

The “China Energy Threat” Thesis and Sino-U.S. Relations: A Critical Review

Lei Wu & Xuejun Liu *

Abstract: As the global energy market undergoes profound changes, the world oil price fluctuates at a high level, and also China’s dependence on energy imports is on the rise. Some American strategists and analysts are keen on creating and disseminating the “China Energy Threat,” an illusion that is now somewhat exaggerated and overrated. On the contrary, there are reasons to believe that it is America that is the most powerful influencer and actor on international energy security and America is well advised to examine its own policy and behavior. The “China Energy Threat” thesis has cast some shadow over the steady development of Sino-U.S. relations, giving rise to mutual suspicion, mistrust and misunderstanding. The Strategic Economic Dialogue (SED) between China and U.S. alone is not enough. Both countries should demonstrate their political wisdom, create new mechanisms, make concessions, transcend oil and build up mutual trust. These should be identified as the policy foci and chief objectives of China and U.S. both at present and in the future.

Key Words: China Energy Threat; Sino-U.S. Relations

The “China Energy Threat”: An Exaggerated Thesis

The U.S. government is firstly and mostly concerned about and dissatisfied with the influence of China’s rapidly increasing energy demand on the global energy security, believing it is the “culprit” of international oil price hikes. It is true that over the years, as the world oil supplies witness fundamental changes, China’s oil demand has increased rapidly and sharply, with an increase by approximately 2.20 million barrels per day in 2004 in comparison with 2000, accounting for 36% of the world oil demand increase of the same period. From the perspective of the demand-driven price, it is believed that the rapid increase of China’s oil need has been one of the factors that contribute to the tight supply and price hikes on international oil markets.

* Dr. Lei Wu, Professor of the Institute of International Relations at Yunnan University as well as Fellow of the Middle East Studies Institute at Shanghai International Studies University and author of *China’s Oil Security* and *Energy Security and Sino-US Relations*. Xuejun Liu is a lecturer of the Institute of International Relations at Yunnan University.

However, the rise in international oil prices is driven by a number of complicated factors. If it is approached only from the demand-driven price perspective, it is evident that the effect of the United States is far greater than that of China. According to *the BP Statistical Review of World Energy 2006*, from 1995 to 2005, U.S. oil imports increased by 4.42 million barrels per day, equivalent to over 3/4 of OPEC's total oil export increase in these ten years whereas that figure with China was 2.95 million barrels per day, with the former leading the latter by 1.5 million barrels.¹ Therefore, it is obvious that it is United States, rather than China, that is the "culprit" of the increase of global oil demand and international oil price hikes. Some rational American scholars also hold that on the oil market during the past decade, "America is more like a ferocious wild elephant than China is," and exaggeration of China's role in causing oil price hikes is taking the branch for the root.² Thus China alone cannot be held accountable for rocketing oil price.³

In addition to the demand factor, the supply-demand situation on the international oil market is also closely associated with the past decade's global oil supply which can be described as slow growth of global oil supply, insufficient investment, shrinkage of global spare production capacity and the reduction of refining capacity of America and other countries.⁴ These factors have caused the steadfast rise of the benchmark crude price and consequently the continuous international oil price rise. The slow increase in global oil supply is a result of under-investment through the years and this under-production also has a lot to do with the U.S. energy-related foreign policies and energy geopolitics which are embodied by U.S.-led sanctions and embargoes against some of the world's major oil-producing countries like Iran, Libya, Iraq and Sudan. As a result of these sanctions and embargoes, the oil industry of these countries suffers from shortage of capital and advanced machinery, greatly reducing production and supply.

Another issue of the "China Energy Threat" arises from China's "going-out" strategy, by which Chinese National Oil Companies (NOCs) operate by acquiring equity stakes or holding shares in their overseas investment.

¹ *BP Statistical Review of World Energy June 2006*, p. 11. see <http://www.bp.com/> and also see Steven Mufson, "As China, U.S. Vies for More Oil, Diplomatic Friction May Follow," *Washington Post*, April 15, 2006.

² Kenneth Lieberthal and Mikkal Herberg, "China's Search for Energy Security: Implications for U. S. Policy," *NBR Analysis*, Vol. 17, No. 1, April 2006, p.20.

³ USCC (U.S.-China Economic and Security Review Commission), "China's Role in the World: Is China a Responsible Stakeholder?" August 3-4, 2006. See <http://www.uscc.gov/hearings/>. Testimony by Michael Wessel.

⁴ Adrian Lajous, "Production Management, Security of Demand and Market Stability," *MEES*, Sept. 27, 2004, pp. 28-31. Also see Lauerman Vincent, "The Fear Premium in the World Oil Market," *CERI Energy Insight*, No. 13, March 27, 2006, pp. 15-17 and Paul Stevens, "The Future Price of Crude Oil," *MEES*, Sept. 13, 2004, pp. 26-29.

President Bush has warned Beijing not to go too far to "lock up" global oil supplies.⁵ His logic is that China, instead of putting its equity oil for sale on the international oil market, ships it directly back home, thus effectively taking away oil from the world oil market and rendering this market short of supplies. The U.S. government accuses China of this "hoarding behavior" that diminishes transparency and reduces the elasticity of the global oil market, resulting in tight oil supplies and a sharp rise in oil price.

Actually, China's energy investment and operations overseas are quite limited. Figures made available by the U.S. Department of Energy (DOE) indicate that from the early years of the 1990s to the beginning of 2005, the total sum of China's overseas investment in oil and gas was \$7 billion, with an average annual investment less than \$0.6 billion. At the present, the total amount of equity oil Chinese NOCs acquire from its overseas operation is 400,000 barrels per day, equivalent to 15% of China's current total of crude imports, 11% of its domestic oil production, 5% of its oil consumption, 2% of U.S. oil consumption and 0.5% of the global production. It is little wonder that the DOE concludes that judging by these figures, China's overseas investment in oil and gas only exerts a limited effect on the global energy market.⁶

Amy Jaffe, a well-known American energy expert, has this description: the global oil market is like a swimming pool and China attempts to inject water from one side of the pool in order to raise the water level. Swimmers, wherever they are in the pool, will have the pleasure of having more water as a result of the injection from only one side. The multi-billion dollars China has invested in "the investment pool" for tapping oil and gas globally not only bring about extra market supplies, but also help to guarantee global energy security. Meanwhile, Jaffe points out that as a matter of fact, China's investment is conducive to the mitigation of tightened market supplies and its active investment presents a striking contrast to those American companies reluctant to increase their exploration, development and production costs. These American companies would rather buy-back stocks than inject more money to find and produce more oil for the good of the American national interest. Jaffe has come to the conclusion that the Chinese NOCs' attempts to widen their prospecting coverage and increase production "don't pose any threat to the American energy security."⁷

Another American scholar Jeffrey A. Bader also believes that the fear of China sealing away oil supplies is too imaginative. Just opposite to the popular beliefs held by many Westerners, China does not ship home all the oil it

⁵ David E. Sanger, "China's Rising Need for Oil Is High on U.S. Agenda," *New York Times*, April 19, 2006.

⁶ USCC, *ibid*, testimony by Katharine A. Fredriksen.

⁷ USCC, *ibid*, testimony by Amy Myers Jaffe.

produces overseas. Had China done so, it would be shipping home the amount of oil it really has to buy from the international oil market. To be more illustrative, if China imports 100,000 barrels of oil from the Sudan, it follows therefore that it does not have to import the same amount of oil from Saudi Arabia and this 100,000 barrels of spared Saudi oil can be used to supply the U.S. or the European market. Therefore, China is not locking up the 100,000 barrels of oil, and it is not taking away this amount of oil from the international market either. Bader concluded that from the perspective of pure energy market alone, U.S. should welcome Chinese NOCs to explore new oil, for the oil it so produces is helpful to increasing global oil supplies.⁸

Unfortunately, converging around China's "equity oil" and "hoarding behavior," China and America seem to be responding to the other side by continuing to fortify the approach taken on the assumption of each other's depleted future oil supplies. For example, some American scholars even think that China's investment in the Western Hemisphere will seriously challenge America's traditional advantage of securing oil supplies. Gal Luft with the U.S. Institute for Analysis of Global Security holds that one barrel of oil bought by China in the Western Hemisphere would mean one barrel gone from the U.S. market for supply and that China's energy search for the Western Hemisphere would eventually force the United States to more heavily rely on the Middle East and other volatile regions for oil supplies.⁹

The third issue of the "China Energy Threat" is concerned with global energy security governance, which is an important aspect of international energy security institutions. The present-day international energy security mechanism is the product created by the U.S.-led industrialized countries in response to the 1973 oil crisis and the oil embargoes exercised by the Arab countries, the aim of which is to, under the circumstance of stoppage of oil supplies, ensure coordination of energy policies, avoid excessive vying for supplies and deter oil-exporting countries from resorting to the oil weapon once again. Its key components are the International Energy Agency (IEA), strategic petroleum reserves (SPR), supervision and analysis of energy market and energy policies and coordination of responsibilities of emergency supplies when stoppage of outside supplies occurs.¹⁰ The emergency mechanism is the core of all international energy security mechanisms and its chief function is to cope with devastating energy supply disruptions that threaten global economic

⁸ Jeffrey A. Bader, "China's Rise: What It Means for the Rest of Us?" *Brookings Institution Online*, 2005, p. 8.

⁹ Gal Luft, "In Search of Crude China Goes to the Americas," *Energy Security*, Jan. 18, 2005, p.23.

¹⁰ Daniel Yergin, "Ensuring Energy Security," *Foreign Affairs*, Vol. 85, No. 2, March/April 2006, p. 75.

stability. It does not serve the purpose of managing prices and the flow of goods.

Considering China's rapidly increasing demand for imported oil and its growing influence on the international energy market, the United States, while encouraging China to establish its own strategic petroleum reserves, is very much concerned about China's role, especially one as the "free-ridding" during supply disruptions. The fact that China is still excluded from the regime of emergency responsibilities under the IEA adds to the risks of price fluctuation during disruptions.¹¹ The problem lies with the reality that there is a lack of energy security arrangement between China and America or other Western countries, nor are there any official bilateral or multilateral energy security mechanisms that are binding to both sides and nor will China become a member of IEA in the foreseeable future. Therefore, the U.S. government has a reason to be worried about when a crisis occurs, China "may and can" benefit from IEA emergency responsibilities without having to draw on its own strategic petroleum reserves and if China refuses to cooperate with the international community but rather takes the free-ridding stance in a crisis or a quasi-crisis, China and the United States will run into a serious conflict. As a matter of fact, these concerns and worries are probably superfluous because energy security is a global issue that calls for global cooperation and global solutions. China and America share common interests in increasing global energy supplies and stabilizing international energy markets and both sides enjoy much space from strategic coordination. On the other hand, for Washington, is there any evidence for believing the China's policy is fixed, rather than flexible?

China's Energy Policy and the "Mercantilism"

It is perfectly natural and normal that China and the U.S. conceive different outlooks on the global energy market and therefore each side's energy concept and policy are different. Washington thinks that China's energy security policies are rooted in mercantilism pursued by the Chinese leadership and the mercantilism seems to serve as the theoretical foundation for China's energy security politics. The formulation of China's energy security policies follows a "strategic" or "realistic" paradigm while America's is oriented toward "market-driving" or "liberalism."

In some Western scholars' eyes, China's conceptions of energy security are "strategic," or in other words, at the core, from the very beginning, Beijing adopted strategic conceptions to make its policies.¹² Early in 1998, Daniel

¹¹ Kenneth Lieberthal and Mikkal Herberg, *ibid*, p.19.

¹² Christian Constantin, "Chinas' Concept of Energy Security: Sources and International Impacts," Working Paper, No. 43, March 2005, p. 4.
See http://www.iir.ubc.ca/site_template/workingpapers/Constantin-WP43.pdf.

Yergin noted that Beijing's policy options are getting dangerously close to the "shortage=security=threat" formula of the 1970s.¹³ Erica S. Downs asserts that China's mainstream thinking on energy security bears the features of the traditional paradigm, that is, centering on the state or government, inclined to the supply side highly focusing on oil and equaling self-sufficiency to security.¹⁴ These views are shared by Philip Andrews-Speed who comments that the Chinese government adopts "strategic concepts" to work out solutions to energy security, meaning it takes political rather than economic measures to ensure its energy security. Such conceptions of energy security result in the emphasis of energy self-sufficiency on the part of the Chinese energy politics, grave concern over ever-growing dependency on imported oil, sufficient attention to tools of energy diplomatic policy and a more strengthened government role.¹⁵

Taking China's "going-out" strategy as an example, Kenneth Lieberthal analyzes that this strategy indicates China's distrust in the global energy market and in the reliability of its energy supplies. So, energy security conceptions formed on this basis find their expression in the following two aspects: one is that China tends to believe that the global energy market it has to make deals with is manipulated and controlled by powerful international oil companies (IOCs), the Western industrialized nations and some "unreliable and unstable oil-exporting countries" and the market approach alone will not be able to ensure China's energy security; the other aspect that China holds is that the global energy market is manipulated by the United States or it has an enormous influence on the global energy market, to say the least. The abortion of CNOOC's acquisition bid for Unocal in 2005 added up to China's distrust in the global energy market.¹⁶

Chinese President Hu Jintao put forth China's new energy security concept while attending the G-8 summit in Moscow on July the 7th, 2006. Some Western analysts argue that this "new concept" has some deficiencies because it does not advocate decentralization of energy institutions but still keeps its old practice of state control and state governance. China's energy market reforms are not on the agenda, according to the new energy outlook. Apparently, China's current energy policy is devoid of two most important components of a market approach: restraints on energy demand and introduction of free competition into the domestic energy market. From the theoretical perspective of an energy

¹³ Daniel Yergin, etc., "Fueling Asia's Recovery," *Foreign Affairs*, Vol. 77, No. 2, March/April 1998, p. 36.

¹⁴ Erica S. Downs, "The Chinese Energy Security Debate," *China Quarterly*, No. 177, 2004, pp. 35-39.

¹⁵ Philip Andrews-Speed, "State Control Is the Cause of China's Energy Crisis," *Wall Street Journal*, April 30, 2004.

¹⁶ Kenneth Lieberthal and Mikkal Herberg, *ibid*, pp. 15-16.

security paradigm, China's energy security policies clearly point to the fact that the Chinese leadership has opted for a strategic scheme or it is strategic as opposed to market-oriented. Therefore, there is a reason to assert that China's current energy security policies are unsystematic special arrangements.¹⁷

Mercantilism is a post-feudalist concept that denotes that national wealth is gained by means of protectionism and foreign trade. Employed by Washington in the 1980s to describe Japan, this term is now applied, again by Washington, to describe China. In the case of China's energy, this term is also used to enact the scenes of the "Great Game" of the 21st century. While the contentions of the "Great Game" in the 19th century were meant for the seizure of control over Central Asia, the contentions of the "Great Game" in the 21st century are meant for control over oil, not only in Central Asia this time, but also in Africa, the Middle East and Latin America where China, as a major player, has extended its efforts. China's mercantilist nature regarding its energy security policies is embodied in its stance on the humanitarian crisis in the Sudan where China has its largest overseas oil production base. America accuses China of turning a blind eye to the humanitarian crisis in the Sudan only to safeguard its energy interest. China refutes the Western accusations by saying that business is business and politics is politics. These remarks are classic mercantilist ones.¹⁸ Finally, mercantilism serves the purpose of exchange, that is, exchange for needed goods through economic aid, loans, trade or even arms deals. In the Chinese case, "needed goods" are energy and resources. The West charges that the aforesaid characteristics are with China's energy and diplomatic policies toward Africa and therefore China is exercising mercantilism there.

Actually, mercantilism did not play a role in formulating China's "going-out" strategy in the early 1990s, the aim of which was simply for China to make oil investment and conduct oil production overseas in order to ensure its energy security. This judgment is made on the grounds that China's conceptions of energy security at that time were far from mature, being explorative, initial, incomplete and unsystematic. Now, ten years have passed, and China's energy security outlook and policies are yet to be reviewed and improved because these policies are more like a cluster of special arrangements and provisional plans than a comprehensive, systematic strategy. Of these policies, some are coordinative and some are not; some are driven by the state and some are driven by market and commercial motives.¹⁹ It follows therefore that to formulate a comprehensive energy policy is one of the two most pressing

¹⁷ Philip Andrews-Speed, "Searching for Energy Security: the Political Ramifications of China's International Energy Policy," *China Environment Series*, Issue 5, 2004, pp.19-20.

¹⁸ David E. Sanger, *ibid.*

¹⁹ Philip Andrews-Speed, *ibid.*, p.20.

energy-related challenges China faces today.²⁰ Undeniably, some of China's energy policies under the framework of its energy security strategy are ill-considered when it comes to the treatment of the Western oil-importing countries, America, in particular.

Although China's NOCs are the major driving force and policy tools for the implementation of its "going-out" strategy, they are not the only representatives of the state will or state strategy. In other words, China's NOCs are not driven only by state will or state policies. As state-owned monopolistic enterprises, China's NOCs regard it as their mandate and obligation to safeguard China's energy security; but energy security is only one of the motives that drive the NOCs to go abroad for expansion.²¹ While obliged to implement some strategic missions of the state, China's NOCs' overseas expansion is also driven by market and commercial motives. Since China's oil industry adopted corporatization reform, China's NOCs have been confronted with a number of challenges which include shrinking domestic energy resources, increasing prospecting and tapping costs, squeezing pressure on the part of stockholders for faster growth and more profits and harsher commercial competition. As is well known, when capital develops to a certain level where competition is stronger and the market is smaller, capital transfer has to be made to the areas with lower costs and richer resources. This is true with international oil companies, private or public, and it is also true with China's NOCs. Acquiring equity oil is key to raising competitiveness and increasing profits. International oil companies follow this rule and China's NOCs are no exception.

China's Search for Energy Security and "Problem States"

The "China Energy Threat" reflects the disputes between China and America over energy security, the majority of which are attributable to geopolitical clashes.²² Washington is gravely concerned about the impact brought about by China's initiatives to develop trade and energy relations with such "problem states" as Iran, Sudan, Angola, Myanmar and Venezuela. The politicization of oil has already exerted considerable effect on the relations between China and America over issues like Sudan. America accuses China of pursuing mercantilist policies in Sudan and claim that China has never criticized the Islamic Front Regime for its abuse of human rights, that China has successfully strengthened its ties with some smaller developing countries and such endeavors have in a

²⁰ Philip Andrews-Speed, "China's Energy Woes: Running on Empty," *Far Eastern Economic Review*, June 2005, pp15-17.

²¹ Jeffery A. Bader and Erica S. Downs, "Oil-hungry China Belongs at Big Table," *Calgary Herald*, September 8, 2006.

²² Daniel Yergin, "Ensuring Energy Security," p. 77.

sense weakened the efforts made by America and the international coalition to promote solutions to the world's important challenging issues. The U.S. government argues that China's oil diplomacy is influencing UN votes and policy-making. As a result, China's pursuits of energy overseas have caused geopolitical consequences in areas of human rights and conflict settlement. On the Iranian nuclear issue, America wants China to play a role in urging Iran to abandon its nuclear program because Beijing is well able to influence Tehran if it wishes to do so.²³ America openly criticized China for impeding an early settlement of the Iranian nuclear issue because of China's energy and economic interest in Iran. It also holds that the energy agreement reached between China and Iran in October 2004 led China to block America from submitting the Iranian nuclear issue to the UN Security Council, and China's energy concerns outweigh its obligations for international cooperation in key global security issues. Former U.S. Deputy Secretary of State Robert Zoellick said in September 2005 that if China continues to seek such energy agreements with countries like Iran, China and America will see conflicts ahead.²⁴

With only a few exceptions, most of the countries with which China conducts its energy diplomacy do not have good relationships with America. Deplorably, the majority of the world's oil-producing countries are either politically chaotic or badly at odds with the United States, with Canada and Norway being the exceptions. Of all the ten largest oil-producing countries, only three are democracies, which means that only 3% of the world's proven oil reserves is in the hands of the Free World.²⁵ Here, putting aside the historic and immediate reasons why the United States is at odds with these countries and raising these questions: Does China have to distance itself from these "problem states" just because America is at odds with them? Does China have to comply with America by imposing sanctions on them, suspending energy investment and trade with them, withdrawing investment from them and severing energy or other economic ties with them? Washington is not in the position to ask China to follow suit especially when some of America's allies like France and Japan fail to do so.

Obviously, as long as China adheres to the belief that the "going-out" strategy is correct and that the equity oil contributes to its energy security, its NOCs will definitely continue to expand their energy investment and trade in

²³ Dingli Shen, "Iran's Nuclear Ambitions Test China's Wisdom," *The Washington Quarterly*, Spring 2006, pp. 55-66.

²⁴ USCC, "Hearing on China's Future Energy Development and Acquisition Strategies," Testimony by Gal Luft, July 21, 2005. See <http://www.uscc.gov/hearings/>.

²⁵ Gal Luft, "America's Oil Dependence and Its Implications for U. S. Middle East Policy," Testimony before the Senate Foreign Relations Committee, October 20, 2005. See <http://www.senate.gov/~foreign/testimony>.

these “problem states.” On the one hand, for the sake of co-existence, these countries feel a need to establish closer political and diplomatic ties with China by facilitating bilateral trade and investment. On the other hand, out of commercial considerations, these countries welcome China’s investment capital, technologies and its huge market because China seems to be providing these countries with the important and only opportunity. All the above implies that geopolitical disputes and conflicts between China and America will continue.

China’s Search for Middle East Oil: Challenge to the U.S.?

China’s search for energy security has tightened and will continue to tighten its economic, financial, trade, technological, political and military ties with the resource-rich developing countries. That is where part of America’s grave concern comes from. China’s increasing ties with the key oil-exporting regions will make China an important diplomatic player there and will also put the key interests of China and America in these regions in direct engagement.²⁶ As China continues to strengthen its relations with the Gulf countries like Iran, Saudi Arabia, Kuwait and Qatar, it is becoming an important competitor in the region. At the same time, Saudi Arabia, America’s traditional ally in the region, is diverting its attention to the East following its strategy of diversifying its destinations for oil exports and reducing its diplomatic and economic over-dependence on America.²⁷ Likewise, energy is the important motive for China to get involved in Central Asian affairs. With the expansion of the Shanghai Cooperation Organization (SCO), China has established close ties with Kazakhstan, reinforced investment in Uzbekistan and intensified its efforts to build up influence in the Caspian region. The pursuit of energy security interest also drives China to take new diplomatic moves in Southeast Asia, leading to closer energy ties with Indonesia and Australia, both being America’s traditional key allies in the region. Furthermore, China is now seeking to improve political, economic and diplomatic relations with Canada and Venezuela to create investment and trade opportunities in America’s traditional sphere of influence in the Western Hemisphere.

However, it should be pointed out that China’s increasing influence in these regions and countries is the result of geopolitical and economic development in the process of its pursuits of energy interest. The key issue is: is such a policy an organized strategic challenge to the interest of U.S. energy and security at large, as is believed by many Westerners? Or is it a policy that

²⁶ Kenneth Lieberthal and Mikkal Herberg, *ibid*, p.24.

²⁷ Vincent Lauerma, “Saudi Arabia: in Search of a New Geopolitical Partner,” *Geopolitics of Energy*, June/July 2004, pp.2-6.

is subject to change, loosely bound, and not directed against the United States but only collaterally effective on some key U.S. interests? What is actually happening is closer to the latter and it is absolutely not intended to weaken or challenge America's influence and control in an organized and planned manner.²⁸ For instance, China's increasing economic and political involvement in the Middle East is driven by its desires for better relationships with the world's major oil-exporting countries and for greater political stability in the Middle East, a region that supplies China with over 40% of its needed oil, or, China's involvement in the Middle East is motivated by economic interests, energy interest being the most important and most of China's political maneuvers in the Middle East are driven by its increasing dependence on the oil of this region.²⁹ On the one hand, China's Middle East policy and the Arab countries' Orient-oriented policy are induced by the "classic relationship of co-survival" and "a win-win game," as cited earlier. They are the logical outcomes of the development of the international energy market and energy economics, whether the United States wishes it or not.

Some Western scholars believe that China's oil pursuits in the Middle East have led to tensions in Sino-U.S. relations, the efforts China made to establish closer trade and energy ties with Iran have complicated the Iranian nuclear issue and rendered it more difficult for America to isolate Iran, its energy relationship with Saudi Arabia may to some extent affect the strategic alliance and cooperation between Saudi Arabia and the United States, and its search for oil interest in the Middle East is welcomed by countries like Saudi Arabia and Iran. This imperceptibly sharpens competition between China and America for influence in this region. However, it is clear that China absolutely does not intend to weaken or challenge America's influence and control in an organized and planned manner. In the foreseeable future, China neither has such capacity, nor such ambition to challenge America's influence. On the contrary, Beijing continues and will have to rely upon Washington for its energy security interests in the Middle East. Given Beijing's limited political influence and the instable geopolitical situations in the region, China show no interest in exploiting the energy relationships it might have to influence the oil-producing countries in the region, challenging America's influence and strategic interest.³⁰

America: Not Always the Defender of Energy Security

²⁸ Kenneth Lieberthal and Mikkal Herberg, *ibid*, p.17.

²⁹ Philip Andrews-Speed, "Searching for Energy Security: the Political Ramifications of China's International Energy Policy."

³⁰ John Keefer Douglas and Matthew B. Nelson, "Fueling the Dragon's Flame: How China's Energy Demands Affect Its Relationships in the Middle East?" presented to USCC, Sept. 14, 2006, p.3. See <http://www.uscc.gov/researchpapers/>.

America is and will be a superpower on the energy stage in the world. In 2005, it imported 13.5 million barrels of oil per day, two times as much as China's oil consumption and it consumes one fourth of the oil the world consumes, four times as much as China does. Besides, America is a major force in the global energy security system like IEA and it is home to the world's biggest energy companies with advanced technologies and superb management. America's role is so important that John Mitchell, the famous expert in energy geopolitics, believes that regarding each and every item on the energy geopolitical agenda, there is at least one telephone that directly connects Washington.³¹

The biggest energy security problem America faces is the contradictions between its foreign policy and its energy-related foreign policies. Considering that President Bush, Allan Greenspan, Prince Abdullah and President Chavez are among those who recognize the energy being a strategic commodity,³² considering that from the Nixon Administration to the Carter Administration, the concept of energy security being the number-one national security issue couldn't be more emphasized, considering that the Cheney Report advising President Bush to prioritize energy security in "our top trade and diplomatic policies,"³³ America, having suffered badly from the two energy crises, has every reason to put energy security on top of the nation's political agenda. However, careful observations lead us to know that other concerns, rather than energy security, are prioritized.³⁴ Or in other words, energy security has, for most part of America's history, been subject to the nation's strategic and diplomatic objectives and other items on the agenda, thus weakening the implementation of its national energy security policy and jeopardizing international energy security as a whole.

The contradictions between America's foreign policy and energy security policy are fully illustrated by its practices in the Middle East. America's Middle-East diplomacy in the Cold War era converged around the following objectives: preventing the Soviet Union's control over the Middle East, siding with Israel over the Arab-Israeli conflict, and ensuring oil supplies from the Middle East to America and its allies.³⁵ Since the end of the Cold War and

³¹ John V. Mitchell, Peter Beck and Michael Grubb, *The New Geopolitics of Energy* (London: Royal Institute of International Affairs, 1996), p. 186.

³² Robert E. Ebel, "U. S. Foreign Policy, Petroleum and the Middle East," *MEES*, October 31, 2005, pp.25-28.

³³ *National Energy Policy*, Report of the National Energy policy Development Group, May 2001, Washington, D. C., pp. 8-6.

³⁴ John Gault, "If Energy Security Were an American Priority," *Geopolitics of Energy*, December 2005, p.27-30.

³⁵ See Melvin A. Conant, *The Oil factors in U. S. Foreign Policy 1980-1990*, (Lexington, Mass.: The Council of Foreign Relations, Lexington Books, 1982), p.27, 45.

September 11th terrorist attacks in particular, Washington’s policies toward the Middle East have been concentrating on anti-terror campaigns and speeding up the democratization process in the Middle East and alternating energy security based on changing circumstances. America’s long-term bias toward Israel is one of the causes of the long-running disputes, conflicts and frequent wars in the Middle East and led to the use of the “oil weapon” by the Arab nations during the Yom Kippur War. The second oil crisis triggered by the 1979 Islamic revolution of Iran also had much to do with America’s Middle East policy, especially its policy toward the Iran monarchy.

Some American scholars also admitted that America had been held hostage by its own Middle East policy that is essentially competing and contradictory. “The America dilemma” has arisen from its failure to strike a balance between the domestically-felt need to support and strengthen the state of Israel and its strategic security interest in maintaining friendly ties with the Arab world. Amidst disputes and conflicts, America has chosen the former as its critical strategic interest objective, downplaying energy security. Although America’s foreign oil policy from 1970 to 1974 was a compromise between a worsening Middle East situation and America’s domestic oil policy, a 1976 issue of *Forbes* carried an article entitled “Don’t Blame the Companies, Blame the State Department,” implying that America’s energy security concern had given way to its diplomatic policy objectives. So, in a sense, “the America dilemma” has also resulted from Washington’s unwillingness to bring about a thorough, fair and reasonable settlement of the Middle East issue. Hans Jacob Bull-Berg believed if we grant priority to oil security preferences, then a solution to the Arab-Israeli conflict would have had top priority,³⁶ and Kissinger’s “shuttle diplomacy” between 1973 and 1975 did serve to mitigate Arab-Israeli confrontations, but only temporarily. Furthermore, America’s Middle East peace efforts, as showcased by the David Camp Accords in 1979, the Egypt-Israel Treaty of Peace in March of 1979 and the Oslo Agreement of 1993 did help to solve some problems concerning the Middle East peace process, but not fundamentally. Today, America’s long-term partiality toward Israel continues.

Another illustration of the contradictions between America’s foreign policy and energy security policy is the Iraq War which is still going on. There are a number of motives for America to fight the war with the possession of weapons of mass destruction (WMD) and the sponsorship of terrorism by the Saddam Hussein regime being the officially-cited excuses on the U.S. part. Some scholars hold that the real motive for Bush to launch the war was his lust for the Iraqi oil. There are multiple motives behind Bush’s

³⁶ Hans Jacob Bull-Berg, *American International Oil Policy: Causal Factors and Effects* (New York: St. Martin’s Press, 1987), p.104, 163, 164.

decision to invade Iraq, but if what Iraq has for export is coffee rather than oil, why haven't we seen a U.S. pullout from Iraq yet?³⁷ If the former assumption holds true, then it follows that Washington's top policy objective is to maintain peace and stability in the Middle East; if the latter assumption prevails, it then can be discerned that Washington's top policy objective is targeted at its oil interest. Whichever is right, one thing is for sure that there is a "paradox" between Washington's foreign policy and foreign energy policy in the Iraqi issue.

The paradox is measured by the developments in Iraq. First, the Iraq War has destabilized the international oil market and caused oil prices to hike and America's Iraq policy has failed to decline the rising oil price.³⁸ If this continues to be the case, America's Iraq policy will end up in a zero result whether it is intended to serve its foreign policy or its energy security. Second, if America is believed to have put its foreign policy before its energy security policy, the current situation in Iraq is not at all doing good to America's energy security; if it is believed to have put energy security policy before its foreign policy, the prioritized energy policy doesn't seem to have yielded desired results as the developments in Iraq are running against the energy security interest of America and the international community. Third, analysts say that in case of energy security policy being given priority, America's effective use of the Iraqi oil is to be determined by the formation of a pro-American government as well as Iraq's political stability. However, the chaos that America's Iraq policy has produced is amounting to the "brinks of a civil war in Iraq" has thwarted, and will continue to thwart America's intention to exploit the Iraqi oil. No doubt, Washington's national security policy is making America insecure and its foreign policy and energy security policy in the Middle East are policies that fail to make America feel secure.³⁹

The above analyses lead to the impression that "energy security" in the American politics is not treated as a major objective of its national security strategy but serves only as an alternative for fulfilling its other objectives. This impression further gives rise to conflicting accusations and complaints that America's foreign policy has been subject to its energy security interest or, conversely, that America's energy security has always given way to its other objectives or, in a clear-cut way, that America does not have an energy policy at all. Of course, historically speaking, there are times when America's foreign

³⁷ Tom Z. Collina, "Oil Dependence and U. S. Foreign Policy: Real Dangers, Realistic Solutions," Testimony before the Senate Foreign Relations Submission on Near Eastern and South Asian Affairs, October 19, 2005. See <http://www.senate.gov/~foreign/testimony>.

³⁸ Dag Harald Claes, "The United States and Iraq: Making Sense of the Oil Factors," *Middle East Policy*, Vol. xii, No. 4, Winter 2005, pp. 52-55.

³⁹ Jephraim P. Gundzik, "Self-made Threat to U. S. Oil and Security," *Asia Times*, Nov. 3, 2005.

policy and energy security policy were in conformity with each other or basically so, but this occurred only when America was thrown into an energy crisis or was getting close to such a crisis, just like the 1991 Gulf Crisis. Apparently, such conformity, though rarely seen and outdone by inconformity, has worked well to ensure America’s energy security.⁴⁰

The fact that America’s foreign policy and foreign energy policy are mutually contradictory provokes another important question: What is, in a larger sense, the correlation of America’s foreign policy and foreign energy policy with the international energy security stability? If energy security is the top objective of America’s foreign policy and strategy, Washington should therefore encourage the increase of global oil production and supply and logically, China’s involvement in global oil development and investment; if energy security is on top of America’s political agenda, America should readjust its policy of imposing sanctions against Iran and other oil-producing countries; if energy security is the top concern of the U.S. leadership, America’s key strategic objective should be to facilitate economic development and political stability in the Middle East because a prosperous and stable Middle East can best ensure energy security, which is in the interest of the Middle- East, global economic development and America as well.⁴¹

In sum, China and America are the world’s two biggest players on the international energy market and will continue to be so in the foreseeable future, exerting a paramount impact on the world energy market and global energy geopolitics as well. Yet, neither country’s policy-making style has so far fully reflected the reality of disputes, competition and conflicts between the two countries over energy and as a result, comprehensive and effective energy policies guiding both countries are still lacking. This is the biggest risk in Sino-U.S. energy relationship and now it is time to stop talking about the “China Energy Threat.” In order to make substantial progress in energy security cooperation, both countries should demonstrate their political wisdom, create new mechanisms, make concessions, transcend oil and build up mutual trust. These should be regarded as the policy foci and chief objectives for China and America at the moment.

⁴⁰ “Over many years and administrations, the U.S. government has failed to pay sufficient attention to energy in its conduct of foreign policy or to adopt a consistent approach to energy issues. The result is that energy matters typically appear on the foreign policy agenda as a surprise, usually in times of crisis, or as the unexpected consequence of other foreign policy actions.” See *National Security Consequences of U.S. Oil Dependency*, Report of the Council on Foreign Relations, 2006, p. 47.

⁴¹ Gawdat Bahgat, “U. S. Oil Outlook,” *MEES*, Feb. 27, 2006, p.29.