

Geopolitical Implications of China's Energy Diplomacy

CHINA, INDIA AND EUROPE

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China's Energy Situation

China became a net oil importer in 1993

- Annual GDP growth { 7% annually for 15 years
7-9 % over the next 20 years

- Growth of China's oil Imports:

In 1996

23mts, 10% of
total consumption

In 2005:

127mts, 40% of
total consumption

By 2020:

270-430mts, 60-70% of
total consumption

China's Energy Diplomacy

- **Evolution of China's "Energy diplomacy"**
 - Focusing on the energy "belt regions": Russia-C Asia-M East
 - Expanding new sources of supply: Venezuela, Africa, Canada
 - Stating more explicitly that foreign policy serves its energy security
 - Greater role of the military: safety of sea-lanes
- **But avoids irritating other powers, esp the USA**
 - Venezuela: China did not take initiative
 - Iran Nuclear Crisis: prefer a peaceful solution but not supporting Iran to own nuclear weapons

Map of China and Surrounding Area



Source: Central Intelligence Agency

Top 10 Oil Suppliers for China

State and Region	1999	2001	2005
Saudi Arabia	6.8%	14.6%	17.5%
Iran	9.6%	18.0%	11.2%
Oman	13.7%	13.5%	8.5%
Yemen	11.3%	3.8%	5.5%
Russia	1.5%	2.9%	8.8 %
Angola	7.8%	6.3%	13.7 %
Sudan	0.7%	8.3%	5.2%
Congo	1.0%	1.1%	4.4%
Equator Guinea	2.2%	3.6%	3.0%
Indonesia	10.8%	4.4%	3.2%

Problems Facing China's Energy Security

- Lack of a coherent energy policy
 - No Energy Ministry
 - Energy Leading Small Group and Office established in 2005, but the effects remain to be seen
- Heavy reliance on coal: environmentally unsustainable
- Vulnerable to high oil price: 1bn b/a oil imports
- Energy inefficiency: 10-30% below the world average
- Sea-lanes communication: 80% oil-imports via the Malacca Strait

Implications of China's Energy Diplomacy

Oil Supply vs Geopolitics

- Middle East: oil supply & regional stability - USA
- Central Asia: oil supply & geopolitics – USA + Russia
- Africa: oil supply; Taiwan & political influence - Europe
- Latin America: supply of natural resources – USA
- East Asia: oil & territorial disputes
 - South & East China Seas – Japan + ASEAN
 - Taiwan – Japan + USA

Implications of China's Energy Diplomacy

China's "peaceful Development"

- Energy cooperation with other powers?
 - Nuclear: 32 new plants in the next 15 yrs - France, US or Russia?
 - Energy efficiency: with Japan & US
 - Clean-coal technology: with S Africa & Japan
- Chinese investment: *good or bad for the int'l oil market?*
 - China's overseas oil exploration may be good economically
 - But such activities are at the cost of its int'l reputation
 - What should China do to convince the world of its "peaceful rise"?

Thank You

*Questions and Comments
are Welcome*