear program do not help to ensure U.S.-Venezuelan relations. Chavez has been a visible supporter of Iran in the face of pressure from the U.S. and its allies for Tehran to abandon its nuclear pursuits. During a visit with then Iranian President Khatami in March of 2005, Chavez stated that "Iran has every right...to develop atomic energy and to continue its research in that area. All over the world, there is a" "profound rejection of the imperialist desires of the U.S government. Faced with the threat of the U.S government against our brother people in Iran, count on us for all our support."⁶⁶

In 2007 Chavez sought to amend the term restriction in Venezuelan constitution to allow him to run for the presidency indefinitely by allowing for a referendum on the matter. The proposed amendment was narrowly defeated, only to be passed during a second referendum in February of this year.⁶⁷ However, the recent drop in oil prices has threatened to undermine Chavez's popularity due to the resultant reduction in government revenues and subsequent funding for government programs. To counter this, Chavez has begun reaching out to some of the same Western companies whose oil fields he nationalized in 2007, revealing his relatively weak position.⁶⁸

⁶⁶ Sullivan.

⁶⁷ U.S. Department of State, *Background Note. Venezuela*, (Washington, D.C.: January 2009) <http://www.state.gov/r/pa/ei/bgn/35766.htm> (accessed May 21, 2009); "Times Topics: Hugo Chavez," *The New York Times*, March 17, 2009, http://topics.nytimes.com/top/reference/timestopics/people/c/hugo_chavez/index.html. (accessed May 21, 2009).

⁶⁸ "Times Topics: Hugo Chavez."

CHAPTER IV

PROSPECTS FOR CONFLICT?

The sheer number of countries that are suppliers of petroleum to China and the United States and the respective political issues involved with each present a myriad of uncertainties concerning access to those resources. While it would be somewhat futile to make extensive predictions or go into great detail concerning the possibility of threats to oil acquisition, a general survey of situations that could develop and subsequently complicate Sino-American relations to the point of diplomatic showdown or possibly even military conflict is helpful to assessing the impact of growing Chinese petroleum consumption on U.S. interests. An attack on Iran by the U.S. and/or its allies that would disrupt China's access to Iranian oil, an invasion of Taiwan by China, decisions by petroleum suppliers to sell more oil to China at the expense of American supplies, and sabotage by terrorist groups or pirates are vague and distant threats at best but nonetheless deserve mention. A wild card to such threats, perhaps, is whether Venezuela's Hugo Chavez would make good on his threat to cut off oil supplies to the U.S. in the face of an attack on Iran or a military conflict between the U.S. and China.

Recent trends in U.S. and Chinese foreign policy that might affect how possible crises would be handled by either side help us to understand the ramifications of China's rise and help test the validity of the concept of a "China threat." In addition, a modest assessment of the power and efficacy of the Chinese military relative to that of

American armed forces will help to establish whether or not the former has (or will have) the means to militarily challenge the United States in general.

Possible Scenarios

Arguably, the most obvious feasible scenario for the development of oil-related complications to Sino-American relations during the second half of the administration of George W. Bush involved the possibility of an invasion of Iran or an attack on its nuclear and military sites by the U.S., Israel, or a U.S.-led coalition. The inclusion by President Bush of Iran in the “Axis of Evil,” the worry over Iran’s nuclear activities, and what was seen as Iranian meddling in Iraq by providing arms to Shi’a extremists contributed to the expectation that Iran was “next” on U.S. military radar and that an attack or invasion would take place before the end of Bush’s second term. Although rumors concerning such actions were not given much support by reputable news sources, they did put the White House on the defensive, leading U.S. officials to insist that an Iranian invasion was not imminent.¹ Nonetheless, Israeli and U.S. air forces did carry out joint military exercises in the Negev Desert of southern Israel in June of 2007 that involved “[simulated] dog-fights and bombing targets on the ground,” according to the Israeli military, although it was asserted that the exercises had been planned for two years and were not specifically geared towards Iran.² Since then, Israeli forces have carried out two groups of military exercises that appear to have been “rehearsals” for an attack on Iran’s nuclear facilities, one in June of 2008 and another in May of 2009.³

¹ “White House Denies Iran Attack Report,” *Jerusalem Post*, May 20, 2008, <http://www.jpost.com/servlet/Satellite?cid=1210668683139&pagename=JPost%2FJPArticle%2FShowFull> (accessed May 27, 2009).

² “Joint US-Israeli Military Exercises Begin,” *Agence France Presse*, June 10, 2007, <http://www.commondreams.org/archive/2007/06/10/1780> (accessed May 27, 2009).

³ Michael R. Gordon and Eric Schmitt, “U.S. Says Israeli Exercise Seemed Directed at Iran,” *The New York Times*, June 20, 2008, <http://www.nytimes.com/2008/06/20/washington/20iran.html?hp> (accessed May 27,

Israel has desired to attack Iran for several years, in part due to Iran's support for Islamic extremist groups such as Hezbollah. In 2002, the Israeli officials, dismayed at the thought of a U.S. led invasion of Iraq, exhorted the U.S. government to attack Iran – referred to as “the main enemy” – instead.⁴ In November 2002, then-Israeli Prime Minister Ariel Sharon urged the international community to “target” Iran “the day after” coalition operations in Iraq ended, and Israeli Defense Minister Ehud Barak has been seeking logistical support from the U.S. in for a possible strike on Iran by Israeli defense Forces.⁵

The recent ascension to power in Israel by the hard-line government of Benjamin Netanyahu has added a measure of volatility to Israeli-Iranian tensions. Given the Israeli attack on Iraqi nuclear facilities in 1981 (even though, as in the current case of the Iranian nuclear program, there was no evidence that nuclear weapons were being manufactured), it is not infeasible to imagine a similar attack on Iranian nuclear sites by Israeli air forces in the future. Just prior to his election as Prime Minister, Netanyahu pledged that “Iran will not attain nuclear arms, and that includes whatever is necessary for this statement to be carried out.”⁶ Just after taking office, he added that Israel “will not allow Holocaust deniers to carry out another Holocaust.”⁷ On other occasions prior to his inauguration,

2009); “L’Express: Planes Conduct Exercises over Gibraltar,” *Israel National News*, May 3, 2009, <http://www.israelnationalnews.com/News/Flash.aspx/164460> (accessed May 27, 2009).

⁴ Gareth Porter, “Israel Urged U.S. to Attack Iran, not Iraq,” *Asia Times Online*, August 30, 2007, http://www.atimes.com/atimes/Middle_East/IH30Ak04.html (accessed June 5, 2009).

⁵ Stephen Farrell, Robert Thomson, and Danielle Haas, “Attack Iran the Day Iraq War Ends, Demands Israel,” *The Times Online*, November 5, 2002, <http://www.timesonline.co.uk/tol/news/world/article822318.ece> (accessed June 5, 2009); “Barak to Gates: Keep Military Option on the Table with Iran,” *Israel News*, July 29, 2008, <http://www.ynet.co.il/english/articles/0,7340,L-3574537,00.html> (accessed June 5, 2009).

⁶ Aluf Benn and Natasha Mozgovaya, “Obama Warns Netanyahu: Don’t Surprise Me with Iran Strike,” *Haaretz.com* (Israel), May 14, 2009, <http://www.haaretz.com/hasen/spages/1085466.html> (accessed June 5, 2009).

⁷ Ibid.

Netanyahu referred to the Iranian regime as “a messianic cult” and a “fanatic regime” that must not be allowed to “[control] atomic bombs.”⁸ Preventing a nuclear Iran is one of the “two great missions” of the Obama Administration, he asserted, adding that “how you achieve this goal is less important than achieving it.”⁹

The Obama Administration has been ambiguous concerning the U.S. stance on the use of force if Tehran does not abandon its nuclear pursuits, but administration officials have made clear their desire to seek dialogue with Tehran. State Department spokesman Ian Kelly, while not directly addressing the issue of a possible attack on Iran, stated “we believe that the multilateral track with Iran is the right way to go.”¹⁰ President Obama, during a recent meeting with Netanyahu, would not agree to the Israeli Premier’s request for a timetable for negotiations with Iran (after which the threat of force might be employed), stating that the U.S. would instead be open to a range of steps, including “much stronger international sanctions, in assuring that Iran understands that we are serious.”¹¹

An Israeli attack on Iran would arguably have dire consequences for the region. Iranian defense minister has stated that “Iran will not begin any conflict but will punish any aggressor with force, with “determination and using all the options -- without limit ... we will give a destructive response to any hostile action.”¹² Even without nuclear capabilities, Iran, with its formidable conventional military arsenal, is capable of inflicting extensive damage on Israel, which could possible trigger an Israeli nuclear

⁸ Jeffery Goldberg, “Netanyahu to Obama: Stop Iran – Or I Will,” *The Atlantic Monthly*, March 31, 2009, <http://www.theatlantic.com/doc/200903u/netanyahu> (accessed May 29, 2009).

⁹ Ibid.

¹⁰ Benn.

¹¹ “Obama, Netanyahu Discuss U.S.-Israeli Disagreements,” *CNN Politics.com*, May 18, 2009, <http://www.cnn.com/2009/POLITICS/05/18/mideast.obama.netanyahu/> (accessed June 5, 2009).

¹² “Iran warns of ‘Limitless’ Response to any Military Strike,” *Agence France Presse*, June 22, 2008, http://afp.google.com/article/ALeqM5jTyQ5MtjQbNIYQB_-EkFCWIRN3Xw (accessed June 5, 2009).

response. Indeed, the situation is so delicate that U.N. chief nuclear weapons inspector Mohamed ElBaradei has warned that an attack on Iran would “turn the region into a ‘ball of fire’”¹³

If an attack on Iran were only limited to its nuclear facilities, without further damage or a military reaction from Iran, Chinese petroleum interests in Iran might not suffer. However, if an attack were more extensive, involving major infrastructure damage leading to the loss of some or all Iranian exports to China, the response from Beijing would possibly have ramifications for the United States and the international community at large. Would China seek to make up for some or all of the loss of the Iranian portion of its foreign oil by seeking more oil from countries that supply both the U.S.? The volatile nature of Venezuela’s Hugo Chavez poses questions concerning his possible response to such a scenario. Though he has voiced solidarity with both Iran and China and stated that cutting off the supply of Venezuelan oil to the U.S. is an option, such a move would undoubtedly provoke a retaliatory response from the U.S. that could feasibly involve a Sino-American military clash.

The fact that much of the world’s oil comes from regions that are racked by religious extremism or civil strife poses threats to effective oil extraction and exportation. Saudi Arabia, for example, notorious for harboring Islamic extremist elements, faces a “slow-motion insurrection” from groups such as al Qaeda and its sympathizers who view oil as the lifeblood of what is seen as a corrupt and apostate Saudi regime dependent on Western patronage.¹⁴ Likewise, such groups recognize how much damage could be done to Western powers by disrupting their sources of petroleum. Osama bin Laden himself,

¹³ Ibid.

¹⁴ Lovins 9-10.

referring to the United States, has stated that “oil is the umbilical cord and lifeline of the crusader community” and has exhorted his followers to attack oil installations in the Persian Gulf.¹⁵ One such attack on a large Saudi oil terminal – one of only two in the country – in 2002 was thwarted by Saudi authorities, but even attacks on minor facilities – especially simultaneous attacks – have the potential to severely disrupt supply.¹⁶ Oil facilities in many countries such as Iraq, Nigeria, Russia, Columbia, and Ecuador are “routinely attacked” by extremist elements; other countries such as Venezuela, Sudan, or those of the Central Asian republics are racked by political turmoil.¹⁷

Geopolitical analysts and world leaders alike have long been aware of the vulnerability of certain “choke points” for marine petroleum shipments such as Straits of Hormuz (in the Persian Gulf) or Malacca (between Malaysia and Indonesia). Terrorist or pirate attacks on oil shipments passing through these areas have the potential to impact several petroleum-importing nations, exacerbating relations between major oil-consuming countries such as the U.S. and China.

It is certainly not a given, however, that disruptions to the oil imports of either the U.S. or China would cause serious harm to Sino-American relations that could possibly lead to armed conflict. Recent foreign policy trends point to China’s need and desire for amicable relations with all members of the international community in order to further enhance Beijing’s international trade, economic prosperity, and domestic stability.

¹⁵ Gail Luft and Anne Korin, “Terror’s Next Target”, *Journal of International Security Affairs* (December 2003), <http://www.iags.org/n01-11041.htm>. (accessed June 5, 2009).

¹⁶ Seymour M. Hersch, “King’s Ransom, *The New Yorker*, October 22, 2001, http://www.newyorker.com/archive/2001/10/22/011022fa_FACT1 (accessed June 5, 2009).

¹⁷ Lovins 10.

Recent U.S. Foreign Policy and China's Pragmatic Trend

The foreign policy of the first George W. Bush administration, which was both defined by and driven by the terrorist attacks of 9/11 and the global “War on Terror,” appeared to be of dual nature regarding Sino-American relations. On one hand it appeared to bring the U.S. and China closer together; China condemned the attacks and voiced solidarity with the U.S. on fighting terrorism. (The Chinese have had troubles of their own with terrorism in the northwestern provinces of China which are home to Islamic Uighar separatists.) On the other hand, the philosophy of the so-called “Bush Doctrine” – which called in part for “pre-empting” future threats to the U.S. – seemed to pose possible challenges to relations with Beijing.

When President Bush gave his infamous “Axis of Evil” speech that identified Iraq, Iran, and North Korea as “rogue states” and threats to U.S. national security and that of the international community, China just as easily could have been among them: it has an autocratic communist government, it has a poor record on human rights, it does business with and sells “weapons of mass destruction” to many countries considered foes of the U.S., it is a nuclear power, and it is seen as a possible threat to its neighbors (mainly Taiwan and Japan).¹⁸ The first Bush administration was staffed with many whom prior to 9/11 were of the belief that the most important foreign policy objective should be countering what was seen as the “China threat.”¹⁹ Following the September 11 attacks and the invasion of Afghanistan (and later Iraq), the focus shifted to the threat of terrorism and “regimes that harbor them,” but the “us and them” type of worldview that

¹⁸ Peter Van Ness, “China’s Response to the Bush Doctrine,” *World Policy Journal* (Winter 2004) http://findarticles.com/p/articles/mi_hb6669/is_4_21/ai_n29148323/ (accessed June 5, 2009).

¹⁹ U.S. Department of Defense, *Nuclear Posture Review* (Washington, D.C.: December 31, 2001), <http://www.globalsecurity.org/wmd/library/policy/dod/npr.htm> (accessed June 5, 2009).

was such a part of the Bush Doctrine, inherently bipolar and reminiscent of a Cold War mentality, along with the policy of pre-emption, did not appear to bode well for the prospect of positive Sino-American relations.²⁰

Such an aggressive and pre-emptive foreign policy was almost in direct contrast to that of the Chinese. Deng Xiaoping, shifting Chinese foreign policy in the post-Mao era, posited the notion that with the end of the Cold War and thus the bipolarity of the international order, the world would become “three-polar, four-polar, or five-polar,” with China as one of the poles.²¹ (It is a given, of course, that the United States will also be one of the “poles.”) Jiang Zemin, Deng’s successor, reiterated this notion when he noted that “the bipolar structure has ended” and that “the world has been moving in a multi-polar direction.”²² Combined with the imperative to grow the Chinese economy and the inherent need for international trade and foreign investment, these ideas inevitably pointed to a new era of harmony for Beijing’s relations with the international community.

China’s foreign policy has also long been guided by what is referred to as the “Five Principles of Coexistence,” precepts for relations between nations established by Chinese Premier Zhao Enlai in 1953; they are “mutual respect for sovereignty and territorial integrity, mutual non-aggression, noninterference in internal affairs, equality and mutual benefit, and peaceful coexistence.”²³ Although references to these principles occur less frequently than in the past, they are still referenced by China in its dealings

²⁰ Sheila L. Croucher, *Globalization and Belonging: The Politics of Identity in a Changing World* (Lanham, Md: Rowman & Littlefield, 2004), 2.

²¹ Deng, Xiaoping, “The International Situation and Economic Problems,” Excerpt from a Talk with Leading Members of the Central Committee, March 3, 1990, <http://english.people.com.cn/dengxp/vol3/text/d1130.html> (accessed June 5, 2009).

²² Jiang Zemin, “Jiakuai Gaige...”, “Kai He “Reining in the Dragon, p. 15.

²³ Council on Foreign Relations, *U S -China Relations: An Affirmative Agenda, a Responsible Course, Report of an Independent Task Force*, Ashton B. Carter, Carla A. Hills, Frank Sampson Jannuzi, Independent Task Force Report No. 59 (Washington, D.C.: April 2007), 33.

with the Association of Southeast Asian Nations (ASEAN) and are used to justify China's reluctance to impose U.N. sanctions against or otherwise intervene in the internal affairs of other countries, even in cases of genocide such as in the Darfur region of Sudan.²⁴ The Five Principles can also be seen as influencing China's recent references to helping to create a "harmonious world" marked by "peace, cooperation, and development."²⁵

Above all, however, Chinese foreign policy appears to be driven by what many China scholars have referred to as "pragmatism," described by Lucian Pye as "behavior disciplined by neither set of values nor established principles;" in other words, pragmatism is "ideologically agnostic."²⁶ Applied to China, it is "firmly goal-fulfilling and national interest-driven strategic behavior conditioned substantially by China's historical experiences and geostrategic environment."²⁷ Since CCP's main goals appear to be domestic stability and economic development (which are mutually intertwined), the high degree of economic interdependence between China and the international community (and especially between China and the United States) virtually ensures that China will seek harmonious relations with the international community and avoid conflict – diplomatic *or* military – if possible.

Nonetheless, these foreign policy trends do not mean that the CCP will allow other nations to freely impinge upon Chinese interests or efface its sovereignty

²⁴ Ibid.

²⁵ Sheng, Ding, "To Build A 'Harmonious World:' China's Soft Power Wielding in the Global South," *Journal of Chinese Political Science* 13, no. 2, (2008): 193; Jiang Zhuqing, "Hu Calls for a Harmonious World at Summit," *China Daily*, September 16, 2005, http://www.chinadaily.com.cn/english/doc/2005-09/16/content_478349.htm (accessed June 5, 2009).

²⁶ Lucian Pye, "After the Collapse of Communism: The Challenge of Chinese Nationalism and Pragmatism," in Eberhard Sandscheider, ed., *The Study of Modern China* (New York: St. Martin's Press: 1999), p. 38; Shuisheng, *Chinese Foreign Policy*, 4.

²⁷ Shuisheng 4.

unchallenged. Chinese pragmatism, although “flexible in tactics, subtle in strategy,” and avoiding to “[appear] confrontational,” is notwithstanding “uncompromising with foreign demands that involve China’s vital interest or that trigger historical sensitivities.”²⁸

There are many cases from Sino-American relations over the past 10 years or so that illustrate this: Chinese reaction to the accidental U.S. bombing of the Chinese embassy in Belgrade, Serbia in 1999, the collision between the U.S. spy plane and the Chinese Air Force fighter in 2001, reactions to U.S. complaints about the U.S-China trade deficit or Chinese military spending, and the recent friction involving Chinese attempted interdiction of U.S. naval sonar equipment in March of this year, just to name a few. One must also assume that the CCP will be equally uncompromising with interests related to petroleum acquisition, should scenarios arise that threaten Chinese oil supply, which raises the question of whether China’s military resources are even sufficient enough to pose a serious threat to those of the U.S.

Military Threat?

The P.L.A. has an active duty force of 2.3 million, with an additional reserve force of over 1 million (most of whom are involved in patrolling China’s borders), compared with an active duty U.S. force of 1.4 million and a reserve force of approximately the same number. Nonetheless, the sheer advantage in manpower that China enjoys is offset by the relative lack of military technology and training of the PLA in comparison with that of the U.S.

A simple comparison of U.S. and Chinese military power would indicate that, absent the use of nuclear weapons, the ability of China’s military to pose a serious challenge to American forces in the near future – should circumstances arise that might

²⁸ Ibid., 5.

otherwise provoke military conflict – is negligible at best. Although Chinese military expenditures have been increasing in recent years, they still amount to only a fraction of U.S. military spending. Including the wars in Iraq and Afghanistan, U.S. defense spending in 2008 amounted to \$762 billion, an amount greater than the military budgets of all other nations combined.²⁹ In contrast, China's military budget for 2008 was \$59 billion (according to a spokesman for the National People's Congress), approximately an 18% increase from the official 2007 figure.³⁰ Even if that figure represents only a portion of actual spending and a more realistic figure is even twice as much, as the U.S. Defense Department Report contends may be the case,³¹ the U.S. is not close to being outspent by the Chinese anytime in the near future.

²⁹ U.S. Department of the Treasury, *Budget for Fiscal Year 2009* (Washington, D.C.), <http://www.gpoaccess.gov/usbudget/fy09/pdf/budget/defense.pdf> (accessed May 29, 2009); Policy in Focus, *Is China a Threat?* (February 7, 2008) Henry Rosemont, Jr., www.fpiif.org/fpifxt/4945 (accessed May 29, 2009).

³⁰ Lague, David, "China Plans Steep Increase in Military Spending," *The New York Times*, March 5, 2008, <http://www.nytimes.com/2008/03/05/world/asia/05china.html?scp=3&sq=china%20military%20budget%202008&st=cse> (accessed May, 29, 2009).

³¹ U.S. Office of the Secretary of Defense, *Annual Report to Congress: Military Power of the People's Republic of China 2007*.

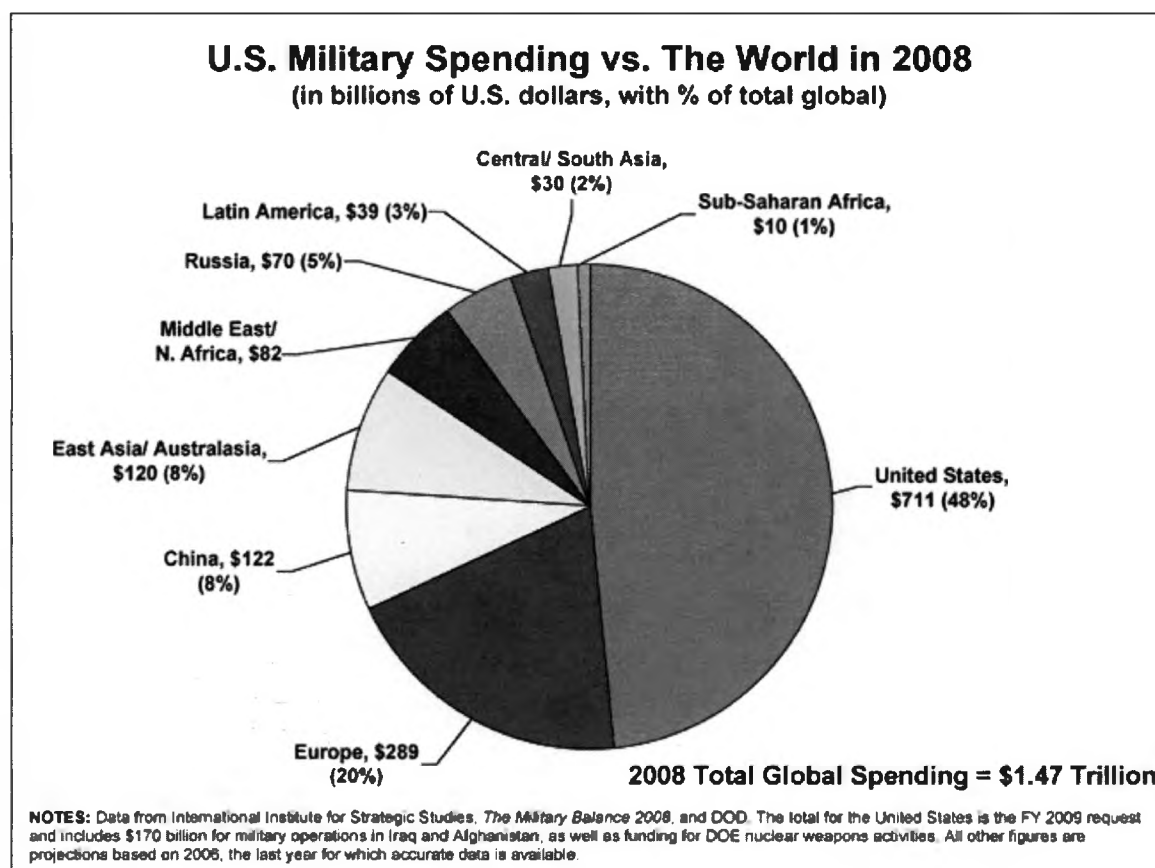


Figure 4.1. U.S. Military Spending vs. the World in 2008.

One factor that might help to reduce anxiety over Chinese defense spending is the stated claim by the CCP that much of the recent increase in the military budget is accounted for by increases in the pay of military personnel, with some sources specifying a pay raise of 50%.³² In such a large and populous country with increasing domestic unrest, ensuring the loyalty of the military is understandably a crucial task. PLA salary

³² "China to Raise Defense Budget by 18%," *China Economic Review*, March 5, 2008, http://www.chinaeconomicreview.com/dailybriefing/2008_03_05/China_to_raise_defense_budget_by_18.html (accessed May 27, 2009); "Pay Raise of 50% for Chinese Soldiers," *Asia News*, March 24, 2009, <http://www.asianews.it/index.php?l=en&art=14809&size=A> (accessed May 27, 2009).

increases are also motivated by the need to keep military personnel who have technical skills and might otherwise be lost to high-tech private industry.³³

There is evidence to suggest that the Pentagon may be wildly exaggerating China's military spending. A 2005 study published by the Rand Corporation stated that the Pentagon's 2003 estimate for China's military budget was 71% higher than its own highest estimate, and International Institute for Strategic Studies, London-based think tank, estimated in 2006 that the real figure was about 10% higher than China's official budget, far from the Pentagon's claims that the figure could be two to three times as much.³⁴

Independent estimations of China's military strength and capabilities relative to those of the U.S. are certainly not alarmist. A report sponsored by the Council on Foreign Relations-sponsored Independent Task Force on Chinese Military Power estimated that China is at least 20 years away from rivaling U.S. military power (and is more likely to be much further away, if it is even possible for Chinese military power to rival that of the U.S.).³⁵ Even though growing economic development might appear to ensure a continuously and rapidly developing military, the report asserts, Chinese ability to "develop, produce," and "integrate indigenously sophisticated military systems are limited;" although China has been purchasing advanced military technology from other

³³ "Chinese Military to Pay Cash Bonuses to Keep Officers," *The Independent*, February 14, 2001, <http://www.independent.co.uk/news/world/asia/chinese-military-to-pay-cash-bonuses-to-keep-officers-691786.html> (accessed May 27, 2009).

³⁴ "Pentagon's 'China Threat' Paranoia," *People's Daily Online*, July 22, 2005, http://english.peopledaily.com.cn/200507/22/eng20050722_197800.html (accessed May 27, 2009); Kaplan, Fred, "The China Syndrome: Why the Pentagon Keeps Overestimating Beijing's Military Strength," *Slate*, May 26, 2005, <http://www.slate.com/id/2141966/> (accessed May 27, 2009).

³⁵ "Chinese Military at Least Two Decades Away from Rivaling U.S. Forces, Concludes Newly Released Council Task Force Report," *Council on Foreign Relations*, May 12, 2003, http://www.cfr.org/publication/5984/chinese_military_at_least_two_decades_away_from_rivaling_us_forces_concludes_newly_released_council_task_force_report.html (accessed May 27, 2009).

countries, “these purchases will fall short of fully compensating for domestic shortfalls.”³⁶ In addition, the report contends that preoccupation with domestic concerns and “ever-increasing demands for government spending in areas other than military development will in the long term constrain the pace of military modernization.”³⁷

A 2004 study done by the U.S. Military Academy at West Point concluded that “the PLA is still weak in many fundamental areas including systems integration, propulsion, and computer technology,” “shows no signs of being able to indigenously produce advanced weapons,” and “lacks power projection capability.”³⁸ The study describes the PLA, along with its navy and air force branches, as “very backward” and claims that, from a capabilities standpoint, parity of the Chinese military with that of the U.S. might be possible by the middle of the century; in the near future, however, “the PLA does not represent much of a threat to the United States.”³⁹

Though China is modernizing its military and increasing its defense budget, improvements in capability have for the past decade have had to compensate for “the very low-technology starting point” of the PLA.⁴⁰ Many weapons systems that are being replaced were imported from the former Soviet Union in the 1950’s, 1960’s, and 1970’s and use outdated 1950’s-era technology.⁴¹ New weapons systems are constantly being introduced, but at a relatively low rate in relation to the overall size of the older forces; as a result, the rate of retirement of older technology has been exceeding the introduction of

³⁶ Ibid.

³⁷ Ibid.

³⁸ Col. Russ Howard, “The China Threat?,” MIT Security Studies Program Seminar, October 13, 2004, http://web.mit.edu/ssp/seminars/wed_archives_04fall/howard.htm (accessed May 29, 2009).

³⁹ Institute for Defense and Disarmament Studies, *China’s Military Capabilities*, Frank W. Moore (April 21, 2001), <http://www.checkpoint-online.ch/CheckPoint/J2/J2-0003-ChinaMilitaryCapabilities.html> (accessed May 29, 2009).

⁴⁰ Ibid.

⁴¹ Ibid.

new systems, contributing to a pattern of slight overall decline of Chinese military capability, according to a report by the Institute for Defense and Disarmament Studies.⁴²

There has been much discussion recently concerning China's ability to wage "asymmetric warfare" and employ tactics that might suffice as "force multipliers" and help to reduce relative U.S. military dominance. Chief among such concerns is possible use of "information warfare," or computer-based strategies to either cause U.S. military communication systems or computerized weapons systems to malfunction, essentially rendering them useless and helping to achieve a relative parity of military strength. According to the Pentagon, the PLA began to incorporate "CNO," or computer network operations aimed at striking "enemy" networks, into its military exercises in 2005.⁴³ It is still too early to accurately gauge the overall threat from such capabilities, although they will remain an area of concern for the U.S. military. Another possibility for asymmetric warfare concerns the destruction of U.S. military satellites by Chinese missiles, a dimension in Chinese capabilities demonstrated by the successful targeting of a Chinese weather satellite by the PLA in January 2007. Such activities to "limit or prevent the use of space-based assets" of U.S. raise the possibility of a Sino-American "space race" not unlike that which existed between the U.S. and the Soviet Union during the height of the Cold War.⁴⁴

⁴² Ibid.

⁴³ U.S. Department of Defense, *Military Power of the People's Republic of China 2007*

⁴⁴ Ibid.

CHAPTER V

PROSPECTS FOR IMPROVING SINO-AMERICAN RELATIONS

Aside from questions of oil availability, one way for China and the United States to avoid diplomatic friction or military conflict over oil supplies is for each to slow the demand for oil through more efficient use of and/or conservation of petroleum and the partial substitution of other fuels for current and future petroleum consumption. Strategic petroleum reserves are important for lessening the impact of short-term disruptions but have obvious limitations in case of prolonged reductions to U.S. or Chinese oil supply.

The growing interdependence between the two nations, both economically and politically, should help to ensure a diplomatic solution to any major problems that might arise, including those related to oil acquisition. Another major factor that should influence the development of amicable Sino-American relations is China's growing involvement in multilateral institutions, contributing to the notion of China's willingness to solve foreign relations issues through diplomacy and cooperation. In addition, marked improvements in Sino-American relations in the past few years appear to signify willingness on both sides to forge closer bilateral ties, thus also helping to ensure an amicable and mutually-beneficial bilateral relationship.

Reducing the Demand for Petroleum

The United States has understandably traditionally held the edge over China in the fields of alternative fuels and technology; its industrialization and free market-

entrepreneurship has helped provide for the technological know-how to allow for more efficient use of oil and for the development and employment of alternate fuels, while its experience with events such as the oil-embargoes of the 1970's – and now with the question of the feasibility and costs of relying on oil from the Middle East *and* competition for oil with rising powers such as China and India – has helped boost the will for both. Although the traditionally low cost of oil relative to other fuels that could displace it has been a barrier to reducing their use, technological advances in the use of alternate sources of energy will eventually, especially when the cost of developing and employing renewable sources equalizes with the rising economic and political cost of oil dependence, make their use much more feasible.¹

Currently, biofuel made from various organic materials, as the website of the Department of Energy's office of Energy Efficiency and Renewable Energy contends, is "the only clean, renewable energy source that can help to significantly diversify transportation fuels in the U.S."² Ethanol, an alcohol fuel made from biomass starch or sugar, has been used in the United States since the 19th century, but it was not until 1974 that legislative action was taken to promote research into converting biomass into commercially-useful fuels. As a result, ethanol is the most widely used alternative fuel, both globally *and* in the United States. Since 1980, ethanol production in the U.S. has been steadily rising, from 175 million gallons to 4,855 million in 2006, making the U.S. the second largest producer behind Brazil, and since 2000, ethanol production in the U.S.

¹ Asia Times, "The Oil that Troubles Asian Waters."

² U.S. Department of Energy, Energy Efficiency and Renewable Energy, Biomass Program, <http://www1.eere.energy.gov/biomass/> (accessed May 27, 2009).

has increased more than 300%.³ Production in 2006 exceeded the previous year's production by a record one billion gallons, or more than 25%, and future annual growth is expected either to proceed along similar lines *or* increase. The Renewable Fuels Standard created by the federal Energy Policy Act of 2005 mandated that an annually increasing percentage of gasoline sold in the United States must be renewable fuel, a figure that stood at 2.78% in 2006 and is expected to reflect annual growth. As a result of the act, in addition to other forces, the use of ethanol has seen a dramatic increase: a total of 6.37 billion gallons is expected to have been produced in 2008.⁴

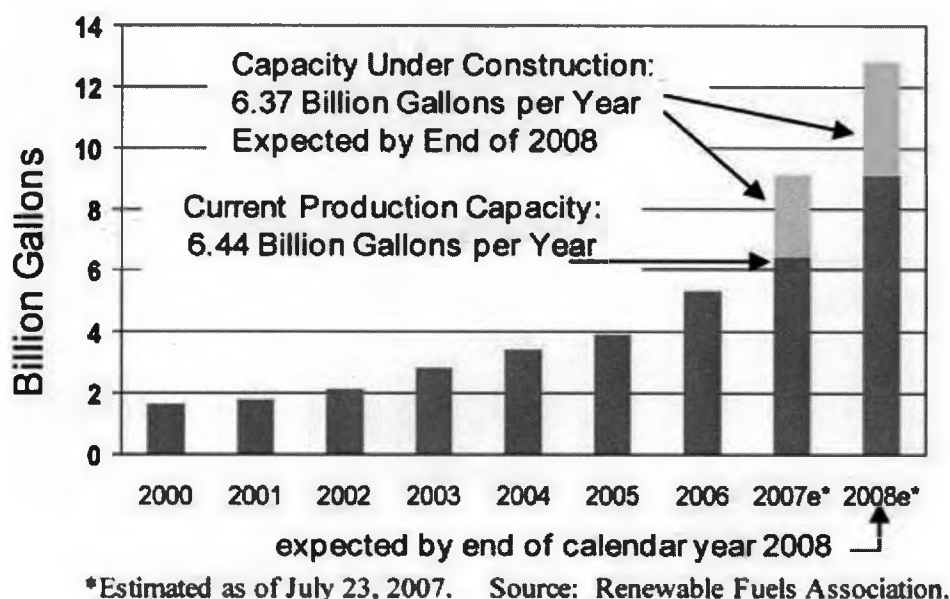


Figure 5.1. U.S. Ethanol Production Capacity.

³ Renewable Fuels Association, *Ethanol Industry Statistics*, <http://www.ethanolrfa.org/industry/statistics/#A> (accessed May 27, 2009).

⁴ U.S. Department of Energy Biomass Program, *Growing a Robust Biofuels Economy*, James Spaeth (Washington, D.C.: 2007). <http://74.125.47.132/search?q=cache:PPGyflLwPOcJ:www.westgov.org/wga/initiatives/transfuels/reports/DOE-Biomass.ppt+renewable+fuels+association+6.37+billion+gallons+ethanol+2008&cd=2&hl=en&ct=clnk&gl=us> (accessed May 25, 2009).

According to the U.S. Department of Energy, “E-10” blends of ethanol (comprised of 10% ethanol and 90% gasoline, also known as “gasohol”) account for approximately 99% of the ethanol consumed in the United States.⁵ E-85, a more ambitious blend comprised of 85% ethanol and 15% gasoline that can only be used in “flex-fuel” vehicles, currently accounts for only 1% of total ethanol consumption, although its use may offer the potential for substantial reductions in future petroleum consumption⁶

Starch from corn is currently the major source of commercially available ethanol in the U.S., accounting for approximately 95% of total ethanol production. However, because corn is also used as a food stock by people and for agricultural or animal feed, using it for fuel production inevitably raises its overall price, one of the main arguments against its use for ethanol production. One hopeful solution to this dilemma may lie in the use of cellulosal ethanol – ethanol made from cellulosic organic materials such as switchgrass, rice straw, and sugarcane waste – sources that are not used for food. If cellulosic forms of ethanol are employed in addition to corn, it is possible, according to a joint study done by the Departments of Agriculture, to grow enough biomass to displace approximately 30% of gasoline use “on a sustainable basis.”⁷ However, unlike corn, cellulosic feedstock must first be reduced to fermentable sugars in order to be converted

⁵ U.S. Department of Energy, Energy Information Administration, *Alternatives to Traditional Transportation Fuels* (Washington, D.C.:2005, updated November 2007).

⁶ Ibid.

⁷ U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy Biomass Program, *Ethanol Myths and Facts*, http://www1.eere.energy.gov/biomass/ethanol_myths_facts.html (accessed May 29, 2009)

into ethanol, making its production a more costly process, in addition to making it more costly to produce than gasoline.⁸

There are additional problems with the prospect of widespread ethanol use. Both corn and cellulosic ethanol is much more corrosive than gasoline, requiring significant and costly upgrading of infrastructure – pipelines, storage facilities, and filling stations. (It is estimated that the cost of preparing a single gas station storage tank for ethanol use would be approximately \$100,000.⁹ Also, widespread use of ethanol in high concentrations approximating E-85 or higher would require a “turnover in the vehicle fleet,” an obvious impediment to its ability to significantly displace gasoline use.¹⁰

Since diesel is the main fuel for heavy-duty and industrial vehicles in the United States, there has been increasing interest in the development and use of biodiesel, a biofuel made from new or used vegetable oil or animal fat that can be used alone or blended with petroleum-based diesel by vehicles. The fact that diesel-consuming vehicles can run on biodiesel without needing engine modification adds to its attraction as an alternative fuel.

Fossil fuels other than oil also have the potential to reduce petroleum consumption. Clean coal technology and natural gas used to create electricity can be used to power vehicles through the use of battery-powered electric cars (or flex-fuel cars) and through hydrogen fuel cell technologies. Using hydrogen to electrochemically produce electricity that is then used to power the drive train, fuel cell technology only

⁸ United States Government Accountability Office, *Report to Congressional Requesters Department of Energy. Key Challenges Remain for Developing and Deploying Advanced Energy Technologies to Meet Future Needs* (GAO-07-106; March 2006), 30.

⁹ Ibid.

¹⁰ Ibid.

emits heat and water as a byproduct, lending to the technology's reputation as an extremely green fuel.

Although President Bush may not have had the reputation for being an "environmental" president, he was a vocal proponent of the use of alternative fuels. His last few annual State of the Union addresses paid lip service to dangers of U.S. oil consumption and highlighted the need for other options. The 2006 address emphasized the need for the U.S. to break its "addiction" to oil and "move beyond a petroleum-based economy" through the use of ethanol (from corn *and* cellulosic biomass), hydrogen, and electricity for use in standard, hybrid, and electric vehicles ¹¹ (The "Advanced Energy Initiative" proposed in the address called for a 22% increase in clean-energy research and for cellulosic ethanol to be made cost-effective by the year 2012.) In 2007, President Bush reiterated his support for the use of such technology, added his support for the use of biodiesel and agricultural waste-based ethanol, and called on the U.S. to reduce gasoline usage by 20% in ten years. (Referred to as the "'20 in 10' Goal," this proposal, according to the president, will allow the U.S. to reduce its use of petroleum imports for the Middle East by 75%) ¹² This address also called for a mandatory fuels standard that would quintuple the current target for the use of alternative fuels by 2017, for the reform of fuel economy standards for cars that would save 8.5 billion gallons of gasoline by the same year, and for the doubling of the current capacity of the Strategic Petroleum Reserve ¹³

¹¹ George W. Bush, "State of the Union Address 2006," January 31, 2006, <http://www.washingtonpost.com/wp-dyn/content/article/2006/01/31/AR2006013101468.html> (accessed June 3, 2009)

¹² George W. Bush, "State of the Union Address 2007," January 23, 2007, <http://www.washingtonpost.com/wp-dyn/content/article/2007/01/23/AR2007012301075.html> (accessed June 3, 2009)

¹³ Ibid.

President Barack Obama has also emphasized the need to implement more extensive use of alternative fuels and to reduce the United States' reliance on foreign petroleum imports. Roughly a month after his inauguration, he promised to double the nation's supply of renewable energy within three years and to invest \$15 billion a year for the following ten years in order to help develop alternative energy technologies and develop more fuel-efficient cars and trucks.¹⁴ Such measures, according to a campaign pledge, will within 10 years save the U.S. more oil than it currently imports from the Middle East and Venezuela combined and help to allow the U.S. to put one million "plug-in hybrid cars" on the road by the year 2015.¹⁵

Although the U.S., with its free market forces, is at an advantage in creating oil reducing technology, China may be at an advantage in implementing it; it has fewer cars on the road, so its growth in the number of cars can possibly include a higher number of hybrid vehicles. State capitalism gives the Chinese government more power to influence society and implement policies more efficiently than the U.S., which is more restrained by market forces. This possibly gives China an advantage in implementing the use of other fuels and technology.

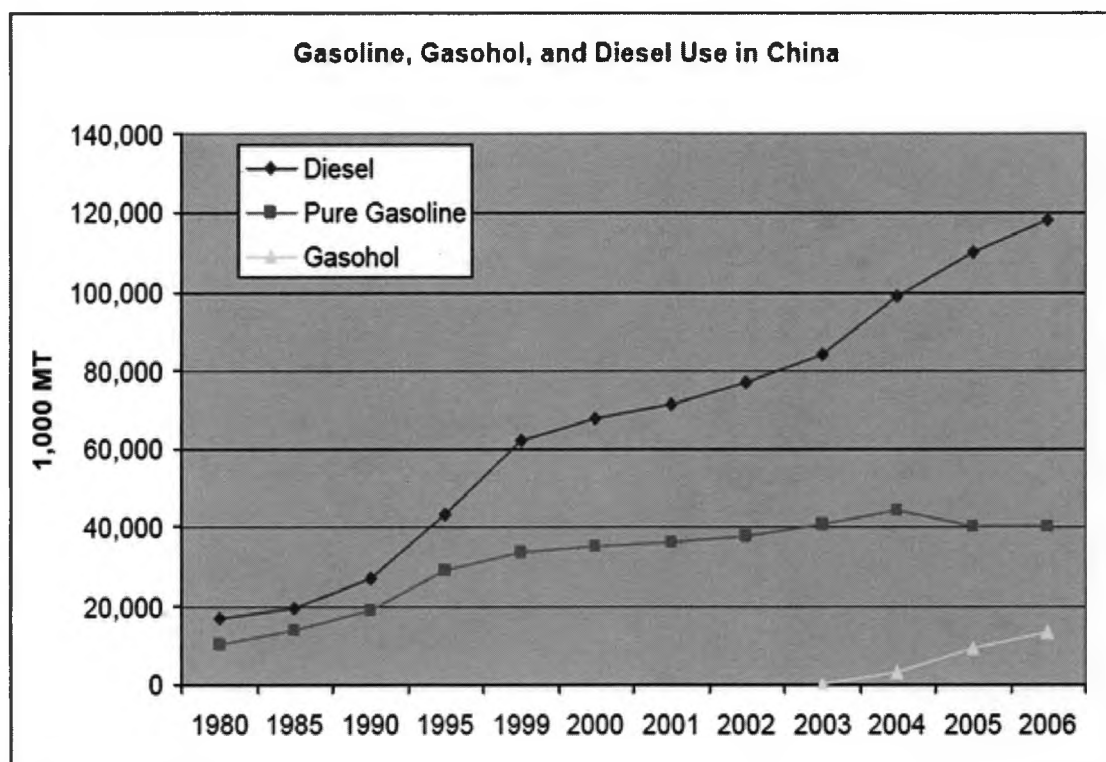
Research on biofuels in China began in 1986, but it was not until 2001 that legislation began to be drafted that would establish guidelines for its production and use. As part of a pilot program, E-10 ethanol began to be introduced in certain specified provinces and cities in 2002.¹⁶ Due to a nationwide campaign to promote its use, growth in ethanol production has since skyrocketed, making China is the third biggest producer

¹⁴ http://www.whitehouse.gov/the_press_office/Remarks-of-President-Barack-Obama-Address-to-Joint-Session-of-Congress/, Tuesday, February 24th, 2009 at 9:01 pm.

¹⁵ Energy independence – http://www.barackobama.com/pdf/factsheet_energy_speech_080308.pdf

¹⁶ U.S. Department of Agriculture Foreign Agriculture Service, *GAIN Report: China, Peoples Republic of, Bio-Fuels Annual 2006* (CH6049; August 8, 2006) by Kevin Latner, Caleb O'Kray, Junyang Jiang.

of ethanol in the world behind Brazil and the U.S.¹⁷ By mid-2006, ethanol accounted for 20% of domestic fuel consumption and, as of April, 2008, E-10 ethanol has been offered in 10 Chinese provinces.¹⁸



Source: China Energy Statistical Yearbook

Figure 5.2. Gasoline, Gasohol, and Diesel use in China.

Despite of the apparent promise of alternative fuel technologies, however, the potential of these technologies to displace a substantial amount of petroleum use is still very limited. The U.S. Department of Energy estimates that even under “optimistic

¹⁷ “China Says Ethanol Blends Account for 20 Percent of Gasoline Sold at Country's Pumps,” *Associated Press Worldstream*, March 2, 2006, International News.

¹⁸ Worldwatch Institute, *China Moving Away from Grain for Ethanol Production*, Yingling Liu (April 27), 2006, <http://www.worldwatch.org/node/3919> (accessed May 29, 2009); “China Replaces Petrol, Diesel Oil with Bio-Ethanol Fuel in 10 Localities,” *People's Daily Online*, April 1, 2008, <http://english.peopledaily.com.cn/90001/90776/90884/6384851.html> (accessed May 29, 2009).

scenarios,” such technologies have the ability to displace only 4% of projected U.S. oil consumption by 2015.¹⁹ By 2025 to 2030, the same technologies could displace 34% of projected American consumption, “if the challenges the technologies face are overcome.”²⁰ One might reasonably assume that the chances for China to displace much more than a similar percentage of its own oil consumption is also limited. In the interim, the U.S. and China will still be dependent on large and increasing amounts of foreign oil to meet their energy needs. The U.S. Energy Information Administration has predicted that oil consumption from the present to the year 2030 will grow at an average annual rate of 0.8% for the U.S. and 3.0% for China in the case of low economic growth and 1.6% and 4.5%, respectively, in the case of high economic growth.²¹ In both cases, predicted Chinese oil consumption is expected to be just under half of that of the U.S. in 2020, roughly mirroring the current ratio.²²

**Table 5.1. U.S. and Chinese Oil Consumption Projections, 2010 to 2030
(in Millions of Barrels/Day)**

Low Economic Growth Case						
	Avg. annual					
	2010	2015	2020	2025	2030	% change
U.S.	21.5	22.4	23.3	23.8	24.7	0.8
China	8.4	9.3	10.4	11.3	12.4	3.0

High Economic Growth Case						
	Avg. annual					
	2010	2015	2020	2025	2030	% change
U.S.	22.8	24.7	26.5	28.4	30.5	1.6
China	9.0	10.7	13.1	15.5	18.3	4.5

Source. Energy Information Administration International Energy Outlook 2006

¹⁹ United States Government Accountability Office.

²⁰ Ibid.

²¹ U.S. Energy Information Administration, *International Energy Outlook 2006* (Washington, D.C.: June 2006), 121, <http://www.eia.doe.gov/oiaf/archive/ieo06/index.html> (accessed May 29, 2009).

²² Ibid.

One factor that has potential to slow down Chinese economic growth (and thus petroleum consumption) has to do with the possible affect of China's "one child policy," a population growth control measure enacted by the CCP in the late 1970's that applies to urban couples and many rural families. The traditional Chinese preference for boys has been amplified by the ability of medical technology to determine the sex of a fetus, which allows couples to abort female offspring in the hope of eventually producing a male child. The practice has been leading to a Chinese gender imbalance, according to a 2007 report from the State Population and Planning Commission. In 2005 there were 118 boys born in China for every 100 girls, far above the norm proposed by the United Nations of 106 boys for every 100 girls.²³ (In 99 Chinese cities, the ratio was higher than 125 to 100.)²⁴ By 2020, the report contends, China will have millions more men of marriageable age than women which, while having obvious consequences for population growth, might also be a contributing factor to civil unrest, as many men would be unable to find wives.²⁵ To try to combat the growing imbalance, the CCP recently enacted new penalties for both couples and doctors involved in abortion of fetuses, but the practice, which was already illegal, is expected to continue.²⁶

Strategic Petroleum Reserves

Strategic petroleum reserves have long been employed by industrialized nations in order to lessen the economic and political impact of disruptions to petroleum supplies. In

²³ "China Facing Major Gender Imbalance," *Associated Press*, January 12, 2007, <http://www.msnbc.msn.com/id/16593301/> (accessed May 29, 2009); "China's Population Growth 'Slowing,'" *BBC News*, March 28, 2001, <http://news.bbc.co.uk/2/hi/asia-pacific/1246731.stm> (accessed May 29, 2009).

²⁴ "China to Act on Gender Imbalance," *BBC News*, August 25, 2007, <http://news.bbc.co.uk/2/hi/asia-pacific/6963445.stm>. (accessed May 20, 2009).

²⁵ *Ibid.*

²⁶ *Ibid.*

case of such a disruption that might either cause or occur during a crisis in Sino-American relations, having sizable reserves may help to buy time to reach a solution, diplomatic or otherwise.

As a member of the International Energy Association, the United States is required to possess emergency oil stocks.²⁷ The U. S. Strategic Petroleum Reserve, established in 1975 in response to the 1973-74 oil embargo, currently contains over 700 million barrels of oil (comparable to about 56 days of current oil consumption), the largest such stockpile of emergency petroleum in the world, most of which is contained in facilities in Louisiana and Texas.²⁸ In response to recent concern about the acquisition of future imports, the Energy Policy Act of 2005 has mandated that the reserves be increased to a billion barrels by 2018.²⁹

The CCP began considering the creation of its reserves in 1993 but did not begin construction of them until a decade later.³⁰ In October of 2006 the Chinese government confirmed that it had started filling the first of these reserves, at Zhenhai located just south of Shanghai in the eastern province of Zhejiang. (Three other reserves are to be built in the end of the decade – at Daishan, also in Zhejiang; Huangdao in Shandong province; and Xingang in the northeastern province of Liaoning.)³¹ Details concerning how and

²⁷ U.S. Department of Energy, *U S Petroleum Reserves*, <http://www.fossil.energy.gov/programs/reserves/#SPR> (accessed June 3, 2009).

²⁸ *Ibid.*

²⁹ U.S. Congress, *Energy Policy Act of 2005* (Public Law 109; August 8, 2005), http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_public_laws&docid=f:publ058.109.pdf (accessed June 3, 2009).

³⁰ “A Cushion of Black Gold; China and Oil,” *The Economist*, December 2, 2006, http://www.lexisnexis.com.libproxy.txstate.edu/us/lnacademic/results/docview/docview.do?docLinkInd=true&risb=21_T6718681783&format=GNBFI&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29_T6718681789&cisb=22_T6718681788&treeMax=true&treeWidth=0&csi=7955&docNo=1 (accessed May 29, 2009).

³¹ Elaine Kurtenbach, “China's Oil Imports Surge as Country Begins Filling Strategic Reserves,” *Associated Press Worldstream*, October 12, 2006, http://www.lexisnexis.com.libproxy.txstate.edu/us/lnacademic/results/docview/docview.do?docLinkInd=true&risb=21_T6718714366&format=GNBFI&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29_T6

when China is going to fill these reserves have not been forthcoming, but Chinese officials have stated that their goal is to store 100 million barrels within the next five years, an amount roughly equal to a month's worth of Chinese oil consumption.³²

There is concern over a supposed deal to allow Sinopec to control over a third of the total reserves at Zhenhai, raising speculation about the possibility of profit-driven motives influencing when to release the reserves. To alleviate concerns over reserve management, China has been consulting with the International Energy Agency, and there is a belief among analysts of China's energy policies that government regulations concerning use of the reserves are in the works.³³ As of yet, however, China has not been forthcoming about its strategy to fill the reserves.

Since petroleum reserves can only offer a slight buffer in the case of a disruption to oil supplies and since alternative fuels will not offer a substantial displacement of petroleum use, at least in the near future, the most effective method of preventing a serious crisis in Sino-American relations is to ensure that those relations are as strong as possible.

Sino-American Interdependence and China's Participation in Multilateral Institutions

Regarding the prospects for peace and cooperation between nations, supporters of a liberal theoretical perspective tend to believe in the "pacifying power" of economic interdependence and international institutions.³⁴ Applied to Sino-American relations,

718714369&cisb=22_T6718714368&treeMax=true&treeWidth=0&csi=138211&docNo=2 (accessed May 29, 2009).

³² Ibid.

³³ "A Cushion of Black Gold; China and Oil."

³⁴ Aaron L. Friedberg, "The Future of U.S. China Relations; Is Conflict Inevitable?," *International Security* 30, no. 2 (Fall 2005): 10.

such a perspective would find a high and increasing degree of both. Economic exchange between the two nations has grown exponentially in the post-Mao era, from \$1 billion in the late 1970's to close to over \$386 billion in 2007.³⁵ From 1998 to 2007 alone, trade between the two nations experienced more than a fourfold increase. In addition, U.S. direct investment in China has grown from \$354 million in 1990 to \$15 billion in 2004, primarily a result of manufacturing-sector investment.³⁶

Table 5.2. China's Trade with the United States (\$ billion)										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
US Exports	14.3	13.1	16.3	19.2	22.1	28.4	34.7	41.8	55.2	65.2
% change	10.9	-8.0	24.4	18.3	15.1	28.5	22.2	20.6	32.1	18.1
US Imports	71.2	81.8	100.0	102.3	125.2	152.4	196.7	243.5	287.8	321.5
% change	13.8	14.9	22.3	2.2	22.4	21.7	29.1	23.8	18.2	11.7
Total	85.5	94.9	116.3	121.5	147.3	180.8	231.4	285.3	343.0	386.7
% change	13.4	11.0	22.6	21.4	21.2	22.8	28.0	23.3	20.2	12.7
US Balance	-56.9	-68.7	-83.7	-83.0	-103.1	-124.0	-162.0	-201.6	-232.5	-256.3

Sources: US International Trade Commission, US Department of Commerce, and US Census Bureau.

Sino-American cooperation is imperative in order for the international community to effectively deal with many of challenges of the 20th century. China is seen as an indispensable partner of the U.S. in trying to keep North Korea from acquiring nuclear missile technology. Although the “Six-Party Talks” that included the U.S. and China as key players have been cancelled by North Korea, China’s influence on the fellow

³⁵ U.S.-China Economic and Security Review Commission, *The National Security Implications of the Economic Relationship between the United States and China* (Washington, D.C.: U.S. Government Printing Office, July 2002), 38-39; U.S. Department of State, *Background Note: China* (Washington, D.C.: January 2009), <http://www.state.gov/r/pa/ei/bgn/18902.htm> (accessed June 3, 2009).

³⁶ United States Government Accountability Office, *Report to Congressional Committees: China Trade U.S. Exports, Investment, Affiliate Sales Rising, but Export Share Falling* (GAO-06-162; December, 2005) 32, 33.

communist nation is such that it has been said that “the road to reform in Pyongyang goes through Beijing.”³⁷ The threat of pirate activity in the Gulf of Aden off of the coast of the Horn of Africa has also provided impetus for Sino-American cooperation. As of mid-March of this year, China has been part of an international presence of naval vessels helping to reduce hijacking of cargo vessels, a development that has implications for improving Sino-American military ties.³⁸ Other global issues that will require U.S. and Chinese cooperation include the threat of Islamic extremism in Afghanistan and Pakistan, the possible development of nuclear weapons by Iran, and global pollution and climate change.

The most visible aspect of the Sino-American relationship, however, still appears to be fundamentally economic. President Hu has stated that China and the U.S., as “important members of the global economic system,” have “a shared responsibility to safeguard the health, stability, and development of the world economy.”³⁹ The much-lauded meeting between President Obama and President Hu that took place at the G-20 economic summit on April 2 of this year underscored the importance of each nation to the global economy; indeed, many analysts referred to the meeting of the two leaders as the “G-2.” Sino-American cooperation is seen as essential in order to overcome the current global financial downturn. One Chinese newspaper asserted that “the degree of

³⁷ The Heritage Foundation, *America's North Korea Policy: Adding Lanes to the Road*, Bruce Klingner (Washington, D.C.: March 20, 2009) <http://www.heritage.org/research/asiaandthepacific/bg2252.cfm>. (accessed May 29, 2009).

³⁸ South Asia Analysis Group, *China's Anti-Piracy Patrol – Strategic Dimensions* (Paper #2994; December, 28, 2008), B. Raman, <http://www.southasiaanalysis.org/%5Cpapers30%5Cpaper2994.html>. (accessed May 29, 2009).

³⁹ “President Hu: China, U.S. Share Responsibility for World Economy,” *Xinhua News Agency*, April 2, 2008, http://news.xinhuanet.com/english/2008-04/02/content_7907315.htm (accessed May 29, 2008)

close U.S.-China cooperation in the process of coping with the global financial crisis will directly affect how fast the global economy can extricate itself from this difficult time.”⁴⁰

According to liberal theorists, the participation of both China and the U.S. in many of the same multilateral institutions, including the UN and the WTO, helps to create “a thickening web of ties” that helps to reinforce “contact, communication,” “greater mutual understanding,” and a reduced probability of the kind of “gross misperception” that could lead to highly-strained relations or even military conflict.⁴¹ In addition, increasing Chinese participation in such organizations, even those without U.S. participation, demonstrates a tendency by Beijing to resolve disagreements with other nations through dialogue and mediation through such institutions, without resorting to belligerent action.

Since the end of the Cold War China’s membership and involvement in intergovernmental and nongovernmental organizations has grown steadily. Initially suspicious about multilateral institutions and reluctant to participate in them, China appears to have made multilateral diplomacy a cornerstone of its foreign policy. Starting in the early 1990’s and driven mainly by increasing economic globalization, a “new concept of security” began to be articulated by Chinese officials that emphasized international cooperation in what was seen as an increasingly interdependent world.⁴² Succinctly put, it appears that China’s leaders came to the realization that they were more likely achieve their domestic and international objectives through involvement in multilateral institutions.

⁴⁰ Jaime FlorCruz, “U.S.-China Relations in Focus at ‘G-2’ Summit,” *CNN com/Europe*, April 2, 2009, <http://edition.cnn.com/2009/WORLD/europe/04/01/g20.china.us/index.html> (accessed May 29, 1009).

⁴¹ Friedberg 11.

⁴² Yong Deng and Fei-Ling Wang, eds., *China Rising Power and Motivation in Chinese Foreign Policy* (Lanham, MD: Rowman and Littlefield, 2005), 161.

China has been involved in the United Nations since entering the organization in 1971 but did not appear to begin to take an active and cooperative role in collective security measures until the early 1990's, when it began to send Chinese military units on peacekeeping operations. Since then, Beijing's engagement in the U.N. has become increasingly more active, perhaps reflecting China's general attitude towards multilateral relations. In September of 2000, China requested a meeting of the five members of the U.N. Security Council (of which China is a member) at which Chinese president Jiang Zemin seemed to outline the philosophy underlying Beijing's support for multilateralism:

The principle of democracy must be advocated and implemented in handling world affairs, whether in maintaining world peace or promoting common development. All countries, big or small, rich or poor, strong or weak, are equal members of the international community and have the right to take part in and handle world affairs. Today, the world's destiny should be in the hands of the people of all countries.⁴³

Such principles can perhaps be seen at work through China's involvement in several regional institutions that call for interaction with less powerful nations that Beijing nonetheless appears to treat as equals. The Asia-Pacific Economic Cooperation (APEC), founded in 1989 to "further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community" through "open dialogue and equal respect for the views of all participants," was the first of many regional institutions to benefit from China's involvement.⁴⁴ Although APEC operates on the basis of "voluntary" and "non-binding commitments," it was nonetheless important for operating as a mechanism to demonstrate China's willingness to be participate in multilateral

⁴³ United Nations, "Statement by President Ziang Zemin of the People's Republic of China at the Millennium Summit of the United Nations," *United Nations*, September 6, 2000, www.un.org/millennium/webcast/statements/china.htm (accessed May 27, 2009).

⁴⁴ "What is Asia-Pacific Economic Cooperation?," *Asia Pacific Economic Cooperation org*, http://www.apec.org/apec/about_apec.html (accessed May 27, 2009).

organizations.⁴⁵ Since joining APEC in 1991, Beijing has been a founding member of several important regional institutions, the most important of which is perhaps the Association of Southeast Asian Nations Plus Three (ASEAN+3, also called APT).

An extension of the original ASEAN (established in 1967 and including Indonesia, Malaysia, Vietnam, Myanmar, Cambodia, Singapore, Laos, the Philippines, Brunei, and Thailand), the APT, which includes the addition of China, Japan, and South Korea, is viewed as an indispensable mechanism for regional economic integration and security. The establishment of a China-ASEAN Free Trade Area (CAFTA), to be completed in 2010, will gradually form a tariff-free market in the region. Through CAFTA, and with a combined gross domestic product of over \$2 trillion, AFT nations are, in the words of U.S. trade representative Robert Zoellick, recognizing that “China’s growth is a benefit to them” instead of a potential threat.⁴⁶

Another issue addressed through the APT that has enhanced trust between China and its neighbors is the negotiation of longstanding disputes between China and other Southeast Asian nations concerning territorial claims in the South China Sea. In November 2002, China and the ASEAN nations signed the Declaration on the Conduct of Parties in the South China Sea, which “reaffirmed their commitment to the purpose and principles of the UN Charter, 1982 UN Convention on the Law of the Sea, the Treaty of Amity and Cooperation in Southeast Asia,” and “other universal principles of international law.”⁴⁷ The declaration also “commits the concerned parties” to resolve territorial and jurisdictional disputes through “peaceful means, without resorting to force,

⁴⁵ Ibid.

⁴⁶ Yong Deng and Fei-Ling Wang 170.

⁴⁷ Association of Southeast Asian Nations, “Declaration on the Conduct of Parties in the South China Sea,” November 2003, *Association of Southeast Asian Nations*, <http://www.aseansec.org/13163.htm> (accessed May 27, 2009).

through friendly consultations and negotiations by sovereign states directly concerned.”⁴⁸ Although the declaration is non-binding, it nonetheless was the first document concluded between China and Southeast Asian nations over disputes in the South China Sea and “an important step to defuse potential conflict in the region.”⁴⁹ In October of 2003, Beijing took an additional promising step concerning the issue by adopting the Treaty of Amity itself, in which contracting parties agree not to “participate in any activity which shall constitute a threat to the political and economic stability, sovereignty, or territorial integrity” of other signatory nations, to “refrain from the threat or use of force” and to “at all times settle such disputes among themselves through friendly negotiations.”⁵⁰

Although the United States is not involved such regional international institutions, Beijing’s participation within them serves as an example of how China is much more likely to try to resolve disputes with other nations through multilateral diplomacy and mediation within such organizations instead of through the threat of military force, enhancing the notion that any dispute between the U.S. and China will likewise be resolved through similar means, as recent WTO mediation has attested to.

Strengthening Sino-American Relations

The sheer interdependence of the Chinese and U.S. economies, and the importance of both economies to the global economy, are perhaps the most obvious deterrents to the development of poor Sino-American relations that could harm bilateral or global trade. In addition, the recognition by the United States of the rise of China and its potential impact on U.S. interests, coupled with the recognition by China of the

⁴⁸ Ibid.

⁴⁹ Yong Deng and Fei-Ling Wang 171.

⁵⁰ Association of Southeast Asian Nations, “Treaty of Amity and Cooperation in Southeast Asia,” February 24, 1976, *Association of Southeast Asian Nations*, Articles 10, 13, <http://www.aseansec.org/1217.htm> (accessed May 27, 2009).

necessity to manage its own rise into a global system dominated by the U.S., should also help ensure the continued relative stability of the Sino-American relationship and underscore the importance of strengthening bilateral ties. Both China and the United States recognize the extreme importance of strong bilateral relations in order to ensure mutually beneficial and peaceful 21st century coexistence.

For those who favor a constructionist perspective, whereby international relations are “socially constructed” and dependent upon beliefs and ideas that the citizenry of one country may have of the ultimate foreign policy goals of another, the best way to ensure positive U.S.-China relations is through interaction between the two nations.⁵¹ Such interaction allows for the exchange of information and ideas that can help to displace prevailing negative conceptions of one another, thereby decreasing chances for strained relations. In addition, the professional relationships that develop between government officials from both sides should act to reduce suspicion each nation might have concerning the ultimate foreign policy intentions of the other.

Despite foreign policy tendencies of the Bush administration that may have made Beijing uneasy, Sino-American ties during the latter years of Bush’s second term showed a marked increase. Meetings between both high-ranking government officials and working level officials from both sides started to occur regularly, and growing cooperation between Chinese and American government agencies appears to be a trend. From January of 2007 to February of 2008 alone, there were over a dozen meetings of top-level officials from both sides, from state department and economic officials to military leaders.

⁵¹ Friedberg 23.

Table 5.3. Selected Visits by U.S. and PRC Officials.

January 23, 2007 — U S Assistant Secretary for Commerce Chris Padilla left for Beijing to discuss export controls.
March 2, 2007 — Alan Holmer, new U S Special Envoy for Strategic Economic Dialogue with China, met in Beijing with Vice Premier Wu Yi
March 3, 2007 — Deputy Secretary of State John Negroponte arrived in Beijing for three days of talks. He met with Foreign Minister Li Zhaoxing, State Councilor Tang Jiaxuan, and vice foreign ministers Dai Bingguo and Yang Jiechi. At the end of his trip, he addressed the 17.8% increase in China's military budget, saying the United States wanted China to clarify its "plans and intentions" for its military program.
March 7, 2007 — U S Treasury Secretary Henry Paulson arrived in Beijing for his third official visit in his seven-month tenure as Secretary. He reportedly urged China to open its markets more quickly.
March 22, 2007 — U S Chairman of the Joint Chiefs Marine General Peter Pace arrived in Beijing for a visit, including a trip to Anshan Air Base in the Shenyang Military Region. There, Pace examined a PRC-built Su-27 fighterbomber.
May 10, 2007 — New U S Pacific forces commander Admiral Timothy J. Keating began his first five-day visit to China as Pacific commander. He took command in his new post on March 26, 2007. He pledged to continue to improve U S -China military contacts and exchanges and to intensify joint exercises.
July 23, 2007 — Air Force General Paul V. Hester, the U S Pacific Air Forces commander, began a five-day visit to China, the first by a senior U S military officer to meet primarily with PLAAF officials. His visit included the first visit by an American commander to Jining Air Base, as well as to Jianqiao Air Base.
August 17, 2007 — U S Chairman of the Joint Chiefs Navy Admiral Michael G. Mullen arrived in Beijing for a visit, including stops in Beijing, naval facilities along China's east and northeast coasts, and the naval academy in Dalian.
November 4, 2007 — U S Secretary of Defense Robert Gates arrived in Beijing for a three-day visit, his first official visit to China as Secretary of Defense. Both sides reached consensus on a number of issues, including setting up an official military hotline.
December 11, 2007 — U S Treasury Secretary Henry Paulson arrived in Beijing for the third official Strategic Economic Dialogue (SED). The meeting resulted in agreements on food and product safety, energy, and the environment.
January 12, 2008 — Admiral Timothy J. Keating, commander of the U S Pacific Command, left for a week-long trip to China. It was the first high-level military exchange since the PRC denied the Kitty Hawk's request for a port visit to Hong Kong over the Thanksgiving holiday.
January 16, 2008 — U S Deputy Secretary of State John Negroponte arrived in Beijing to attend the fifth U S -China Strategic Dialogue, scheduled for the 17th and 18th.
February 23, 2008 — Secretary of State Condoleezza Rice traveled to China, Korea, and Japan, holding a joint press conference with Chinese Foreign Minister Yang Jiechi on February 26, 2008.

Source: Congressional Research Service

In addition to a series of already existing official U.S.-PRC government dialogues, two new ones have been added since 2004, the U.S.-China Senior Dialogue and the U.S.-China Strategic Economic Dialogue. The U.S.-China Senior Dialogue (also called the “Strategic Dialogue”), proposed by President Hu during a 2004 meeting with President Bush, is held twice annually for high-ranking government officials from both sides to discuss important and sensitive major international issues of mutual concern, thereby helping “to ensure long-term and stable development of bilateral ties by reducing misjudgment, dispelling suspicion, increasing trust and clarifying principles and objectives,” according to an article in the People’s Daily.⁵² The first meeting of the dialogue, held in August 2005 in Beijing and presided over by then Deputy Defense Secretary Robert P. Zoellick and Chinese Vice Foreign Minister Dai Bingguo, was hailed by both sides as a promising precedent for reducing Sino-American tensions and helping to maximize bilateral cooperation.⁵³ Speaking of the efficacy of the meeting, and of the dialogues in general, Zoellick commented that “I find it useful to try to listen to my Chinese colleagues to understand their points of emphasis, their points of concern. Similarly, I relay ours.....because it is important we both know these so that we can try to overcome them and strengthen the relationship in the months and years ahead.”⁵⁴

To date there have been five such dialogues, the most recent one held in January of this year, during which Deputy secretary of Defense John Negroponte reiterated the

⁵² “China-US Strategic Dialogue, a Trust-Building One,” *People’s Daily Online*, August 1, 2005, http://english.peopledaily.com.cn/200508/01/eng20050801_199595.html (accessed May 29, 2009); U.S. Congressional Research Service, *China-U S Relations Current Issues and Implications for U S Policy* (RL33877; March 17, 2008), Kerry Dumbaugh, <http://fpc.state.gov/documents/organization/102625.pdf> (accessed May 29, 2009).

⁵³ “China-US Strategic Dialogue, a Trust-Building One,” David Lague, “New China-U.S. Dialogue Could Strengthen Complex Ties,” *The New York Times*, September 23, 2005, <http://www.ihf.com/articles/2005/09/23/news/china.php> (accessed May 29, 2009).

⁵⁴ *Ibid.*

U.S. position on Taiwanese independence to PRC General Ding Jingong. (The occasion marked the first time a PRC official has attended a Senior Dialogue.)⁵⁵

During U.S. his first trip to China in September of 2006, then-U.S. Treasury Secretary Henry Paulson announced the establishment of (and his chairmanship of) the U.S.-China Strategic Economic Dialogue (SED), previously agreed to by President Bush and President Hu. The dialogue, the meetings of which are also to be held twice annually, will focus on “bilateral and global strategic economic issues of common interests and concerns” in order “to advance U.S.-China economic relations and encourage China’s continued economic transition to that of a responsible global player.”⁵⁶ The first meeting, held in Beijing in December of 2006 and attended by six Bush Administration cabinet officers and other government officials, including Secretary Paulson, Secretary of Commerce Carlos M. Gutierrez, Labor Secretary Elaine Chao, Health and Human Services Secretary Mike Leavitt, Energy Secretary Sam Bodman, U.S. Trade Representative Susan Schwab, EPA Administrator Stephen Johnson, and Federal Reserve Chairman Ben Bernanke, focused on increasing Chinese access to U.S. goods and strengthening trade ties⁵⁷ The much more extensive second meeting, held in Washington in May of 2007, involved 17 U.S. cabinet officials and agency heads, 15 PRC ministers and 21 PRC government ministry representatives, and produced

⁵⁵ U.S. Congressional Research Service, *China-U S Relations: Current Issues and Implications for U S. Policy*

⁵⁶ U.S. Department of the Treasury, *The Joint Statement between the United States of America and The People’s Republic of China on the Inauguration of the U S.-China Strategic Economic Dialogue*, United States Department of the Treasury Press Room (Washington, D.C.: September 20, 2006), <http://www.ustreas.gov/press/releases/hp105.htm> (accessed May 29, 2009); U.S. Department of the Treasury, *Strategic Economic Dialogue (SED) Backgrounder* (Washington, D.C.: October 30, 2007), <http://www.sifma.org/legislative/international/pdf/SEDBackgrounder10-30-07.pdf> (accessed May 27, 2009).

⁵⁷ U.S. Congressional Research Service, *China-U.S. Relations: Current Issues and Implications for U S. Policy*

agreements to help strengthen Chinese access to U.S. goods and services, promote cooperation on energy security and environmental protection, and to better enforce laws on intellectual property rights.⁵⁸ Although the third meeting (held in December 2007) did not produce progress on currency valuation or other economic issues as U.S. officials had hoped, agreements were made on energy and the environment.⁵⁹

As the Congressional Research Service report on U.S.-China relations contends, there is still no official military dialogue at the level of the Senior Dialogue or the Strategic Economic Dialogue.⁶⁰ Nonetheless, there has been notable cooperation between the two nations' militaries. The consensus reached between President Bush and President Hu on the importance of increasing military exchanges and cooperation between the two sides has increasingly been bearing fruit, which should be reassuring to those of the mindset that a future Sino-American military showdown is inevitable. In July of 2006, General Guo Boxiong, China's senior-most general, at the behest of then-Secretary of Defense U.S. Defense Secretary Donald Rumsfeld, paid a week-long visit to Washington, meeting with several U.S. military officials and making Guo the highest-ranking Chinese military figure to visit Washington since Sino-American military ties were severed after the 2001 U.S. spy plane incident. According to the People's Daily, Guo and U.S. officials agreed that "the development of bilateral and military ties was in

⁵⁸ U.S. Department of the Treasury, *Fact Sheet Second Meeting of the U.S.-China Strategic Economic Dialogue*, United States Department of the Treasury Press Room (Washington, D.C.: May 23, 2007), <http://www.ustreas.gov/press/releases/hp417.htm> (accessed May 29, 2009)

⁵⁹ U.S. Congressional Research Service, *China-U.S. Relations: Current Issues and Implications for U.S. Policy*.

⁶⁰ Ibid.

the interests [of both nations]” and was “conducive to peace and stability in the Asia-Pacific region as well as the whole world.”⁶¹

Guo’s visit paved the way for joint naval exercises that were held later that year. The first, a group of communications and passing exercises held off the coast of Hawaii in September, underscored the need to manage the growing frequency of unexpected meetings between the two sides on the high seas.⁶² Two groups of search-and-rescue exercises were held later that month and in November, off the coast of California and in the South China Sea, respectively. A statement from the Chinese Defense Ministry asserted that the exercises would “help improve understanding and build mutual trust between the two militaries, particularly the two navies.”⁶³

Admiral Timothy J. Keating, commander of U.S. military forces in the Pacific, has made clear his intention to improve ties with the Chinese military and has called for more extensive exchanges and joint exercises between the two nations’ armed forces.⁶⁴ In a five-day visit to China in May of 2007, Admiral Keating met with a number of high-ranking Chinese military officials, including General Guo Boxiong, China’s senior-most general, Zhang Qinsheng, deputy chief of the P.L.A., and P.L.A.N. vice-admiral Wu Shengli.⁶⁵ As an indication of China’s desire to improve Sino-American military

⁶¹ “China, U.S. Enjoy Active Military Exchanges in 2006,” *People’s Daily Online*, December 28, 2006, http://english.peopledaily.com.cn/200612/28/eng20061228_336342.html (accessed May 27, 2009).

⁶² Embassy of the Peoples Republic of China in Australia, *U.S. Warship Arrives for Joint Search-and-Rescue Exercise* (Canberra, Australia: November 18, 2006) <http://au.china-embassy.org/eng/xw/t280388.htm> (accessed May 27, 2009).

⁶³ *Ibid.*

⁶⁴ Jim Yardley, “Commander Visits China to Increase Ties With U.S.,” *The New York Times*, May 13, 2007, <http://www.nytimes.com/2007/05/13/world/asia/13china.html> (accessed June 3, 2009).

⁶⁵ *Ibid.*

relations, General Guo called for increased military exchanges in order “to further promote bilateral ties.”⁶⁶

In November of 2007, Secretary of Defense Robert Gates spent three days in Beijing, where he met with Chinese Defense Secretary Cao Cangchuan, Vice-Chairmen Guo Boxiong and Xu Caihou of the Central Military Commission, and Vice Foreign Minister Dai Bingguo. The visit produced agreements on setting up an official military hotline between the two sides (the first of its kind between the Chinese government and any other nation), on expanding dialogue and exchange between the two sides, and on holding joint exercises for humanitarian rescue and disaster relief⁶⁷ Although dialog concerning Taiwan and Iran occurred during the visit, details concerning any agreements on either issue are not available⁶⁸

Cooperation in the fields of science and technology has been occurring between China and the U.S. for decades. In October of 2006, the China-U.S. Joint Commission on Science and Technology held its 12th meeting to date, during which the two sides reached consensus on action-plans for cooperation in the areas of clean energy technology, safe utilization of peaceful nuclear energy technology, agricultural technology, water resource management, conservation of and more efficient utilization of other natural resources, environmental technology, natural disaster reduction and prevention, public health and bio-medical research, earth observation, nano-technology, and on the “education, training, and exchange of scientific research personnel and science

⁶⁶ Jamestown Foundation, Jamestown China Brief: *US-PRC Maritime Cooperation: An Idea Whose Time Has Come?* Jamestown China Brief 7, no. 12, Eric A. Mcvaden (Washington, D.C.: June 13, 2007) http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=4229&tx_ttnews%5BbackPid%5D=197&no_cache=1 (accessed June 3, 2009).

⁶⁷ U.S. Congressional Research Service, *China-U.S. Relations: Current Issues and Implications for U.S. Policy*.

⁶⁸ Ibid.

and technology management personnel⁶⁹ Also among the highlights of the meeting was the joint signing of a “Memorandum of Understanding on Scientific and Technological Cooperation in the Field of Environmental Protection.”⁷⁰

Relations between the Obama administration and the Chinese government appear to have gotten off to a good start despite initial friction concerning perceived Chinese manipulation of their currency. According to Chinese Vice Foreign Minister He Yafei, bilateral relations “have experienced a smooth transition period and have enjoyed steady growth” since the advent of the administration, “a result of concerted effort on both sides.”⁷¹ A well-received visit to Beijing by Secretary of State Hillary Clinton to Beijing in mid-February included meetings with President Hu, Prime Minister Wen, and Foreign Minister Yang Jiechi, during which issues of mutual concern such as climate change and the global financial crisis were discussed.⁷² In addition to the much-publicized meeting between President Obama and President Hu at the G-20 meeting in April, recent meetings have included three U.S. Congressional delegations, a visit by Treasury Secretary Geithner, a meeting between Obama and Chinese Foreign Minister Yang Jiechi, and a joint visit to China by U. S. Commerce Secretary Gary Locke and Energy Secretary Stephen Chu.⁷³

⁶⁹ “China, US to Expand Scientific, Technological Cooperation in Priority Areas.” *BBC Monitoring Asia Political*. October 20, 2006.
<http://www.lexisnexis.com.libproxy.txstate.edu/us/lnacademic/search/homesubmitForm.do> (accessed June 3, 2009).

⁷⁰ Ibid.

⁷¹ “Chinese Agency Says Ties with US Forge Ahead on New Course,” *Xinhua news Agency*, July 27, 2009, http://en.chinagate.cn/features/chinausdialogue/2009-07/27/content_18212244.htm (accessed July 29, 2009).

⁷² “Compliments, Not Controversy, Mark Hillary Clinton’s Beijing Visit,” *The Times Online*, February 23, 2009, http://www.timesonline.co.uk/tol/news/world/us_and_americas/article5786644.ece (accessed June 29, 2009).

⁷³ “Chinese Agency Says Ties with US Forge Ahead on New Course.”

The first Strategic Economic Dialogue of the Obama administration, held in Washington from July 27 to the 29th, promised to further strengthen Sino-American ties. During the meeting, President Hu sent a message to Obama, asserting that “U.S.-China relations are at a new historic point and facing new opportunities” and adding his desire to “make joint efforts” with President Obama to “handle bilateral ties from a strategic and long term perspective” and to “seize the opportunity to create the future and build a positive, cooperative and comprehensive China-U.S. relationship in the 21st century.” (Obama Meets with Wang Qishan and Dai Bingguo, States News Service).⁷⁴

President Obama has likewise indicated his positive outlook for the relationship between the two nations, calling it “as important as any bilateral relationship in the world,” one that “will shape the 21st century.”⁷⁵ Countering the notion of a “China threat,” Obama has stated his support for “a future where China is a strong, prosperous, and successful member of the community of nations; a future where our nations are partners out of necessity, but also of opportunity.”⁷⁶

To help underscore the importance of the Sino-American relationship, President Obama will make his first visit to Beijing in mid-November, a visit that Chinese State Councillor Dai Bingguo has stated will witness the two countries “working together” to ensure “smooth and successful” outcomes. “In addition to

⁷⁴ Obama Meets with Wang Qishan and Dai Bingguo, *States News Service*, July 29, 2009. http://www.lexisnexis.com/us/lnacademic/results/docview/docview.do?docLinkInd=true&risb=21_T7822715584&format=GNBFI&sort=RELEVANCE&startDocNo=1&resultsUrlKey=29_T7822715593&cisb=22_T7822715592&treeMax=true&treeWidth=0&csi=8058&docNo=3

⁷⁵ Shaun Tandon and Veronica Smith, “Obama Says China Ties to Shape Century,” *Agence France Presse*, July 27, 2009, <http://www.google.com/hostednews/afp/article/ALeqM5ig43r5Jz7ArwUZX1ghDewXOYPCyA?index=0> (accessed September 29, 2009).

⁷⁶ “Obama Takes the Guessing out of US-China Ties; Stress on Cooperation, Solidarity, and Mutual Respect Good for Stability” *The Straits Times*, July 29, 2009, <http://www.asianewsnet.net/news.php?id=7064&sec=3> (accessed September 29, 2009).

mutual understanding, mutual respect, and mutual support,” Dai stressed, “the two sides will uphold their core interests, which are their [respective] national systems, national security, national sovereignties, territorial integrity, and sustained social development.” Confident that the bilateral relationship will continue to grow, Dai added that “Sino-U.S. relations will definitely have a better future.”⁷⁷ President Hu has told Obama that he believed that ties between the two nations will indeed continue to grow, thanks to the “high-level mutual visits personnel exchanges and trade and economic cooperation on various levels”⁷⁸ However, perhaps Secretary of State Clinton put it best when she pondered that China and the United States “are truly going to rise or fall together. We are in the same boat and, thankfully, we are rowing the same direction.”⁷⁹

⁷⁷ “Dai Bingguo Says China, US to Ensure Success of Obama’s China Visit,” *BBC Monitoring Asia Pacific – Political*, July 29, 2009.

⁷⁸ Fu Jing and Zhang Haizhou, “Take Sino-US Ties to ‘New Level’ Presidents,” *China Daily*, September 24, 2009, www.chinadaily.com.cn/china/2009-09/24/content_8728476.htm (accessed September 29, 2009).

⁷⁹ “Compliments, Not Controversy, Mark Hillary Clinton’s Beijing Visit.”

CONCLUSION

China's rise as a global power will perhaps prove to be the most significant geopolitical phenomenon of the 21st Century; its enormous population, its rising economic and political clout, and its increasing involvement on the world stage virtually ensure it. The major questions concerning China's emergence as a global power involve how it will affect the current U.S.-led geopolitical order and the interests and stability of the international community. Are China's intentions solely pacific as its leaders contend, or does it harbor malevolent intentions involving coercion towards members of the international community that may lead it to use the threat of force to bend other nations to its will?

China's rapid economic growth must be upheld by China's communist government if it is to retain its legitimacy in the eyes of the Chinese people and in the face of several factors contributing to growing domestic unrest, an imperative dependent upon the consumption of ever increasing amounts of oil. One of the most crucial issues concerning China's increasing oil consumption is the question of how it will affect the interests of the United States, currently the world's preeminent petroleum consumer. While oil consumption is obviously not the only issue with the potential to complicate Sino-American relations, it is perhaps the most far-reaching and consequential one considering the multitude of geopolitical factors involved in the extraction and transportation of imported oil to either the U.S. or China, much of it from countries that

are seen as being politically unstable or hostile to respective American or Chinese interests.

There are several possible scenarios for disruption of oil supplies to either the United States or China. A Chinese invasion of Taiwan, an attack on or invasion of Iran by the U.S. or its allies, and a disruption of oil supplies to the U.S. by Venezuela, for example, are possible scenarios, but the vast majority of situations that might involve or lead to a diplomatic crisis in Sino-American relations or even military conflict are highly unlikely. Recent trends in Chinese foreign policy point to a peaceful rise of China and a tendency to refer to multilateral institutions when attempting to resolve problems in international relations. While the foreign policy of the administration of George W. Bush could be interpreted as having posed a threat to China, the apparent policy preferences of the Obama administration point to an inclination towards diplomacy and a respect of multilateral institutions similar to that of China.

While the growth of China's military might alarm some American policymakers and scholars, a comparison of each nation's military capabilities do not indicate a possible Chinese parity with American forces anytime soon. Even if China's intentions are less than pacific, something the evidence does not support, it is highly doubtful that the PLA would be able to pose an effective military challenge to the U.S.

There has been much talk in the U.S. and China in recent years about the danger of reliance on foreign oil and the need to find alternative sources of energy and, indeed, tangible progress in the use of alternative fuels and technology – for motor vehicles especially – has been made by both countries. However, an objective analysis of the potential for alternative energy sources to substantially displace oil consumption in the

next two or three decades is not promising. Indeed, petroleum is likely to be a major source of energy for several decades.

Fortunately, several recent exchanges and meetings between high-level representatives from both the U.S. and China suggest that relations between both nations are entering a new era of harmony and cooperation. While disagreements and differences between the two nations will always exist, the high level of interdependence between the U.S. and China and the importance of each to the economic and political well being of the international community at large – and the awareness by each side of these facts – promise to be overwhelming factors that point to a harmonious 21st century Sino-American relationship.

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This thesis was typed by Michael Van Horn.