

China's quest for energy and diplomacy

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Human beings are dependent on energy, and this has been a significant component of rapid industrial development as well as technological advancement. Two hundred years ago, the world experienced an energy revolution which launched the industrial era. Energy is, now, not only important for industry but has also become the main aspect of our daily life consumption. The consumption of crude oil has increased manifold due to rapid industrial growth in developing countries such as China, India and Brazil.

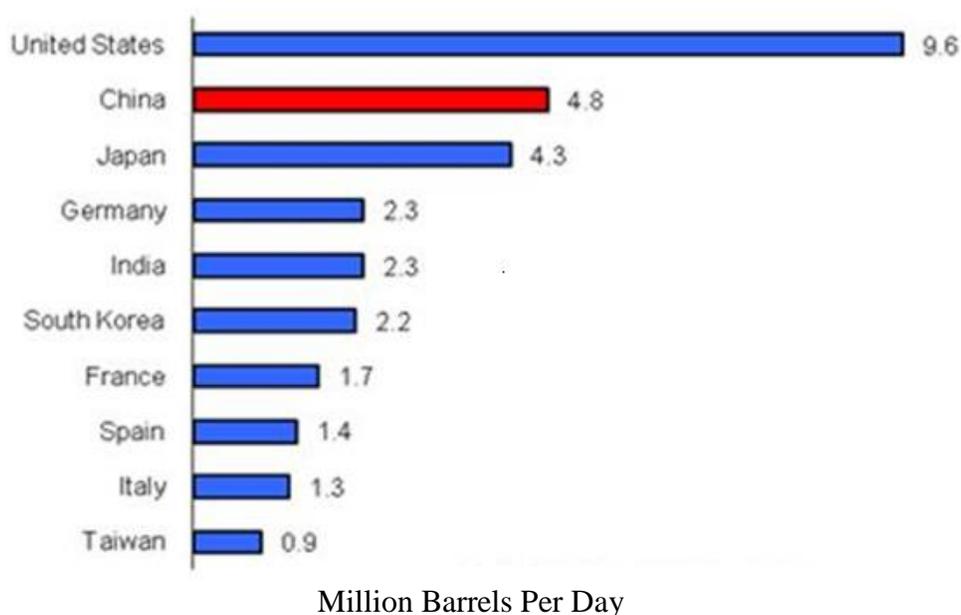
China's quest for energy is increasing due to rapid growth in the industrial sector. More than thirty years of economic growth has directed the country to look abroad to fulfil its energy needs. China became the net oil importer in 1993 and now it has converted itself into the world's largest energy consuming country. Since then, its crude oil imports have increased. In 2009, China's oil consumption reached to 2.3 billion tons and surpassed US oil consumption in more than a hundred years. This amount doubled as compared to 2000 when it stood at 1.1 billion tons.¹ Now China is also the world's largest producer and consumer of coal. This is the main component for energy generation in China.

However China's demand for oil is rapidly increasing, while its indigenous production remains inadequate for its consumption. China's dependency on imported oil is soaring, and, as a result, the so called Chinese petro diplomacy extends around the world (such as in Saudi Arabia, Iran, Angola, Libya, Sudan, Russia, Venezuela and Central Asian states). China is signing favourable deals with these states as they are accelerating their own economic activities.

In 2010, China's oil production remained approximately 5.4 percent of the world total, but consumption ranked second after the U.S.² Nevertheless, it made a new record of oil production and consumption by producing 189.4 million tons of crude oil, an increase of 1.5 percent from 2009. It also imported 204 million tons of oil which comprise 54 percent of its demand.³ If it follows the same pace, it might reach to 200 million tons in 2015.

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Top Ten Net Oil Importers in 2010



Source: EIA Short-Term Energy Outlook (April 2011)

Natural gas is not used as a big source for power generation in China and only, comprises 3 percent of country's consumption. However, it is increasing and the country's proven natural gas reserves are 51.2 trillion cubic feet.⁴ The Chinese government has set a target for 2020, in which it will increase energy dependency on natural gas to 10 percent.⁵ In 2010, its consumption was recorded as 107 billion cubic meters (cu m), and is expected to reach up to 130 million cubic meters at the end of 2011.⁶ Currently, China's oil and natural gas resources have reached to 10.5 percent and 5.4 percent of the world average respectively.

According to previous figures, it was predicted that in 2020 China's oil and gas demand will reach 340 million and 480 million tons respectively.⁷ Despite energy imbalances and scarcity, soaring petroleum imports and environmental apprehensions allow China to develop its natural gas resources.

Coal is also a main source of energy for China. In 2010, around 68 percent of coal was used for energy consumption for house-holds and industry. China is the third largest coal producing country in the world after US and Russia, which comprises 14 percent of world total. The

utilization of coal is increasing vigorously, even in last five years as China has consumed more than eight hundred million tons.⁸

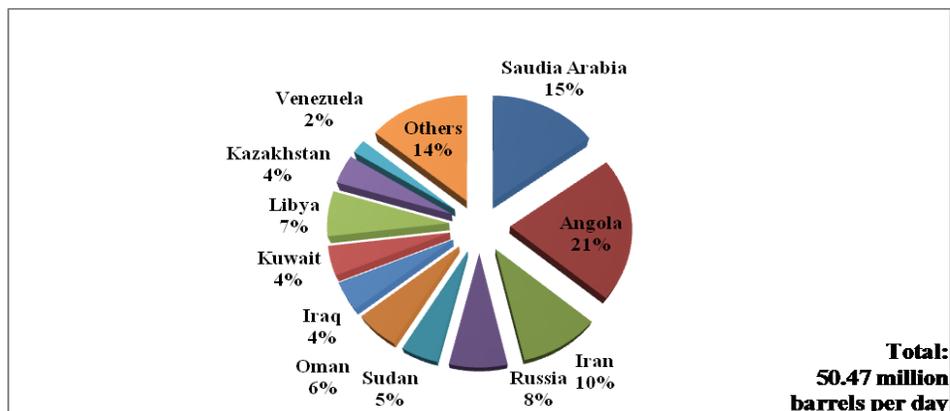
Shanxi province ranks first among coal producing areas and provides more than 300 million metric tons annually. Furthermore, to fulfill the demand of electricity for the expansions of its industry China is building a large number of power generation plants in various parts of the country. In the last thirty years or so, China has created solid foundations for its industrial structure which is more favorably designed for the country's economy.

However, strategic oil storage capacity is much low for China's needs and the country is defenseless in dealing with unexpected discontinued supply or oil price fluctuations. Therefore, China also endeavors to build up strategic oil reserves. In 2010, its total capacity of oil reserves has reached up to 24.38 million tons from 12 million in 2008.⁹

China's Energy Quest

Being the largest developing country in the world, China pursues the path of peaceful development. China stands ready to develop friendly relations and cooperation with all countries on the basis of the Five Principles of Peaceful Coexistence, which contribute to peace, stability and common prosperity around the globe.

China's Crude Oil Imports by Source, 2010



Source: www.fgenergy.com

In 2010, China's oil consumption was 9.57 million barrel per day (bpl) compared to about 8.2 million in 2009. This increase in consumption by 10.4 percent resulted in China surpassing the US in oil consumption growth.¹⁰ Overall China consumes 12 percent of the world's energy. Therefore, some countries/region(s) are very important for China.

Today, China is dependent on the Middle Eastern oil for its fifty percent of its imports. In 2010, 15 percent of its imported oil came from Saudi Arabia.

Middle East Region

The relationship between China and the Middle East started in 500 B.C. through the famous Silk Road.¹¹ At that time, there were two great empires in Asia, the prosperous Tang Dynasty in the east of Asia and the western Arabian Empire.¹² New China was founded in 1949 that started its diplomatic relations with the Arab community and institutionalized its relations with Egypt in 1956. By the end of 1992, China established diplomatic relations with all countries in the Middle East and Gulf Cooperation Council (GCC).

In 2006, the Chinese President paid a historical visit to Africa and Asia and after returning from Africa, he stopped over in Saudi Arabia, Yemen and Iran. Bilateral trade between China and the Middle Eastern region has reached to \$118 billion in 2009 which almost doubled from 2005's \$67 billion.¹³ Energy cooperation remains a key element of economic and trade cooperation in the Sino-Middle East relations.

Kingdom of Saudi Arabia

In 1990, Saudi Arabia established relations with China. In January 2006, King Abdullah paid a historical visit to China, his first after becoming the King of Saudi Arabia. President Hu-Jintao returned the visit the very same year in April. This exchange took Saudi-Sino relations to a new level where Saudi Arabia stands as China's largest trading partner in the region and bilateral trade reached to \$41.8 billion in 2008, from \$14.5 billion in 2005.¹⁴

China's interest in the Middle East is considered to be driven by the desire to gain an entrance in to the region's enormous oil and gas reservoirs to fulfill its energy needs. Today, China is dependent on the Middle Eastern oil for its fifty percent of its imports. In 2010, 15 percent

of its imported oil came from Saudi Arabia.¹⁵ According to a recent report, Saudi Arabia remains the second largest crude oil exporter to China and supplied 758000 barrels per day (bpd).¹⁶

Therefore, energy will remain a major factor in the Saudi-Sino relationships. It might be possible that China's growing dependency on Saudi oil will persuade Beijing to endorse sanctions against Iran's nuclear program. According to Douglas C. Hengel, the Deputy Assistant Secretary for Energy, Sanctions and Commodities at the State Department, "Saudis have delivered the message to Chinese that instability in the gulf is not in their interest".¹⁷ Certainly, the Chinese have apprehensions about Iran's nuclear program and feel that this could lead towards nuclearization in Middle East, which is not good for the peace, stability and trade of the region.

Moreover, China's oil demand is growing rapidly, during the period from 2008-2010, it has grown by 0.9 million barrels per day which is a big increase in demand. In 2010, the Saudi oil company Aramco started to build a big oil refinery in Fujian Province of the country and it is expected to obtain 200,000 barrels per day.¹⁸ The two Asian giants India and China are more dependent on Saudi oil and for their domestic needs as they import 25 percent and 15 percent respectively.

In 2010, Chinese President Hu Jintao paid an official visit to Saudi Arabia; it was his second visit during three years. During his stay there, China signed five bilateral agreements, which included plan for railway construction, health, oil and gas, mining and the supply of foods.

Islamic Republic of Iran

China's relations with Iran date back to centuries through the "Silk Road" and the voyages of the fifteenth century Admiral Zheng He. Currently Sino-Iran relations are at new heights and they have the same opinion about the peace and stability of the world. Iran has become the second largest oil producing country to China in the Middle East. In 2010, China imported 10 percent (523000 barrels per day) of oil for its domestic consumption from Iran. This is the third largest import after Angola and Saudi Arabia.¹⁹

On December 9, 2007, the Iranian oil ministry and China Petroleum Corporation signed a contract of \$2 billion for the development of Yadavaran oilfield in Iran.²⁰ Iranian oil minister Gholamhossein Nozari expressed, "We are very happy to sign this contract".²¹ This project

comprises of two phases, which are to be carried out in seven years. The first phase is to produce 85000 barrels of oil per day and the second phase another 100,000 barrels per day.²² Spontaneously, China has been making deals with Iran on energy to ensure supplies for its booming economy.

Iran possesses the second largest gas reserves in the world after Russia, but sanctions over its nuclear program have slowed its gas exports to the world. In fact, China remains the only big option for its natural gas exports and both countries have reached an agreement worth \$40 billion to develop petrochemicals, refineries and oil and gas pipeline projects in Iran.²³ On the other hand, in 2010 Iran's oil export to China dropped to 30 percent.²⁴ This shows western pressure on China to drop its import to Iran, because Iran's nuclear program has become a main obstacle regarding its business with the world.

China appears to want a peaceful solution to the Iranian Nuclear program and believes that a military operation is not an appropriate solution. It also urges Iran to respect UN resolutions and stop working on its disputed nuclear program.

Moreover, China supported the world community's efforts to solve Iran's nuclear program; it voted against the Iranian nuclear program thrice.²⁵ China appears to want a peaceful solution to the Iranian Nuclear program and believes that a military operation is not an appropriate solution. It also urges Iran to respect UN resolutions and stop working on its disputed nuclear program. China also adheres to its program for peaceful purposes such as energy generation, medical usage etc.

China considers Middle East as a source of energy as well as a huge business potential big market. In 2010, Chinese oil imports were 5047,000 barrels per day out of which 2014,000 barrels per day came from the Middle East, comprising 40 percent of its oil import.²⁶ The Sino-Middle East trade is expected to increase up to \$400 billion from \$9.7 billion in 2001.²⁷ China has signed a deal for the construction of railway with Saudi Arabia. It is estimated to cost \$1.78 billion and this project will be completed next year.²⁸

Russia & Central Asia

Central Asian countries comprise five nations (Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan and Uzbekistan). In 1991, they got independence from the former Soviet Union. Kazakhstan is the biggest country in the region with an area of 2724,900 square Km. After their independence they developed diplomatic relations with China. Geographically, all these countries are situated at the western border of China's Xinjiang province. The Chinese government was well aware of the potential opportunities that could emerge after initiating diplomatic ties with these states.

Russia

Last century witnessed that Sino-Russian relations remained friendly as well as cold for many reasons: especially during the cold war era. However, after the collapse of the USSR both nations decided to establish bilateral ties and entered a new phase. In 2001, Chinese President Jiang Zemin and Russian President Vladimir Putin inked the Treaty of Good-Neighbor and decided to cooperate and collaborate in various ways.

In 1992, bilateral trade between China and Russia increased from \$500 million to \$60 billion in 2010.¹ There is still a huge potential to increase in trade and energy sector. The first decade of the 21st century shows that Sino-Russian bilateral trade has elevated to a new level.

In 2010, China imported 382,000 barrels per day from Russia which comprised 7.5 per cent of its total consumption.²⁹ In the current global scenario, Russia's position remains incomparable because it has 44 billion tonnes of oil reserves which cover 20 percent of the world.³⁰ In 2010, Russian oil production reached to 10.27 million barrels per day, almost 13 percent of the world total.³¹ In this regard, Beijing wants to buy more oil from Russia because by virtue of sharing borders, costs can be reduced.

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The Atasu-Alashankou pipeline between China and Kazakhstan can provide a good opportunity for Russia to gain access to the growing

Chinese oil market as well. In view of the enormous economic potential of a Kazakh-Chinese-Russian oil triangle, Moscow can find a potential market for its oil in Asia, and make significant investments in the oil sector with regard to soaring demands for oil.

Kazakhstan

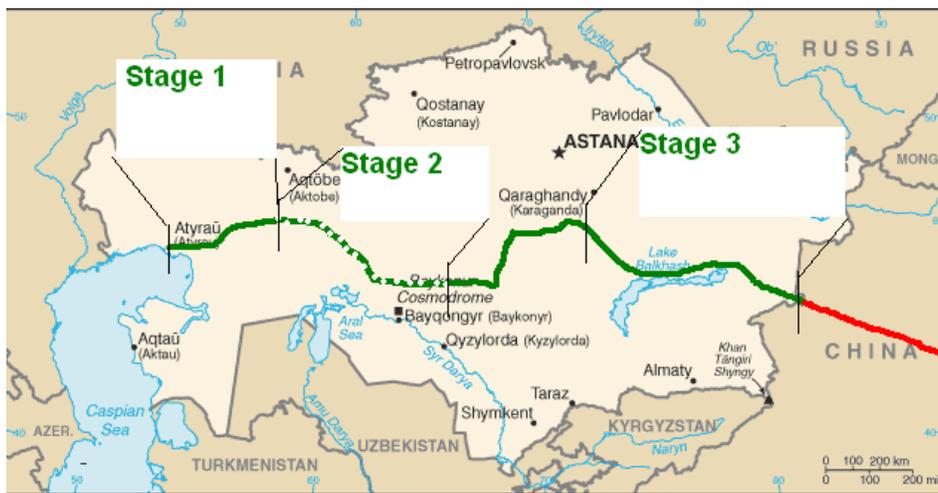
Kazakhstan has huge reservoirs of natural gas and oil, which make it prominent in the Central Asian Region. It is the biggest landlocked state in the world and larger in size than Western Europe. It also shares borders with China, Russia, Turkmenistan, Kyrgyzstan and Uzbekistan. Kazakhstan's policy is open and it wants to develop diplomatic and economic relations with the whole world. Since 2005, China ranks as one of the top priorities for Kazakhstan and it considers China as a major economic partner in the 21st century.³³

In June 2011, Chinese President Hu Jintao paid his third remarkable visit to Kazakhstan; during which he stated that this visit would elevate the strategic partnership between the two nations established in 2005.³⁴ In 2010, bilateral trade reached to \$20.5 billion from \$400 million in 1992.³⁵

In 1997, China and Kazakhstan signed an agreement for the construction of a pipeline between Atasu in Kazakhstan, and the border town of Alashankou in China's Xinjiang Uygur Autonomous Region. The Atasu-Alashankou pipeline crosses only one border and does not go near any turbulent areas. The total length of this pipeline is 2830 km and the estimated cost is \$3 billion. It was constructed in three phases. The first section was constructed in 2003 from Kenkiyak field with Atyrau. The second station of this project was completed in 2006 from Atasu to Karaganda Region. The third section of this pipeline was completed in 2011 from Dostyk to Alashankou.³⁶ In 2011, the capacity of this pipeline was recorded 20 million ton per year (400,000 barrels per day), in comparison with 10 million tons per year (200,000 barrels per day) in 2006.³⁷

The construction of the Atasu-Alashankou pipeline is a landmark between Sino-Kazakh relations. It shows China's peaceful intention within the region to satisfy the growing demand for oil. The government of China is investing to buy fields in countries like Kazakhstan in order to decrease its energy dependence on countries of the Persian Gulf.

Kazakh China Oil Transportation Route



Source: Carnegie Endowment for International Peace 2007³⁸

In 2010, Kazakhstan produced 1757,000 barrels of crude oil per day and this accounted for 2.1 percent of the whole world.³⁹ Energy relations remain an important factor in Sino-Kazakh relations. China has invested \$14 billion in the Aktobe region near the Caspian Sea in order to establish some presence in the energy sector of Central Asia.⁴⁰ It has an estimated 1.17 billion barrels of crude oil that is being developed by the CNPC/Aktobe MunaiGaz Consortium. Kazakhstan has the second largest oil reserves among the Central Asian republics after the USSR. The country also has large reserves of natural gas and its production of both oil and gas is increasing steadily.

Turkmenistan

The proposal of constructing a natural gas pipeline from Turkmenistan to China was initiated in the 1990s, when Central Asian republics got independence from the Soviet Union. Turkmenistan shares borders with Afghanistan, Iran, Uzbekistan and Kazakhstan. Turkmenistan has huge reservoirs of natural gas and it ranks fourth in the world after Russia, Iran and Qatar. Turkmenistan has the natural gas company of the country and works under the instructions of the Ministry of Oil and Gas that controls gas extraction within the country.

In January 1992, China established diplomatic relations with Turkmenistan.⁴¹ In 2006, China and Turkmenistan signed an agreement for the construction of the gas pipeline that started for the 188 km section

of Turkmenistan in 2007.⁴² The second phase of this transnational gas pipeline started in June 2008 and was completed in December 2009; this section was constructed as a joint venture between Uzbekneftegas and China National Petroleum Corporation (CNPC).⁴³ The construction of the Kazakh section was also completed in 2009.⁴⁴ The total length of this transnational gas pipeline is approximately 1833 km and it can provide 30 billion Cu m for 30 years.⁴⁵

Turkemenistan-China Gas Pipeline Route



Source: http://en.wikipedia.org/wiki/Central_Asia_%E2%80%93_China_gas_pipeline

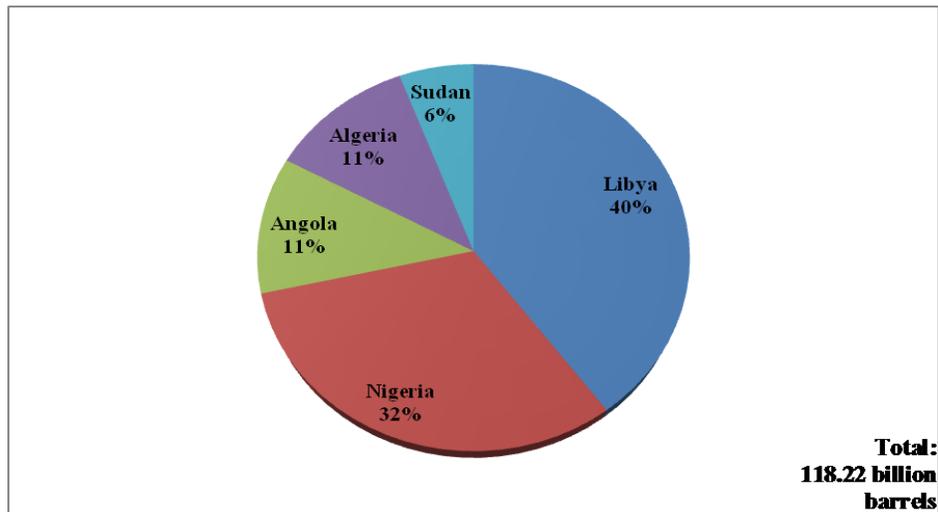
This multinational gas pipe line shows China's influence in the region, as well as it will to reduce the Russian National Gas Company Gazprom's influence. (It is important to note that Gazprom monopolizes Turkmenistan gas reservoirs). Such ventures would reduce China's dependency on Middle Eastern reserves and also help in promoting regional integrity.

Africa

In the 21st century, China's interests in the African continent have grown vigorously. China has a long history of relations with African countries, as old as the days of the Han Dynasty (206 B.C. to 220 A.D.), and the voyage of Iben Patutai in 14th century.⁴⁶ Recently, these relations have blossomed, as a result of its growing energy needs. China has good political relations with many African countries. Many prominent Chinese leaders such as Jiang Zemin, Li Peng, Zhu Rongji, Li Ruihuan and Hu Jintao have paid visits to African states and more than thirty heads of States from Africa also visited to Beijing since 1997.

Currently, China is enjoying very good economic relations with 30 states of the African continent; and, in 2010, the volume of trade increased from \$ 3 billion in 1995 to \$114.8 billion.⁴⁷ In this huge volume of trade, the percentage of crude oil remained at the top. There is a general perception in the west that China is taking interest in the oil exploration and production of this continent. The following chart shows the proven oil reserves and oil capacity in Africa in 2010.

Proven Oil Reserves of Africa by 2010



Source: Data from CIA World Fact Book 2010.

In 2010, China imported 1.66 million barrels per day from three major African oil producing countries (including Angola, Sudan and Libya which covered the thirty two percent of its total imports).⁴⁸ China's objective is to create a level of economic interdependence that will lead to greater trade and more comprehensive economic linkages between China and the African continent.

Angola

In 1983, China established relations with Angola, and until 2003 the Chinese role was limited in Angolan affairs. The warm relations between the two nations were created in 2004, when the Chinese bank offered a loan of \$2 billion to Angola on soft conditions for its oil explorations.⁴⁹ This loan deal shows that China wants to keep its influence on Angolan oil in the coming decades. In 2010, its total oil production was recorded at

1.85 million barrels per day and covered 2.3 percent of the world total.⁵⁰ In Africa, Angola remains the main oil supplier to China.

In 2007, Angola joined the Organization of Petroleum Exporting Countries and, since then, it has become the largest oil producing country in the Africa continent. Oil is a main source of revenue for the country and major oil fields are situated in Cabinda Province.⁵¹ In 2010, China imported 1.080 million barrels per day which accounts for 21 percent of its imports.⁵² The cooperation between Angola and China is to booming as China is investing in many projects (related to energy, health, water, telecommunication and education).

In 2010, Sino-Angolan trade reached to \$25 billion: the highest between China and any African Country.⁵³ Oil remains the main component of bilateral trade and furthermore, to fulfill its energy demand. China has eyes on Angola's abundant oil resources and is investing heavily in country's oil sector.

Chinese oil investments inside Angola

- In March, 2004 the Chinese export bank provided a \$2 billion line of credit for the supply of 10000 barrels per day
- In October 2004, Sinopec secured a 50 percent interest shared with state firm Sonangol in Block 18 deep-water oil asset in Angola.
- In 2004, signed a memorandum of understanding for joint refinery and offshore prospecting.
- June 2006, Sinopec Group acquired some offshore blocks in Angola for about \$1 billion.
- July 2009, CNOOC and Sinopec Group agreed to purchase a stake in an oil block offshore Angola from Marathon Oil for \$1.3 billion.

Apart from oil, China is constructing many other projects inside Angola such as hospitals, schools, low coast houses, roads and bridges. ZTE, a prominent Chinese Telecommunication company is developing Angola's communication network and establishing telecommunications training centres within the country's premises.⁵⁴ The constructing of infrastructure in different parts of the country could reduce the miseries there and open a new chapter in Sino-Angolan relations.

Sudan

China has maintained cordial relations with Sudan since 1959. In 2010, China was the largest oil exporter to Sudan; China imported 244000 barrels per day which account for fifty percent of Sudan's production.⁵⁵ In 1995, Sino-Sudanese oil cooperation started when China National Petroleum Corporation (CNPC) signed an agreement on oil exploration in Muglad Basin.⁵⁶

The Chinese government is deeply concerned over Darfur Issue on ground of human rights. In 2007, when the Darfur crises got momentum, Chinese President Hu Jintao paid a historical visit to Khartoum and met with Sudanese President Basher. He urged him to find a comprehensive peaceful solution to the civil war in Darfur.

Al Basher paid his fourth visit to Beijing this year, where he met with top Chinese legislator, Wu Bangguo and Vice Premier Li Keqiang. During the talks Mr. Wu expressed "No matter how the international situation changes, China's friendly policy towards Sudan will remain unchanged and we will increase our substantial cooperation".⁵⁷ This statement shows China's commitment towards business with Sudan because Sudan is an important player in the African region. During his visit, Al Basher offered the Chinese business community to invest in various fields, such as oil and gas, agriculture and mining sectors of the country.

In 2009, the bilateral trade between China and Sudan reached to \$6.39 billion.⁵⁸ As part of its welfare programs, the Chinese National Petroleum Corporation (CNPC) donated \$50 million for the construction of school, hospitals roads and bridges that are providing basic facilities for more than 2 million people of the country. CNPC has done a lot more than any other international oil company in Sudan.

China has deep relations with Sudan as it is investing in Sudanese oil while Sudan is the largest buyer of Chinese weapons. Gradually, China is increasing its influence on the African continent and its relations with Sudan are very important in this regard.

Nigeria

In 1971, China-Nigeria diplomatic relations were established, and since then both sides have been enjoying brotherly relations.⁵⁹ China is a strong buyer of Nigerian oil and Nigeria looks towards Beijing for its military demands. According to the CIA fact book, Nigeria ranks second

amongst countries with largest oil reserves in Africa. Libya is the only state that surpasses it. Nigeria is also the eleventh largest oil producer worldwide with proven reserves of 37.5 billion barrels: 31.77 percent of net African oil.⁶⁰

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Besides oil, the Chinese are taking keen interest in the construction, education, agriculture and service sectors which is promoting their soft image.

In 2006, President Hu Jintao paid a historical visit to Nigeria, where he signed several agreements; for example controlling stakes of Kaduna oil refinery, construction of railways and power stations, oil exploration in Niger Delta and the construction of free trade zone in the South-east region of the country.⁶³ During this visit, President Hu presented four proposals for the development of bilateral relations. The first was to increase cooperation in the energy, infrastructure, telecommunication and agricultural sectors. The second was to develop political relations and endorse strategic cooperation. The third was to strengthen cooperation on international affairs and make efforts for world peace and stability. The fourth was to enhance people to people contacts and expand cultural exchanges between two states.⁶⁴

In 2010, the bilateral trade reached to \$7.5 billion which is, almost, 15 percent increase from 2009.⁶⁵ Although the share of crude oil export to China remains low but the major portion of trade remains exporting goods to China (such as machinery, electronics, light industrial commodities and textile).

Current Refining Projects inside China

Currently, China is dependent on foreign oil to meet its energy demands. Therefore it is upgrading refineries in various parts of the country that include:

- Petro China Qinzhou Refinery
- Sinopec Qilu Refinery

- Petro China Ningxia Refinery
- Sinopec Jiujiang Refinery
- Sinopec Zhenhai Ethylene project
- Sinopec/KPC Zhanjiang Refinery Project
- PetroChina-Rosneft Integrated Refining and Petrochemical Joint Venture:

Energy Security Risks for China

Energy security has become a significant consideration in Chinese policies. Due to heavily reliance on imported crude oil from Africa to Middle East, the country's oil security can face major risks.

Political Risk

Oil has become a political instrument and a strategic tool to influence others. The first time when oil was used as a tool in the Arab-Israel conflict was in 1973 when many Arab nations stopped supply to international oil markets. Keeping in mind the 1973 conflict, China will pay attention to increase its strategic oil reservoirs inside the country. China plans to take its indigenous oil reserves to 600 million tons by the end of 2015.

China is planning for long term transportation channels and is, therefore constructing a multinational energy pipeline such as Sino-Kazakh oil pipeline and Sino-Turkmen natural gas pipeline projects.

Transportation Risk

China's oil imports in 2010 remained at 5.04 million barrels per day, in which 70 to 80 percent was shipped through the straits of Malacca⁶⁶ and every year, thousands of ships follow this route (full capacity). Since the US has expanded its military presence in the Yellow Sea region and that has become a security concern for China's oil transportation and for its national security. To address the threat, China is planning for long term transportation channels and is, therefore constructing a multinational energy pipeline such as Sino-Kazakh oil pipeline and Sino-Turkmen natural gas pipeline projects. Piracy activities in the seas have become another source of threat for energy transportation, for example many piracy activities has been seen in Indian Ocean near the Somalia Coast in

recent years. They have high jacked the ships and released them after receiving high ransoms.

Oil Pricing

High oil prices directly affect a country's importing bills by burdening the balance of payment. In 1973, for the first time in history, less oil production was observed during the Arab-Israel conflict which raised the oil price from \$4.15 per barrel to \$9.07.⁶⁷ China's oil reserves capacity is relatively very low and is sufficient only for 21 days.⁶⁸ It imports 50 percent of oil from Middle East and Africa. Xie Dongming, an economist with Singapore-based Overseas-Chinese Banking Corporation (OCBC) Bank, lamented that current unrest in Africa could affect international oil pricing and strain the Chinese economy.⁶⁹ This prevailing situation in Africa, particularly in Libya, hiked the oil price from \$80 to \$103 per barrels within three months.⁷⁰ This trend will continue in future which might have a drastic effect on the developing countries as well.

Conclusion

During the last couple of decades, China has slowly been positioning itself as a major player in the global energy market. Economic growth and rapid development have all been contributing factors. Today, despite current and potential energy demand and supply gap, China has been steadily establishing the necessary bilateral, as well as multilateral trade relations. There is every reason to be confident that the Chinese are well on track for enhancing their capabilities and standards.

Currently, China has strong relations with countries in the Middle East; particularly, Saudi Arabia and Iran. These trade relations reflect two important realities. One, that the Chinese rely heavily on obtaining oil in the region and two, that the Chinese also have an important geopolitical stake in maintaining stability in the region. However, the future of China's commitment to the region is still to be determined as China is also taking steps that may help to balance off or decrease dependence on foreign oil reserves.

Neighboring, Russia, Kazakhstan and Turkmenistan are important players in Sino-Oil diplomacy. Russia represents an equal, allied, untapped geographic resource (i.e., percentage of total world oil reserves); in the 21st century Central Asian countries present themselves as increasingly important natural gas and trade allies. Due to the history between Russia and the newly formed states of the former USSR, there is

reason to consider that China's quest for energy and energy security may help to encourage cooperative, rather than competitive behavior in the region.

Still, the most influential players in Sino-Oil diplomacy may be in the African continent where A China has been able to make important economic allies and there appears to be ample room for the deepening of relations between China and the African states. Favourable trade agreements and land acquisitions for the Chinese government and business, as well as the investment in infrastructure in post-colonial Africa, enable China to secure its energy needs.

Moreover, despite potential and existing political and transportation risks along with fluctuating oil prices, China's trade manoeuvrings point to a Chinese nation that is well positioned for continued and steady growth.

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