The Competition for Oil and Energy Resources among China, Japan, and the United States

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Abstract

It has been projected that China’s economy could grow at an annual rate of 9% for the next 20 years. This strong economic development has increased China’s need for energy resources, in particular oil and gas. To meet the country’s rapidly increasing demand for oil, Beijing has been encouraging its state-controlled companies to secure exploration and supply agreements with oil-producing countries in the Middle East, Central Asia, Latin America, North America, Africa, and the Asia-Pacific. Some countries, especially the United States and Japan, are concerned about the impact of China’s hunt for resources on their efforts to achieve foreign policy and energy security goals. The United States is concerned about China’s moves to enter markets within its “oil sphere of influence” and to strike oil deals with those countries that the United States has been trying to isolate or punish for failing to promote democracy, respect human rights, or

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for participating in the trade involving WMDs. Meanwhile, Japan is worried about China’s plans to exploit oil and gas resources in the disputed waters of the East China Sea. Additionally, Japan and China are competing for a pipeline to be built by Russia to transport that country’s oil from Angarsk in central Siberia to the Pacific Chinese port of Daqing or from Taishet to the Russian Pacific port of Nakhodka. The purpose of this article is to discuss recent developments concerning the competition for oil among China, Japan, and the United States.

**Keywords:** China, United States, Japan, Oil, Competition

**Introduction**

It has been projected that China’s economy could grow at an annual rate of 9% for the next 20 years. This strong economic development has increased China’s need for energy resources, in particular oil and gas. In 2005, China alone accounted for 31% of the global growth in oil demand. This share is projected to increase to 45% by 2011.\(^1\) Twenty years ago, China was East Asia’s largest oil exporting country, but in 1993, it became a net oil importer, and in 2003, became the world’s second largest oil consumer. Despite repeated calls to reduce its consumption of energy resources, China’s demand for oil and gas continues to increase. The increasing demand for energy resources is necessary to support China’s economic growth and to maintain social stability, both of which are essential for the survival of the Chinese Community Party.

To meet the country’s rapidly increasing demand for oil, Beijing has been encouraging its state-controlled companies, namely, the

China National Petroleum Corporation (CNPC), the China National Petrochemical Corporation (Sinopec), and China National Offshore Oil Corporation Ltd. (CNOOC), to secure exploration and supply agreements with oil-producing countries in the Middle East, Central Asia, Latin America, North America, Africa, and the Asia-Pacific. From June 2005 to June 2006, China signed thirteen agreements in nine countries for investments in upstream reserves. This represented a total of U.S.$11.97 billion in one year alone. Meanwhile, China has been aggressively courting the governments of oil-producing countries, building goodwill by signing security partnership agreements, promoting bilateral trade relations, providing aid, forgiving national debt, and helping to build roads, bridges, stadiums, and harbors. In return, China has won access to oil and gas resources in countries that include Saudi Arabia, Iran, Sudan, Venezuela, Kazakhstan, Russia, Indonesia, Australia, and others.

While China’s quest for energy resources has been welcomed by some developing countries that depend on exporting energy resources to earn foreign currency, or to gain leverage negotiating better deals with older trading partners, other countries, especially the United States and Japan, are concerned about the impact of China’s ongoing hunt for resources on their efforts to achieve foreign policy and energy security objectives. The United States is concerned about China’s moves to enter markets in its sphere of influence (such as Canada in North America, Australia in the South Pacific, and Brazil and Venezuela in Latin America) and to strike oil deals with those countries (such as Iran, Myanmar, and Sudan) that the United States has been trying to isolate or punish for failing to promote democracy, respect human rights, or for participating in the trade involving

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WMDs. Meanwhile, Japan is worried by China’s plans to exploit oil and gas resources in the disputed waters of the East China Sea. Additionally, Japan and China are competing for a pipeline to be built by Russia to transport that country’s oil from Angarsk in central Siberia to the Pacific Chinese port of Daqing or from Taishet to the Russian Pacific port of Nakhodka.

The purpose of this article is to discuss recent developments concerning oil competition among China, Japan, and the United States. It begins with an introduction of the three countries’ major sources of petroleum imports. Then, it addresses China’s energy security policy and the recent discussion on global energy security at the 2006 G8 Summit. This is to be followed by an examination of China’s quest for oil in 2005-2006. In section IV, the five ways believed affecting the U.S. and Japanese national interests will be affected are discussed. The article ends with a brief discussion of U.S.-China and China-Japan energy cooperation in recent years.

1. Major Sources of Petroleum Imports of the World’s Three Largest Consumers

The United States, Japan, and China are the world’s three largest oil importers and rely heavily on the world’s major oil-producing states. Saudi Arabia, for example, is the major oil supplier to all three countries, while Angola is also a major supplier to China and the United States. Sharing suppliers increases the possibility of oil competition among them. Competition for oil is, and increasingly will be, a potential point of conflict among the three countries in the coming years.
The United States, the world’s largest consumer of global oil supplies, consumed 20.5 million barrels per day (mm bpd) in 2004. China, the second largest, consumed approximately 6.5 mm bpd in 2004 and reached 7 mm bpd in 2005. Japan is the world’s third largest oil consuming country. Its oil consumption peaked in 1996 at an estimated 5.9 mm bpd, but decreased to 5.4 mm bpd in 2004. These three countries are also the world’s largest oil importers. In 2004, the United States imported 11.8 mm bpd, Japan 5.3 mm bpd, and China 2.9 mm bpd. (See Table 1) Based on China’s robust economic growth, China’s oil consumption is projected to reach 15 mm bpd by 2030. In 1993, China imported only 2% of its oil from foreign sources. By 2004, approximately 43% of its oil was imported. It is projected that by 2020, 70% of China’s oil will be imported from foreign sources. It is also expected that China will displace Japan as the world’s second largest oil importer in the near future.

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7. Lucia Dore, “China’s energy demand offers good scope for Middle East Investors.”
Table 1  Top World Oil Producers, Exporters, Consumers, and Importers, 2004  

(Millions of Barrels per Day)

<table>
<thead>
<tr>
<th>Producers1</th>
<th>Total oil production</th>
<th>Exporters2</th>
<th>Net oil exports</th>
<th>Consumers3</th>
<th>Total oil consumption</th>
<th>Importers4</th>
<th>Net oil imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Russia</td>
<td>9.27</td>
<td>2. Russia</td>
<td>6.67</td>
<td>2. China</td>
<td>6.5</td>
<td>2. Japan</td>
<td>5.3</td>
</tr>
<tr>
<td>5. Mexico</td>
<td>3.83</td>
<td>5. Venezuela</td>
<td>2.36</td>
<td>5. Russia</td>
<td>2.6</td>
<td>5. South Korea</td>
<td>2.1</td>
</tr>
<tr>
<td>10. United Arab Emirates</td>
<td>2.76</td>
<td>10. Algeria</td>
<td>1.68</td>
<td>10. France</td>
<td>2.0</td>
<td>10. Taiwan</td>
<td>1.0</td>
</tr>
<tr>
<td>11. Kuwait</td>
<td>2.51</td>
<td>11. Iraq</td>
<td>1.48</td>
<td>11. Mexico</td>
<td>2.0</td>
<td></td>
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<tr>
<td>12. Nigeria</td>
<td>2.51</td>
<td>12. Libya</td>
<td>1.34</td>
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<td></td>
<td></td>
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<tr>
<td>14. Iraq</td>
<td>2.03</td>
<td>14. Qatar</td>
<td>1.02</td>
<td></td>
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</tr>
</tbody>
</table>

NOTE: OPEC members appear in italics.

1. The table includes all countries with a total oil production exceeding 2 million barrels per day for 2004. Includes crude oil, natural gas liquids, condensate, refinery gain, and other liquids.

2. Includes all countries with net exports exceeding 1 million barrels per day in 2004.

3. Includes all countries that consumed more than 2 million barrels per day in 2004.

4. Includes all countries that imported more than 1 million barrels per day in 2004.


In 2004, the United States imported 50.20% of its crude oil from countries in the Western Hemisphere, 19.11% from Africa, 5.37% from Europe, 1.36% from Asia, Oceania, and Australia, and 23.94% from the Middle East.8 The five most important foreign suppliers of

crude oil to the United States in 2004 were Canada, Mexico, Saudi Arabia, Venezuela, and Nigeria, in that order. In February 2006, Mexico, Canada, Saudi Arabia, Nigeria, Venezuela, Angola, Iraq, Ecuador, Brazil, Algeria, Kuwait, Colombia, United Kingdom, Chad, and Equatorial Guinea were the top 15 oil-supplying countries of the United States (See Table 2). In addition to crude oil imports, the United States gets 96% of its natural gas imports from the Western Hemisphere, some by pipeline from Canada and some in the form of LNG from Trinidad and Tobago.

Table 2  U.S. Crude Oil Imports (Top 15 Countries)

<table>
<thead>
<tr>
<th>Country</th>
<th>February 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>1,774</td>
</tr>
<tr>
<td>Canada</td>
<td>1,700</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>1,418</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1,342</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1,175</td>
</tr>
<tr>
<td>Angola</td>
<td>464</td>
</tr>
<tr>
<td>Iraq</td>
<td>444</td>
</tr>
<tr>
<td>Ecuador</td>
<td>222</td>
</tr>
<tr>
<td>Brazil</td>
<td>164</td>
</tr>
<tr>
<td>Algeria</td>
<td>163</td>
</tr>
<tr>
<td>Kuwait</td>
<td>152</td>
</tr>
<tr>
<td>Colombia</td>
<td>108</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>82</td>
</tr>
<tr>
<td>Chad</td>
<td>77</td>
</tr>
<tr>
<td>Equatorial Guinea</td>
<td>73</td>
</tr>
</tbody>
</table>


Ibid., p. 2.

In 2002, 86% of Japan’s oil exports came from countries in the Middle East. This figure rose to 90.1% in 2005. Imports from the Middle East accounted for 92.2% of Japan’s March 2006 imports. Major sources of Japan’s petroleum imports are: the United Arab Emirates (supplying 24% of Japan’s oil imports), Saudi Arabia (23%), Iran (13%), Qatar (10%), and Kuwait (7%). Oil imports from Iraq account for only 0.3 percent of Japan’s total crude imports. As such, maintaining cooperative relations with Middle East oil-producing countries is essential for Japan if it is to secure stable oil imports. To that end, the Japanese government has exerted tremendous efforts to cultivate trust between Japan and oil-producing countries in the Middle East. However, it was reported that Japan’s oil imports from Iran dropped significantly in June 2006, falling 8.7% compared to the same period for May 2005. As a result, Iran fell from third place to fifth in the ranks of countries supplying oil to Japan.

In 2001, China imported oil mainly from producers in the Middle East (56%), followed by those in Africa (23%), Asia-Pacific (14%) and Europe and Central Asia (7%). In terms of country of origin,
the following were China’s top 12 sources of oil imports: Iran (18%), Saudi Arabia (14.6%), Oman (13.5%), Sudan (8.3%), Angola (6.3%), Vietnam (5.6%), Indonesia (4.4%), Yemen (3.8%), Equatorial Guinea (3.6%), Kuwait (2.4%), and Qatar (2.2%). In 2004, while the Middle East remained the region providing China with the majority of its oil imports, Africa’s share of China’s total oil imports increased to 28%, with Angola, Sudan, and the Republic of Congo among China’s top ten suppliers of oil. (See Figure 1) However, other oil-producing countries in Africa, including Equatorial Guinea, Nigeria, Chad, Gabon, and Cameroon have been increasing exports to China since 2004. Chad, a small-scale oil exporter, began pumping oil from a southern field in 2003, and exported approximately 133 million barrels in its first two years. In early August 2006, Beijing successfully resumed its diplomatic ties with Chad, using its new economic power to offer lucrative aid, trade and investment deals in exchange for oil, raw materials and diplomatic support. In addition, the amount of oil imported by China from countries in Latin America, such as Venezuela, in North America, especially Canada, and in Central Asia, for example, Kazakhstan, has also been increasing over the past two years (to be discussed below). In 2006, Venezuela and Libya were included in China’s top ten suppliers of crude oil. According to statistics provided by China’s Customs Bureau, China’s top ten oil suppliers for the first half of 2006 were: Angola (18.2% of China’s total crude oil imports), Saudi Arabia (16.2%), Iran (12.0%), Russia (11.4%), Oman, Equatorial Guinea, Yemen, Congo, Libya, and Venezuela.

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17 China Customs Bureau, “China net-imported 70.33 million tons of crude oil
II. China’s Energy Policy and the Call to Enhance Global Energy Security

It is predicted that the share of imported oil used in China will increase from 42.45% today, to 50% by 2010, and 60% by 2020. Accordingly, it is expected that China will compete more actively in the international oil market to ensure the security of its energy supply. This will affect the G8 countries’ efforts to enhance global energy security, as stated in the St. Petersburg Plan of Action, which was adopted at the G8 Summit held in July 2006. The United States is during the first half of 2006,” Xinua (in Chinese), August 11, 2006, <http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/fortune/2006-08/11/content_4951156.htm>.
also concerned about the impact of China’s energy security policy on its own, and other nations’ interests.

In June 2005, at the Sixth Sino-U.S. Oil and Gas Forum, held in New Orleans, Louisiana, USA, Zhang Guobao, Vice-chairman of China’s National Development and Reform Commission, elaborated on the country’s policies on energy, oil and natural gas in the 21st century, which are summarized thusly: “Prioritize energy conservation backed by improving efficiency; diversify sources with coal as the mainstay; optimize structure; protect the environment and rely primarily on domestic supplies while opening up to the outside world.”\(^\text{18}\)

At the dialogue meeting between leaders of the G8 and developing countries (Brazil, China, India, Mexico and South Africa) held in St. Petersburg on July 17, 2006, Chinese President Hu Jintao presented a written statement, in which he proposed a new energy security concept and urged the participating countries to make efforts in the following three aspects: (1) strengthen mutually beneficial cooperation in the development and utilization of energy resources; (2) develop a system for the research, development and spread of advanced energy technology; and (3) maintain a favorable political environment for energy security and stability.\(^\text{19}\) He also outlined the basic content of China’s energy security strategy as: “persistently giving priority to energy-saving, based on the domestic situation; making diversified development; protecting the environment; strengthening mutually beneficial cooperation, and striving to build a stable, economic and


\(^{19}\) “Full text of Chinese president’s speech at G8-developing countries meeting,” *BBC Monitoring Asia-Pacific – Political*, July 17, 2006.
clean energy supply system.” In addition, he stated that China planned to have doubled, by 2010, the per capita GDP of 2000, and also to have reduced, by 2010, the ratio of energy consumption per unit GDP by 20%. To accomplish these goals, China “shall appropriately make use of the international energy market, and, according to the principles of equality, reciprocity, mutual benefit and win-win results, strengthen cooperation with various other energy-producing countries and energy-consuming countries to jointly maintain global energy security.” China’s position on energy security was reiterated by Chinese Foreign Minister Li Zhaoxing when he attended a luncheon party of the foreign ministers of ASEAN member countries, and their dialogue partners, in Kuala Lumpur on July 27, 2006. He stated that China would play a constructive role in safeguarding and strengthening world energy security.

At present, there is little sign of China meeting its two energy security policy goals. In fact, as predicted in the China Energy Development Report 2006 (China’s Energy Blue Paper), which was published by the Social Sciences Academic Press in Beijing in July 2006, China’s dependence on imported oil will increase from its current level of 42.45%, to 50% by 2010, and 60% by 2020. The report proposed reducing dependence on imported oil, actively competing in the international oil market, and strengthening international cooperation to ensure supply security. Accordingly, one is likely to see the continuation of China’s global search for oil in the years to come.

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20. Ibid.
21. Ibid.
22.“Foreign minister expounds China’s views on energy security, ASEAN community,” BBC Monitoring Asia Pacific – Political, July 28, 2006.
23.“China’s dependence on imported oil to reach 50 pct in 2010,” Xinhua General News Service, July 19, 2006; “50% of China’s crude will be imported by 2010...
China’s rising energy demands and the approach it adopts to ensure a sufficient energy supply creates a challenge to the G8 countries and their call to enhance global energy security. At the St. Petersburg Summit, the participating leaders of G8 countries stressed that open, transparent, efficient and competitive energy markets are the cornerstone for their common energy security strategy. After the meeting, the St. Petersburg Plan of Action was adopted, which aims to enhance global energy security through the following measures: (1) increasing the transparency, predictability and stability of the global energy market; (2) improving the investment climate in the energy sector; (3) promoting energy efficiency and energy saving; (4) promoting a diversified energy mix; (5) ensuring the physical safety of the critical energy infrastructure; and (6) reducing energy poverty and addressing climate change and sustainable development. Implicitly, this action plan incorporated the U.S. concerns about China’s approach to enhancing its energy security. Michael Wessel, the Hearing Co-Chair on Energy at the U.S.-China Economic and Security Review Commission’s Hearing, 3-4 August 2006, pointed out that

China has already chosen a different path in terms of energy and resource acquisition than that of the United States and other major consuming nations. Despite China’s desire to be treated as a market economy in many ways – a desire it has, in fact, made clear to the U.S. and other nations – in the energy arena, it is pursuing a different course. China wants to own the energy resources itself and maximize the security of its energy supplies

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24. The Chairman’s Summary of the St. Petersburg Summit released by Russian President Vladimir Putin after the summit. The full text of the summary is available in Japan Policy & Politics, July 18, 2006.

and minimize its participation in world energy markets. That is an understandable approach. But, what impact does it have on other nations? 25

III. China’s Global Search for Oil

China’s energy acquisition efforts have been expanding internationally, specifically in Africa, the Western Hemisphere, Central Asia, and the Middle East. It trades influence and foreign aid, including weapons technologies, arms and other military assistance, for access to oil and gas in oil producing states. China’s efforts to ensure oil supplies from the world’s leading oil-producing regions over the past two years are examined below.

A. China’s Energy Acquisition Efforts in the Middle East

In 2001, China imported 56% of its total foreign oil from the Middle East, in comparison with 23% from Africa, 7% from Europe/Central Asia, and 14% from the Asia-Pacific.26 In 2005, 58% of China’s oil imports come from the region. By 2015, the share of Middle East oil will reach 70%.27 Three of the five countries that supplied China with over 10 million tons of crude oil in 2004 are from the Middle East: Saudi Arabia, Oman, and Iran. Since 2005, China has expanded its efforts to negotiate a number of long-term energy contracts in the region.

In January 2006, China and Saudi Arabia signed an agreement on oil, natural gas and minerals, in which Saudi Arabia promised to increase its annual oil and gas exports to China by 39%. As part of the deal, a 100-million-ton crude oil storage facility was planned for construction in China’s Hainan Island. In addition, it was reported that Riyadh proposed to build a new oil refinery in China to process oil imported exclusively from Saudi Arabia. In April 2006, during Chinese President Hu Jintao’s visit in Riyadh, China and Saudi Arabia signed five cooperative agreements, including those for increasing energy cooperation, expanding trade in oil, and exploring cooperation in oil storage facilities, oil refining, petrochemicals and sales. It was further reported in June 2006 that Beijing and Riyadh discussed an agreement to import oil from Saudi Arabia to bolster China’s strategic oil reserves, with the goal of having about 800 million barrels in reserve. China’s first strategic oil reserve base in Zhenhai, in eastern Zhejiang Province, is to be completed by August 2006.

Iran was China’s second largest oil supplier in 2004. In October 2004, China and Iran signed a Memorandum of Understanding (MOU) for a 25-year, U.S.$70 billion agreement to import LNG in exchange for developing the Yadavaran oilfield. Since 2005, the formation

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of a new triangle comprised of China, Iran, and Russia has been observed. With Russia’s help, it is likely that more Chinese involvement in developing Iranian resources will take place.\textsuperscript{33} In addition to Saudi Arabia and Iran, China’s cooperation with other Persian Gulf countries—including Kuwait, Qatar, and the United Arab Emirates—has also increased dramatically over the past several years.

**B. China’s Energy Acquisition Efforts in Africa**

In recent years, China has spent billions of dollars to obtain drilling rights in African countries, in particular in Sudan, Angola, and Nigeria, and it signed either exploration or extraction deals with Chad, Gabon, Mauritania, Kenya, Congo, Equatorial Guinea and Ethiopia. In 1997, two years after the United States cut its diplomatic ties with Sudan, China acquired a 40% stake in the Greater Nile Petroleum Operation Company consortium to explore and develop the Heglig and Unity fields in Sudan. In October 2004 and August 2005, respectively, China secured a 50% interest in Angola’s Block 18, set to produce 200,000 barrels per day by 2007, and a 30% share in Block 3/5 (formerly Block 3/80).\textsuperscript{34}

Nigeria is Africa’s largest oil-producing country and the seventh-largest producer in the world. The country is a major oil supplier to both Western Europe and the United States. However, in recent years, China has begun to approach Nigeria for developing its energy reserves. In November 2004, Sinopec obtained two blocks in the


Lake Chad Basin. In December 2004, China’s Sinopec signed an agreement with Nigerian Petroleum Development Corporation to develop oil production in two blocks in the Niger delta. In 2005, PetroChina (a CNPC subsidiary) secured a one-year supply contract of 30,000 barrels per day and a reward of four oil exploration blocks for its stake in the Kaduna refinery. In January 2006, CNOOC agreed to pay U.S.$2.3 billion for a 45% working interest in Nigerian Oil Mining License (OML) 130 from South Atlantic Petroleum. In May 2006, Nigeria agreed to give China four oil exploration licenses in exchange for a commitment to invest about U.S.$4 billion in refining and power generation in Nigeria. Moreover, China reached an energy and mining deal worth U.S.$1.3 billion with Zimbabwe in June 2006 and, in July 2006, signed an agreement with Egypt to deepen the two countries’ energy cooperation. On August 26, 2006, the president of Chad, Idriss Deby, ordered the American oil companies Chevron Corp. and Petronas to leave the country. It is believed that if the two companies are evicted, Chad could turn to China for help. Chad’s switch of diplomatic recognition from Taiwan to China in early August 2006 has been seen as a move that could help Chad sell its oil to China. As a result of Chinese efforts, in 2006, Angola replaced Saudi Arabia as China’s largest crude oil supplier, accounting for 18.2% of China’s total petroleum imports.

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C. China’s Energy Acquisition Efforts in the Western Hemisphere

Mexico, Canada and Venezuela are the world’s fifth, eighth, and ninth greatest oil producers, respectively. Canada is the United States’ top petroleum supplier. Mexico, together with other Central and South American nations, delivered nearly 14% of global oil production in 2005, and collectively possesses approximately 9.7% of global oil reserves, with 6.5% in Venezuela and 1.1% in Mexico alone. Latin America is also a major refining center, with nearly 9.2% of the world’s refining capacity.41 China is also acquiring energy resources in this region. In September 2004, China made a deal with Brazil to build a U.S.$1.3 billion gas pipeline.42 In November of the same year, China announced an energy deal with Brazil worth U.S.$10 billion, supplementing the U.S.$1.3 billion deal made in September for a 2,000-kilometer natural gas pipeline.43 Moreover, in June 2006, China and Brazil signed an MOU to establish a committee that would encourage cooperation in the energy and mining sectors. In the same month, it was announced that the China International Trust and Investment Corporation would invest U.S.$1.1 billion to work on new and existing energy projects in Brazil.44 In addition to Brazil, China also reached deals with Canada (April and May 2005), Cuba (January 2005), Ecuador (September 2005), and Venezuela (2005) for oil exploration rights, products, or pipelines.45 Currently, Venezuela claims

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42. See Hearing Statement of David L. Goldwyn, President Goldwyn International Strategies, LLC before Committee on Senate Foreign Relations, June 22, 2006.
45. Wenran Jiang, “China’s Energy Engagement with Latin America.”
that China is receiving 15% of its oil and related products and plans to increase this figure to 45% by 2012. The decision to sell an increasing amount of oil to China is a part of Venezuela’s effort to reduce its dependence on the openly hostile U.S. government. In August 2006, it was reported that Venezuela plans to increase its oil sales to China by 50,000 barrels a day by the end of the year. On August 24, 2006, Venezuela’s President Hugo Chavez said in Beijing that his country plans to double sales to China next year and more than triple them in the coming five years to lessen its dependence on the U.S. market.

D. China’s Energy Acquisition Efforts in Central Asia/Russia

China has cultivated closer relations with the Central Asian states in recent years, forging closer political ties through the Shanghai Cooperation Organization (SCO), which began as the Shanghai Five in 1996. At the same time, China has undertaken efforts to reach long-term oil and gas agreements with several Central Asian countries, including, Kazakhstan, Uzbekistan, Turkmenistan, and Azerbaijan. In August 2005, the China National Petroleum Corporation reached an agreement with PetroKazakhstan to buy the Canadian-registered company for U.S.$4.18 billion. In 2004, China and Kazakhstan began to construct a 988-kilometer (614-mile) oil pipeline running from Atasu, Kazakhstan to Alashankou, China, which was completed in December

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2005 and is already transporting oil. This pipeline is expected to be fully operational by 2007, and is estimated to be capable of delivering from 100,000 to 200,000 bpd of crude oil to the Chinese market. The Russian oil company Rosneft took advantage of the opening of the pipeline to declare its intention to ship 1.2 million tons of oil through the pipeline to China by the end of 2006. Given the fact that Kazakhstan not only has the largest recoverable oil supplies in Central Asia but also the largest gas production, it is likely that more efforts will be taken by China to gain access to Kazakhstan’s energy sector. On the other hand, since the completion of the Atasu-Alashankou oil pipeline, China has also engaged in discussions with other Central Asian states, such as Uzbekistan and Turkmenistan, to build additional gas pipelines. During the first half of 2006, China and Kazakhstan began to discuss plans to construct a natural gas pipeline that would run parallel to the Atasu-Alashankou oil pipeline to deliver gas to China.50

Russia is now China’s fourth-largest crude oil supplier and China continues to invest heavily in the Russian energy sector. During Russian President Vladimir Putin’s visit to China in March 2006, an MOU was signed between China and Russia that strengthened energy cooperation between the two countries. Under the agreement, Russia will provide some 15 million tons of crude oil to China in 2006 and supply 30 billion to 40 billion cubic meters of gas through two pipelines that are to be completed within five years. In addition, CNPC has recently announced its investment of $500 million in Rosneft, Russia’s leading Oil Company.51 On August 23, 2006, it was

reported that Russia currently extracts more oil than Saudi Arabia, making it the biggest oil producer in the world.52

Russia-China energy cooperation is expected to increase oil and gas supplies to China through exports and intensify collaboration in oil and gas projects. Once the proposed oil pipeline connecting Russia’s Tayshet in Siberia’s Irkutsk region to Skovorodino on the Chinese border is completed in 2009, China will import even more oil from Russia.53

E. China’s Energy Acquisition Efforts in the Asia-Pacific

China is looking to expand energy cooperation with the countries of the Asia-Pacific, in particular, Indonesia, Australia, and Myanmar. Indonesia is the world’s 16th largest oil producer and has large gas reserves. Australia is rich in natural gas and uranium. China has participated in Indonesia’s natural gas development projects and has already invested U.S.$1.2 billion in energy exploitation in Indonesia from 1999 through May of 2004.54 China is a participant in the Tangguh LNG project in Papua (as shareholder and off-taker) and also in the plan of Singapore-based Pacific Oil & Gas to build a new LNG plant in Bontang, East Kalimantan, to serve the Chinese market.55 China-Australian energy cooperation has also been strengthened in

53 Steven Knell, “China Takes the Lead in Race for First Deliveries from Russia’s ESPO Pipeline,” Global Insight, June 23, 2006.
recent years. In June 2006, Australian Prime Minister John Howard visited China to sign a multi-billion dollar liquid natural gas supply contract. In early 2006, China and Australia also signed a uranium trade agreement to support China’s plan to increase its nuclear power supply. It has been estimated that Myanmar has up to 89.7 trillion cubic feet of natural gas, which gives it the potential to become a major exporter, and China is interested in gaining access to those resources. In June 2006, China also approved the plan to construct a 1,250-km oil pipeline to link Myanmar’s western port of Sittwe to the city of Kunming in southwest China. The pipeline will have strategic implications, providing an alternative route for China’s crude oil imports from the Middle East and Africa, and helping to reduce China’s dependence on traffic through the Strait of Malacca.

IV. The Impact of China’s Search for Oil on U.S. and Japanese Interests

China’s global hunt for oil has the potential to affect the interests of the U.S. and Japan in the following five ways: (1) by pushing up the price of oil in the international energy market; (2) by intensifying the competition for the right to gain access to energy resources in major petroleum-exporting countries; (3) by undermining the stated foreign policy goals of promoting democracy, increasing respect for human right, and preventing and deterring the proliferation of WMD;
(4) by sharpening the existing territorial, jurisdictional, and resources exploration/exploitation disputes; and (5) by negating the global efforts to address the threat posed by the increase of carbon emissions into the Earth’s atmosphere.

A. Pushing Up the Price of Oil in the International Energy Market

Tight oil supplies in the face of rapidly growing demand have led to a tripling of world oil prices over the past three years (See Figure 2). In September 2003, the price of standard crude oil on NYMEX was under U.S.$25/barrel. By August 11, 2005, the price had exceeded U.S.$60/barrel for over a week and a half. The price reached a record high of U.S.$78.40/barrel in July 2006, due in part to North Korea’s missile tests in the Sea of Japan, the crisis in the Middle East, Iran’s nuclear brinkmanship, and U.S. reports on a decline in its petroleum reserves. However, some believe that China’s rapidly increasing energy demand and oil imports is also causing the price to rise in the international energy market. As pointed out by Michael Wessel, “…as world energy demand continues to rise but reserve additions do not rise at the same rate, China’s effort to procure and restrict supplies only for itself will put increasing pressure on world markets and price.” He also believes, while China alone is not responsible for the high price of oil, it does have an impact on world energy prices.

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61 Opening Statement of Michael Wessel, supra note 2.  
62 Ibid.
B. Intensifying Energy Competition

Competition for oil among the world’s three largest oil-importing countries has already been noted and the competition is likely to intensify in the years to come. Like Japan, China depends heavily on imported oil from the Middle East and Africa to feed its manufacturing economy. It seems that in the future more oil from the Middle East and Africa will be shipped to China rather than to Japan. At the end of 2004, Iran’s oil minister stated that “Japan is our No.1 energy importer due to historical reasons . . . but we would like to give preference to exports to China.”63 About two years later, as stated above, Iran’s exports to Japan dropped 8.7% in June 2006, compared to the same period in May 2005. In addition, Iran dropped down from its third place ranking in the list of countries supplying Japan, to its

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current status as fifth. In 2005, China also displaced Japan as the world’s second-largest oil importer after the United States. In 2004, Japan’s African supplies grew by nearly 20%; over the same period, however, China’s imports from Africa grew by more than 35%. Japan and China are also competing for Australian energy resources.

In 2005, China lost out on a contract with Chevron to purchase gas from Australia’s Gorgon field to a group of Japanese companies.

In addition to energy resources, China and Japan are also competing for Russia’s Far East oil pipeline project, which Japan proposed to build along the Angarsk-Nakhodka route, and China along the Angarsk-Daqing route. The Japanese route could result in an estimated 10-15% reduction in Japan’s reliance on Middle Eastern oil imports. The Chinese preferred route would be considerably shorter, at 2,400 km, and significantly cheaper than the route proposed by Japan. The Chinese route would bring Russian oil to its port Daqing in China’s northeastern coast. Ultimately, Russia decided to build a single oil pipeline system from Taishet in the Irkutsk region through Skovorodino in the Amur region to the Pacific Ocean. On August 7, 2006, a deal was signed between Sberbank of Russia and the Transneft

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oil pipeline monopoly. The capacity of the pipeline will be 80 million tons of oil. Japan expressed its interest in participating in the project, but was turned down by Russian President Putin.68

The United States and China are also competing for energy resources in the Middle East, Africa, Central Asia, and the Western Hemisphere. Oil from the Middle East (especially, the Persian Gulf) accounts for 17% of U.S. petroleum imports, and this dependence is increasing. Flynt L. Leverett and Jeffrey A. Bader have pointed out that there is a broad consensus in the United States that U.S. dependence on Middle Eastern oil needs to be reduced. In his 2006 State of the Union Address, President George W. Bush stated that, “……we have a serious problem: America is addicted to oil, which is often imported from unstable parts of the world.”69 Clearly, the Middle East is one of the major unstable regions in the world. Nevertheless, while the United States is considering reducing its dependence on Middle Eastern oil, China is expanding its efforts to get access to the energy reserves in the region. As suggested by Leverett and Bader, “[t]here is every reason to anticipate that China will continue and even in tensify its emphasis on the Middle East as part of its energy security strategy.”70 China’s search for Middle Eastern oil is making it a new competitor of the Untied States for influence in the region. If not handled prudently, they worry that the competition will become a source of conflict between Washington and Beijing, and damage U.S.

strategic interests in the Middle East.71

Oil competition between the United States and China is found also in Africa. Chietigj Bajpaee suggests: “Africa is fast emerging as one of the most volatile stages of Sino-U.S. energy competition, given its vast reserves of energy resources and concentration of internal security crises.” Africa is the United States’ second leading arena in terms of oil imports. The United States derives 15% of its oil supplies from Africa, in comparison with 22% from the Middle East, but the U.S. National Intelligence Council predicted that within the next ten years, 25% of the United States’ oil imports would come from Africa.72 As China is also increasing its oil imports from African countries, including Algeria, Angola, Chad, Sudan, Equatorial Guinea, Gabon, and Nigeria, it should be expected that oil competition between Washington and Beijing would intensify in the coming decade or two. Already, China has displaced the United States as Angola’s biggest oil customer – having purchased an estimated 323,000 bpd in 2004 against 306,000 bpd in U.S. sales.73

China’s global quest for oil has also brought it to North and Latin America in recent years. China has established strategic partnerships with four Latin American countries, namely, Brazil, Venezuela, Mexico, and Argentina. In the fall of 2005, Canada was added to that list.74 China’s interest in buying Canada’s Alberta oil sands, receiving

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71 Ibid.
74 Wenran Jiang, “China’s Energy Engagement with Latin America.”
oil from Venezuela, Brazil and Ecuador, and establishing strategic partnerships with the countries in the Americas are a source of concern for both the energy plan of the U.S. and its national security, given that Canada is the United States’ largest source of imported oil and Latin America is a region long considered the backyard of the United States. The United States worries that China’s energy acquisition in the Western Hemisphere will eventually make Washington more reliant on the Middle East and other unstable parts of the world, because “[e]very barrel of oil that China buys in America, whether it is in North America, Central America, or Latin America, essentially means one less barrel available for the U.S. market.”75

The United States and China are also competing for oil and gas resources in Central Asia. While the United States is expecting Kazakhstan to continue exporting oil to the West, particularly from the Tengiz, Krachaganak, and Kashagan fields, China’s proximity and growing demand for oil will most likely make it Kazakhstan’s largest oil consumer.76 The first oil from a new pipeline from Kazakhstan, which arrived at the Chinese border town of Alashankou in May 2006, supports this trend of development.77 The U.S. influence in Central Asia is also limited by progress made at the Shanghai Cooperation Organization (SCO). The organization requested the United

76 “Assessing Energy and Security Issues in Central Asia,” statement prepared by Zeyno Bazan, Senior Fellow and Director, Center for Eurasian Policy, Hudson Institute, before the United States House of Representative, Committee on International Relations, Subcommittee on the Middle East & Central Asia, July 25, 2006, p. 5.
States to withdraw its military forces from Central Asia. As a result, in July 2005, the U.S. military was evicted from the Karshi-Khanabad Air Force Base.78

In terms of strategy to ensure a dependable energy supply, the United States and China are adopting different approaches. In recent years, the United States has shifted from an oil-import strategy that was based on controlling the oil at the wellhead to one that is based upon international market supply and pricing. However, China has focused on owning oil at the point of production. These different approaches could bring the two countries’ energy interests into conflict.79 In August 2005, CNOOC’s attempt to purchase Unocal demonstrated China’s strategy to acquire energy resources at the source and Beijing’s willingness to pursue that strategy all the way even to the acquisition of U.S. energy companies. Richard D’Amato of the U.S.-China Economic and Security Review Commission stated in his testimony before the House Committee on Armed Services in July 2005 that “it is critical to persuade China to abandon this mercantilist spree to lock up attractive energy supplies wherever it can, and instead participate in the IEA to plan for the sharing of oil in the case of supply disruptions, and to participate in the open market buying of its supplies and begin relying on free markets to promote energy security for everyone.”80 Nevertheless, it was reported in August 2006 that China’s Sinopec and India’s state-

80 Statement of C. Richard D’Amato, Chairman, U.S.-China Economic and Security Review Commission, National Security Dimensions of the Possible Acquisition of UNOCAL by CNOOC and the Role of CFIUS Before the House Committee on Armed Services, July 13, 2005.
owned ONGC Videsh Ltd. (OVL) jointly bought a 50% stake in the U.S. firm Omimex de Columbia, which was a 100% subsidiary of Omimex Resources based in the United States.81

C. Sharpening the Existing Disputes and Increasing the Concern about Securing Passages at Sea

Oil competition between China and Japan has been complicated and intensified by the two countries’ dispute over the ownership of Diaoyutai (Senkaku) Islands and sovereignty rights over the Exclusive Economic Zone (EEZ) and the continental shelf to explore and exploit oil and gas resources in the East China Sea. The disputed field in the East China Sea contains an estimated 7 trillion cubic feet of natural gas and up to 100 billion barrels of oil.82 While Japan insists that the maritime boundary in the East China Sea should be the median line between the two countries, China claims that its EEZ should extend from its continental shelf based on the principle of prolongation of land territory under international law. Since October 2004, Beijing and Tokyo have conducted six rounds of East China Sea talks. The sixth round of talks was conducted in July 2006, but great differences still remain. During the talks, China proposed shelving disputes and jointly exploring the site’s energy resources, but this was rejected by Japan. Tension between China and Japan has intensified since early August 2006, because CNOOC announced that the first stage of the Chunxiao drilling project had already entered a full-fledged phase of production and development.”83 In response, Japan lodged a formal

83 “CNOCC says production under way at Chunxiao field,” Japan Economic Newswire, August 4, 2006.
protest and asked China to stop the project. In addition, Japan threatened that it would also consider stepping up its own exploration work near the “median line” in the East China Sea if China does not stop drilling activities in the disputed area. In August 2006, China called upon Japan to avoid taking action that might threaten stability in the East China Sea after China launched operations at the disputed Chunxiao gas field. In March 2006, former Deputy Assistant Secretary of State for East Asian and Pacific Affairs, Randall G. Schriver, said, “My worry about a war breaking out in the East China Sea is greater than that in the Taiwan Strait region. The entire Asian region is very worried about a potential military conflict facing Japan and China.”

In addition to the disputes over the exploration and exploitation rights in the East China Sea, there are also similar disputes in the South China Sea. While these disputes are not directly related to oil competition among China, Japan and the United States, they do have implications for the U.S. and Japan in the area of energy security policy. From the perspective of China, its increasing dependence on oil imported from the Middle East and Africa makes it more important for Beijing to secure sea lanes passage security in the Strait of Malacca (the so-called China’s “Malacca Dilemma”) and the South China

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85. “China calls upon Japan to avoid taking action over disputed gas field that would threaten stability,” Poland Business Newswire, August 9, 2006.
Sea, which might possibly be blocked by maritime powers, in particular the United States.

The situation in the South China Sea has stabilized since the adoption of the Declaration on the Conduct of Parties in the South China Sea in November 2002 and the signing of a tripartite joint agreement by the state oil firms from China, Vietnam and the Philippines in March 2005, to prospect jointly for oil and gas resources in the disputed Spratly areas. However, it was reported that Taiwan’s recent decision to build an airstrip on Itu Aba (Taipin Dao) in the Spratly Islands was based on a strategic consideration to cut off China’s oil supply route in the South China Sea. China was concerned about the possibility of Taiwan’s building a submarine ambush zone, with assistance from the United States, in the South China Sea. To protect its vital shipping routes, China is pursuing a “string of pearls” strategy – the pearls being the bases it is establishing along the route, in Pakistan, Burma, and disputed islands in the South China Sea. China is reported to be helping Pakistan build a port at Gwadar, upgrading a military airstrip in the SCS and monitoring stations in Myanmar, and negotiating for naval facilities in Bangladesh.

Recent talks about the efforts to enhance maritime security in the Strait of Malacca and the development of the U.S.-led Regional Maritime Security Initiative (RMSI), the Proliferation Security Initiative (PSI), and the Container Security Initiative (CSI) are also related to the issue of oil competition among the United States, China, and Japan. The Taiwan Strait is also a source of concern. China’s

89 Philip Sherwell, “Securing supply lines is key to military strategy,” The Daily Telegraph (LONDON), April 23, 2006.
concerns about maritime security in the Strait of Malacca are not new, but the potential for pirate attacks and armed robberies to target its oil tankers in the region has been taken more seriously since the attacks of September 11, 2001. Now that four-fifths of China’s imported oil comes through the Strait of Malacca, Beijing began to express its willingness to help enhance security in the Strait.

China was concerned that the U.S.-proposed RMSI would exceed the transit passage rights, encroach upon the sovereignty and sovereign rights of the littoral States, and evidently contravene the 1982 UNCLOS. While it is doubtful whether the U.S.-proposed RMSI aims to block China’s energy channel and to contain China’s economic development, China’s policy is to support global anti-terrorism efforts, support the idea of enhancing security in the Strait of Malacca, and it is willing to participate in regional cooperation to guarantee SLOC security. It is also China’s hope that the United States and related countries could establish a terrorism prevention mechanism in the Strait through consultative cooperation under the framework of the 1982 UNCLOS to safeguard Strait security.

Talks have also place in China to boost its navy and to expand its super tanker fleet to safeguard the security of its oil supplies, and to build the Kra Isthmus in southern Thailand to shorten the distance of its shipping route in the South China Sea.

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91 Ibid.
D. Undermining the Efforts to Promote Democracy & Human Rights, and Prevent WMD Proliferation

In accordance with President Bush’s second term National Security Strategy, which was released in March 2006, the U.S. national security strategy is founded upon two pillars:

1. The first pillar is promoting freedom, justice, and human dignity – working to end tyranny, to promote effective democracies, and to extend prosperity through free and fair trade and wise development policies;
2. The second pillar of the strategy is confronting the challenges of our time by leading a growing community of democracies.93

China’s energy strategy of actively making oil deals in countries such as Iran, Sudan, Venezuela, Myanmar, and Zimbabwe has the potential to negatively impact the Bush administration’s efforts to advance U.S. security interests as stated in the 2006 National Security Strategy, and its efforts to create an effective multinational framework for the protection of international human rights and the prevention of WMD proliferation. In addition, with Sudan and Iran together supplying China with about 20% of its total oil imports, it is likely that the U.S. attempt to contain these oil-producing countries could bring it into direct confrontation with China’s energy security policies.

China has been willing to engage in energy deals with Sudan despite the country’s genocidal policy in the Darfur region, and with Zimbabwe, despite the infringements against human rights being committed under the authoritarian Mugabe regime. China even threatened to use its veto power in the UN Security Council to block

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93 For the strategy, visit the White House Website, <http://www.whitehouse.gov/nsc/nss/2006/>. 
sanctions against the government of Sudan for its genocidal policies in Darfur. In addition, China supplied Iran with new types of missiles and echoed Russia’s opposition to UN action against Iran for its plan to develop nuclear programs and its violation of the NPT. China’s energy and security interests in Central Asia have had an impact on the U.S. efforts to promote democracy in the region. At the fifth anniversary of the SCO held in Shanghai in June 2006, the SCO’s communiqué reiterated its opposition to the “interference in other countries’ internal affairs,” a common euphemism referring to U.S. calls for increased democratization in Central Asia. In August 2006, the Foreign Affairs Select Committee of the UK’s House of Commons urged that in its drive to acquire more natural resources, China should not make deals with rogue countries, in particular Sudan and Zimbabwe. This is precisely the nature of the concern of the United States with respect to China’s quest for global sources of energy.

E. Negating the International Effort to address the Issue of Climate Security

Under the 1997 Kyoto Protocol, the developed countries listed in Annex-B of the treaty are required to reduce their greenhouse gas emissions by an average of 5.2% measured against 1990 levels. Accordingly, Japan has the treaty obligation to reduce 6% of its greenhouse gas emissions, and the Untied States, in the event it should ratify the Kyoto Protocol, would be obligated to reduce 7% of its emissions by 2008. Developing countries, in particular, China, India, and

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96. For essential background information on the UNFCCC and the Kyoto Protocol, visit <http://unfccc.int/essential_background/kyoto_protocol/items/3145.php>.
Brazil, however, are not obligated to reduce emissions under the protocol. It is expected that China will become the world’s largest producer of greenhouse gas emissions by 2025. Yet, China was entirely exempted from the requirements of the Kyoto Protocol. Its rapidly increasing use of energy resources, in particular coal and oil, will negate international efforts to combat the threat posed by global warming to the Earth’s climate. The Bush administration has indicated that it does not intend to submit the Kyoto Protocol to the Senate for ratification, not because it does not support the principles of the protocol, but because of the exemption granted to China (the world’s second greatest emitter of carbons) and also because of the strain he believes the treaty would put on the U.S. economy.97

V. China as a Responsible Stakeholder in Global Energy Security?

China has repeatedly been called upon to co-operate with the United States, the European Union, and Japan, as well as oil-producing states, to help enhance global energy security so as not to cause any unnecessary upheavals or instability in the international oil and gas markets. In recent years, some progress in U.S.-China energy cooperation has been made. It has also been proposed to strengthen energy cooperation between China and Japan through bilateral efforts and multilateral initiatives.

The Japan Bank for International Cooperation (JBIC), for many years, has been giving financial support in the form of so-called “resource loans” to a number of Chinese oil fields and coal mining development projects. In recent years, the JBIC has provided loans to

help China in the area of clean coal technology-related projects. Because Japan is a frontrunner in the field of energy efficiency, China stands to benefit from cooperating with Japan in this area. Japan and China have the opportunity to work together under the framework of the APEC Energy Working and the ASEAN+3 ministerial meeting to find solutions to the problems of both energy security and global warming through cooperation. The two countries are also members of the Asia Pacific Partnership on Clean Development and Climate, which was initiated by the United States, and which aims to promote regional cooperation in the development of technology related to energy conservation and clean coal use on a practical and action-oriented basis. In the East China Sea, while Prime Minister Koizumi urged to make the sea a sea of friendship, and not a sea of conflict, it appears less likely to see the development of a cooperative relationship between China and Japan in exploiting oil and gas resources in the disputed areas in the East China Sea. However, the decision to establish an expert technical panel in connection with the disputed development of natural gas fields in the East China Sea at the sixth China-Japan talks in July 2006 can be seen as a positive development in terms of energy cooperation between Beijing and Tokyo. The proposal to create an “Energy Community” among China, Japan and Korea, an “East Asian Community,” or an “Energy Security System in East Asia,” is also a possible approach to help promote energy cooperation between China and Japan.

In May 2004, the United States strengthened its energy-related interactions with China by establishing the U.S.-China Energy Policy Dialogue, which aims to facilitate policy level discussions on a range

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of energy issues, including energy policy making, supply security, power sector reform, energy efficiency, renewable energy, and energy technology pursuits. This Dialogue emphasized that the United States and China are the world’s two largest energy consumers and therefore share many common challenges and opportunities. U.S. officials believe that greater cooperation between Washington and Beijing would help address the challenges. Accordingly, through the U.S.-China Energy Policy Dialogue, the Bush administration aims to

- exchange views with China in terms of current and future national and international energy markets;
- better assess the impact of China’s energy policy on U.S. energy security;
- offer relevant U.S. experience and regulations to assist Chinese energy, economic and environmental policy makers as they develop and revise their policy, and their legal and regulatory framework;
- mitigate the environmental effects of China’s rising fossil energy consumption; and
- assess trade and investment opportunities in each other’s energy markets.99

The first U.S.-China Energy Policy Dialogue was held at the headquarters of the Department of Energy in June 2005 and the second will be held in China in September 2006. In addition to the dialogues, the United States has also increased its engagement with China in energy-related matters through a number of bilateral and multilateral

forums, such as the U.S.-China Oil & Gas Industry Forum, the U.S.-China Economic Development and Reform Dialogue, the *Peaceful Uses of Nuclear Technologies Agreement*, the Joint Coordinating Committee on Science and Technology, the APEC Energy Working Group, the International Energy Agency, the International Partnership for a Hydrogen Economy, the Carbon Sequestration Leadership Forum, the Asia-Pacific Partnership for Clear Development and Climate, the International ITER partnership, the U.S.-led FutureGen initiative, and the Generation IV International Forum (GIF) Policy Group.

The United States has urged China to develop as a responsible energy consumer. In September 2005, former Deputy Secretary of State Robert Zoellick gave a speech in New York, in which he urged China to become a “responsible stakeholder” in the global system, a system in which China is already highly integrated and from which China is already enjoying substantial benefits. In December 2005, U.S. Senator Joe Lieberman stated that competing energy needs were the greatest source of potential conflict between the United States and China. Accordingly, he suggested that

> it is time the U.S. and China not only recognize the similarity of our oil dependency status, and the direction that competition may take us, but begin to talk more directly about this growing global competition for oil so that we can each develop national policies and cooperative international policies — even joint research and development projects — to cut our dependency on oil before the competition becomes truly hostile.\(^\text{101}\)

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101. “U.S., China must Cooperate to Meet Energy Needs, Senator Says, December
Based on the concept of China as a responsible global stakeholder, the United States is pursuing an energy security policy, in which Washington intends to work together with China to improve supply security, expand the supply of non-oil and gas energy sources, lower demand, and increase efficiency of usage.102

**Conclusion: Energy Competition or Cooperation – Which Trend Will Dominate?**

It is clear that two opposing currents currently exist in the energy security relations of the United States, China, and Japan, which are competing with each another. One is the desire to promote cooperation and mutual collaboration among the three countries as the world’s three largest oil consumers; the other is the likelihood to see more intensified competition and conflicts in the effort to ensure stable oil supplies. Due to the rising political tension between China and Japan, and the loss of China’s patience in developing energy resources in the disputed Chunxiao gas field in the East China Sea, it is likely that the trend of greater energy competition between Beijing and Tokyo will continue. For the future development of U.S.-China energy relations, the trend is moving toward more energy cooperation than competition. The assessment of China’s role in the global system as a responsible stakeholder, made by Thomas J. Christensen, Deputy Assistant Secretary for East Asian and Pacific Affairs, at the U.S.-China Economic and Security Commission’s hearing, that was held on August 3-4, 2006, can be cited in support of this observation.

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