

Chinese Foreign Policy and Oil Security¹

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Introduction

Over the past 30 years, China's explosive economic growth has increased its energy consumption. After a period of self-sufficiency in petroleum China has become the second largest oil consumer and importer behind the United States in the course of less than a decade. The insufficiency of domestic oil reserves has enlarged the gap between energy supply and demand which forces China to rely increasingly on foreign oil resources. This quiet shift indicates that China has gradually departed from its past experiment with "self-reliance"² and exposed its strategic vulnerability that it could, some day, be like other industrial nations which are affected by unforeseen turbulences in global oil markets (Jaffe & Lewis 2002: 115). Besides, Beijing believes that the current global oil markets and transportation routes are manipulated by multinational firms, and other countries could potentially threaten its national security and energy supply. To remedy this strategic vulnerability and cater for real energy demands, China has ameliorated its relations with all of the oil-rich states. Indubitably, China's concern with its oil security has increasingly influenced Beijing's diplomatic and strategic calculus.

The scale and scope of China's search for access to global oil resources have simultaneously given rise to concern over Beijing's intentions and role in Asia and the world at large. Since the early 1990s, China has tried to establish several pipelines in Central Asia, bought more crude oil from the Middle East and Africa and started to invest heavily in the oil industries of many countries. Most of Beijing's foreign diplomacy is assumed to be cor-

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² Self-reliance does not mean "total independence", rather the ability to "keep the initiative in one's own hands." (Downs 2000: 11).

related with energy issues. China's appetite for crude oil and its related strategies have caused intense interactions among great powers worldwide.

The discussions on China's oil diplomacy and its role in the global energy markets have often accompanied the ongoing debate about "China's rising" (Cornelius & Story 2007: 5). One version is relatively optimistic. Because of its energy vulnerability, China would like to cooperate with hostile states or participate in multilateral organizations (Mayer 2007: 57–58). Another interpretation views China's activities in searching for overseas crude oil in negative terms. Competition for oil resources will inevitably result in oil conflicts among major powers (Downs 2007: 52). Other analyses even indicate that Chinese actual and expected demands have boosted world oil prices. China's search for energy cooperation around the world has encouraged some countries like Iran, Sudan, and Venezuela to take action against international norms (Bader 2006).

Yet, while many observers examine debates about the security challenges posed by Chinese energy diplomacy, these debates are unable to clarify why Beijing has adopted not only antagonistic but also cooperative strategies in its oil diplomacy. The purpose of this paper is to address China's pursuit of overseas oil resources by shedding light on the fundamental principles of its strategic assumptions and foreign policy. The paper is structured as follows. The first section offers a concise framework for understanding the principles of Beijing's foreign policy. Secondly, China's oil dilemmas and its countermeasures are presented. Finally, future interactions between China and other powers and China's influence in the global sphere will be analyzed.

The Fundamental Principles of China's Foreign Policy

Given the progress of "reform and opening" in the past 30 years, China has steadily discarded its revolutionary ideology and taken a more pragmatic attitude towards regional and global matters (Mitchell & McGiggert 2006: 17). While China has increasingly assumed an integral role in the global village, Chinese foreign policy, according to structural realists, has been constrained by the international system. The changing regional and international environment has provoked Beijing's concern over its position and interaction with peripheral states and great powers (Zhao 2003: 140). Deng's "Peace and Development" perspective, the standpoints of the "New Security Concept and Partnership" under Jiang and Hu's "Peaceful Rise Theory and Harmonious World" conclusions illustrate the structures in which China is

situated and also imply its perceptions and countermeasures. Beijing's leaders have adjusted their foreign strategies according to global pulsations.

Since the mid-1990s, four fundamental principles have underpinned China's foreign policy. Firstly, Deng Xiaoping realized that China needs a stable international environment and a favorable climate in its periphery in order to carry out its much-needed domestic development (Zhang & Tang 2006: 49). For this reason, China has actively tried to reduce possible conflicts along its borders. Beijing solved most of the territorial disputes with Russia, the Central Asian Republics and India. At the same time, China promoted bilateral or multilateral confidence-building measures (CBMs) on its periphery by signing the "Treaty of Amity and Cooperation" (TAC) with Southeast Asian countries and establishing the Shanghai Cooperation Organization (SCO) in Central Asia. In the past two years, China has also constructively led negotiations over the North Korean nuclear disarmament issue. As regards undersea resources in the South China Sea, China has attempted to collectively exploit and share benefits with Vietnam and the Philippines. Though there are large political, strategic and economic differences between Beijing and Tokyo, no serious conflict has arisen. Furthermore, China has made efforts to stabilize the current international system. Beijing's leaders have expressed sincere intentions in peace-keeping issues and played an important role in the Iranian nuclear crisis. Overall, China pursues positions on global security matters that are far more consistent with international norms and practices than in the past (Gill 2006: 1).

Secondly, one of the most important challenges China faces is addressing growing international concern over its rapid rise in power and influence. China's foreign policy, as a result, has been reformulated to reassure its neighbors of its peaceful intent to establish mutually beneficial relations (Jia 2005: 493). Chinese elites have always reiterated that the significance of China's peaceful rise lies in the fact that it will bring more opportunities to the Asia-Pacific region and the world at large (Zheng 2005: 18–24). Indeed, Chinese economic efforts have activated Asian regional development. Vietnam's economic growth therefore expanded by more than 8% in 2006 and the Indian economy has grown at an annual rate of 8.6% in recent years. Moreover, since the mid-1990s, China has actively taken part in multilateral organizations. China's participation has not only signaled that it has no intention to threaten other countries, but also showed "self-restraint" by conforming with existing international norms. Through increasing mutual trust, transparency and economic ties, China can ensure its benefits from the sustained economic development and minimize the likelihood of military conflicts that serve no national interests (Shuja 2007: 65).

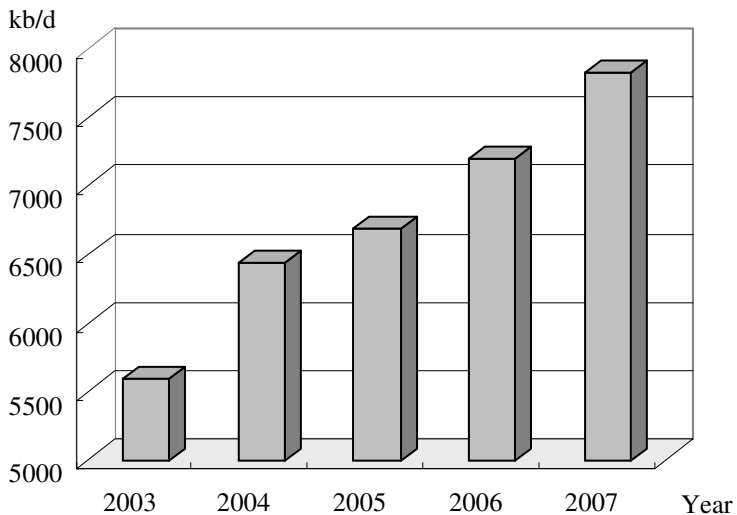
Thirdly, China's foreign policy seeks to counter, or counter-circumvent what it views as excessive American influence on its borders, while avoiding risks and developing good relations with the United States (Gill 2006: 10). Throughout the post-war era, Beijing's leaders have become increasingly concerned with the U.S. capability and strategy to mobilize allied forces to achieve American global goals or security interests. Beijing holds suspicions that the real U.S. motive for military presence in Central Asia and the sweeping revision of its global military posture might be what some call the "soft containment" of ascending Chinese military and economic power. As a result of this security dilemma, Beijing has been elaborating a grand strategy, which consists of strategic partnerships and participation in multi-lateral organizations, in order to balance American power. Yet, while China has actively sought to inhibit global American influence, Beijing has had no intention of challenging America or weakening its power in the global arena. In fact, China has also benefited from American primacy which has provided a peaceful international environment, the international public goods and the global security order that have enabled China to focus on an export-led strategy of rapid economic development and to import oil and other raw materials (Sutter 2005: 4; Li 2006: 144–145). According to Chinese official argumentation, China's medium- and short-term objectives focus on improving the population's living standards, rather than challenging U.S. hegemonic power and the existing international order. Moreover, ongoing interdependence based on political, economic and security issues has reduced Beijing's incentives for conflict with America. On some issues, such as counterterrorism, nonproliferation, as well as regional and global stabilization, China even shares common beliefs and interests with the United States (Wang 2005: 39).

Fourthly, over the past three decades, much of Chinese foreign policy practice has focused on the vigorous defense of China's own sovereignty and that of others (Johnston 1998: 72–74). China has invoked the sovereignty norm to oppose interference in its internal affairs and to protect itself from the likelihood that other states could take advantage of internal turbulences. "Sovereignty" has become a crucial factor in determining China's attitudes toward regional or global matters. In short, Beijing's leaders have become more sensitive to the transmuting regional and international systems. China's foreign policy has often been affected by the system in a continuous, dynamic process. On the basis of the above-mentioned four principles, China's behavior will become more pragmatic and not so aggressive as in the past. Similarly, while the Chinese hunt for external oil resources, its behaviors should also correspond with its fundamental beliefs.

China's Energy Crisis

In line with the remarkable economic progress, China's oil consumption doubled between 1993 and 2004. China has now become the second largest oil consumer, accounting for 9.0% of global oil demand (BP 2007: 12). The oil consumption in 2005 increased 4.2% compared with 2004, 6.4% in 2006 and was expected to rise by 6.1% in 2007 (see Figure 1). Most energy experts have estimated that China's oil demand will continue to grow until 2020, with over 11 million barrels a day (see Table 1). Over the past 5 years, the Chinese market alone was responsible for one third of the global increase in oil demand. This rapidly rising oil demand has not only quickly become an international issue, but also been seen as a problem that could undermine Chinese economic growth and political stability.

FIGURE 1: China: Total Oil Product Demand, 2003-2007 (kb/d)



Source: International Energy Agency (2008). *Oil Market Report*. 13 February 2008, p. 15. Available at: <http://omrpublic.iea.org/currentissues/full.pdf>. (Accessed Feb 15, 2008).

TABLE 1: Projections for China's Oil Demand in 2020 (mb/d)

Source	Date	Projection
United States Energy Information Administration (USA)	2006	11.7
National Development and Reform Commission (China)	2006	10–12
China National Petroleum Corporation (China)	2006	10.0
Institute for Energy Economics (Japan)	2005	11.8
International Monetary Found	2005	13.6
Energy Research Institute (China)	2005	13.0
International Energy Agency	2005	11.2
National Administration of Statistics (China)	2004	12.7

Source: Erica Downs (2006). *The Brookings Foreign Policy Studies Energy Security Series: China*, Washington, D.C.: The Brookings Institution, p. 9. Available at: <http://www.brookings.edu/~media/Files/rc/reports/2006/12china/12china.pdf>. (Accessed Feb. 10, 2008).

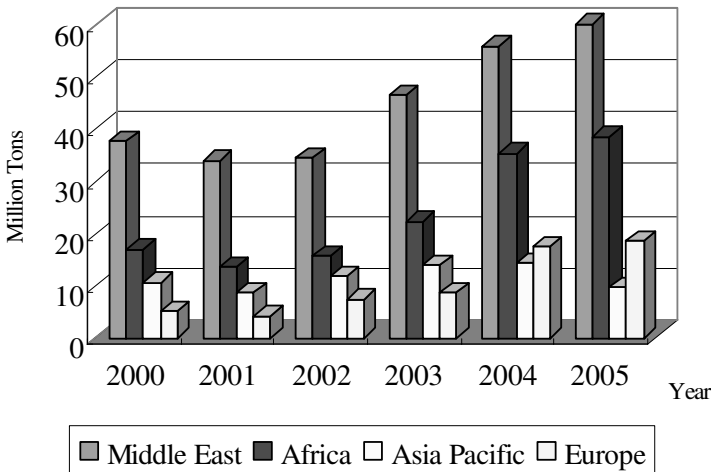
Problem 1: Dependence on External Oil Resources

As a result of rising oil demand and the exhaustion of its domestic oil fields, the country has begun to search for fuel resources abroad. Comparing 2006 with the previous year, China imported 2.9 mb/d, up almost 16.9%, accounting for around 48% of its daily oil consumption. Industry experts have even estimated that China will import more than 50% of its crude oil within the next one or two years. According to the IEA's analysis, China's net oil imports will hastily jump from 3.5 mb/d in 2006 to 13.1 mb/d in 2030, probably accounting for 80% of its demand (McGregor 2007: 8). However, China's economic development is likely to continue unabated up to 2030. This means that China's dependence on external fuel oil would rise dramatically in the future. This situation would seriously expose its strategic vulnerability. If oil transportation or oil resources were to be blockaded by other countries, China's national security would suffer an unprecedented crisis.

Problem 2: Simplification of Oil Suppliers

China heavily depends on the Middle East oil resources. Since the mid-1990s, China has embarked on a new course of energy-driven engagement with the Middle Eastern countries. Over the past decade, the Middle East alone has accounted for above 40% of China’s oil imports. In 2001, the percentage of its imports from the region even reached 56.2%. Since then, Chinese dependence on the Middle Eastern countries has gone down slightly, but the amount of imported crude oil has still risen (see Figure 2). China will remain heavily dependent upon the Persian Gulf oil supply in the foreseeable future. This awkward dependence has further intensified Beijing’s anxiety about the existing energy market (Lieberthal & Herberg 2006: 15–16). The instability of the Near East, including ethnic conflicts, the hostility between Israel and the Arabic world, tensions over Iran’s nuclear ambitions and competition among major powers could affect Chinese access to fuel resources (Gu & Kupfer 2006: 9). Additionally, the U.S. influence in the Middle East has also given rise to concern in Beijing. Chinese elites have asserted categorically that the American military presence has enormously improved U.S control over petroleum resources.

FIGURE 2: China’s Main Oil Import Regions, 2000–2005 (Million Tons)



Source: Yuncheng Huang & Zhibin Chen (2007). “Oil Geopolitics in High Price and China’s Oil Trade Patterns”, *Resources Science* 29 (1), p.175 (in Chinese).

The other aspect of Chinese energy anxiety is its transport vulnerability. Approximately 90% of China's crude oil is dependent on marine transport. Until now, however, China lacks adequate navy power to protect this energy conveyance by sea. Emblematic of this vulnerability is China's heavy reliance on the transport line "Indian Ocean-Straits of Malacca-South China Sea" (Storey 2006). Nearly 75% of China's crude oil imports from the Middle East and Africa would pass through this strategic position. Although China has worried about frequently pirate and terror attacks in this area, in fact, the U.S. military presence and relations with the southeastern countries have attracted more of Beijing's attention. China has directly alleged that "certain major powers" (U.S. and Japan) intend to use the terrorism threat as an excuse to expand their military presence and then to control this strait. Besides, the rise of India and U.S.-Indonesian military cooperation have also given China headaches.

Problem 3: Influence of the High Oil Price

Since China is highly dependent on imported oil resources, the country will inevitably be confronted with the challenges of oil price fluctuations and other market factors. In spite of direct price negotiation with resource-rich states, the rapidly rising oil price has increased costs in the purchase of oil. In 2005 alone, Beijing had to spend an extra \$15 billion of its foreign exchange due to accelerating oil prices (Blair, Chen & Hagt 2006: 43-47). In 2006, China's oil purchase costs increased by more than \$15.2 billion. According to the report by Sinopec, the high oil price already has a negative impact on Chinese consumption, investment, exports, imports and inflation, and China's GDP probably suffered a downturn of over 1% (Jiang 2006a). In recent years, members of the Chinese elite have voiced suspicion that Washington and Tokyo are plotting to slow down Chinese economic development by keeping oil prices high, restricting Chinese influence on global society and compelling Beijing to make concessions on some issues, such as currency appreciation against the US dollar and participation in the solution of the Iranian nuclear crisis. Of course, China's mushrooming oil demand and the rapid increase in the oil price poses challenges to its national security. Energy security will become a core issue in China's "high political" sphere, not just in domestic economic policy.

Problem 4: Sharp Competition

China's rising consumption and search for foreign crude oil have resulted in an escalation in the global competition for energy security. In this energy

great game, Beijing has been confronted with great competition from Western states and enterprises. The rivalry between China and Japan for access to more energy is perceived everywhere. For several years both have disputed the destination of the Russian eastward pipeline. In the Central Asian region, Beijing and Tokyo have tried to consolidate relations with the newly independent states in order to gain access to more crude oil and gas. At the same time, America is also involved in this energy contention with China. U.S. military presence and economic aid for regional development have ensured American strategic, economic and political interests in Central Asia and safeguarded that crude oil can be freely exported to other regions. In recent years, Beijing has put out its feelers into the U.S. backyard, Latin America, which has generated concerns in the United States. In 2005, Washington rejected China's investment in its energy industries, one noted case being the Unocal bid. Moreover, there has also been competition for energy resources in the relations between Beijing and Moscow. China's pursuit of Central Asian energy has caused Russian misgivings (Neff 2006: 41). On account of the Russian historical dominance, the Kremlin wants to strengthen its political, economic and military linkages with these former Soviet states and check Chinese influence, even though both sides have common interests in and perceptions of the international structure.

China's Global Oil Strategy

On account of these energy deficiencies, Beijing's perception of oil security is not only defined as "accessing sufficient oil", it has other elements like "making oil prices more reasonable", "ensuring energy transport" as well as "reducing the negative impact of its rising". Adequate oil resources are necessary for its rising economic growth, political stability and the survival of the party-state system. Reasonable oil prices would ensure social and economic stability. The desire for safe energy transport aims at reducing its over-dependence on the Malacca Strait, since its naval power is still quite weak. Furthermore, while China has managed its energy crisis, its behavior has undoubtedly heightened global uncertainties and anxieties about China's energy security and international status. Beijing's leaders have clearly understood that this skepticism could have a negative impact on China or even jeopardize its national interests. Therefore, China has responded by cooperating in multilateral organizations and reducing possible conflicts with major powers, on the one hand, and by being a stakeholder and reassuring the international community of China's peaceful intentions, on the other hand.

Diversification of Oil Sources

In 1997, the former Chinese Premier Li Peng declared that China should face the fact that its domestic oil resources were not able to meet the needs of economic development. China should ensure its domestic energy stability through “vigorous” cooperation with foreign governments and companies in the exploration and development of oil and gas resources abroad and the maintenance of a “stable market for the import and export of crude oil” in the international economy (Li 1997). Beijing has now taken appropriate – political, economic, military – measures or provided economic aid to strengthen its relations with oil-producing states. Thanks to these connections, China will be able to guarantee long-term access to energy supplies. Beijing’s diversification strategy not only reduces its dependence on certain oil exporters, but also minimizes the impact of an energy supply disruption.

China’s neighbors, Russia, Kazakhstan, Indonesia, Burma, Brunei and other Southeastern Asian countries are important energy providers for China. Beijing has begun to dabble in Central Asian energy resources since 1997. Over the past years, the Chinese government and its state-owned oil companies have stepped up their energy investments in Central Asia. China has not only constructed the Sino-Kazakhstan oil pipeline, but also provided help to exploit gas fields in Uzbekistan, to build hydroelectric power stations in Kyrgyzstan and Turkmenistan, invested in refining equipment and proposed building complex oil and gas pipelines which can link up with the projected pipeline in China (Blank 2006a: 9). Furthermore, Beijing has also tried to integrate itself into the regional economy. Overall trade between China and Central Asia rose by 47% to 10 billion in 2006. Similarly, relations between China and the Southeastern Asian countries have also increasingly warmed in the economic and energy sphere. Bilateral trade in 2006 increased by 23.4%, accounting for \$110 billion. ASEAN has indicated its willingness to cooperate with China on energy issue.

Although the above-mentioned countries are important, they still can not replace the significant role of the Middle East and Africa for China’s energy supply. Relations between China and the Middle East are based mainly on energy and trade (Jaffe & Lewis 2002: 123). In 2006 alone, the Middle East injected \$20 billion into the Chinese market. At the same time, China has also considerably increased its investment (over \$6 billion in 2005) in this region. Bilateral trade increased by an average of 33%, accounting for \$37 billion per year. Likewise, Sino-Iranian energy cooperation has given rise to global concern. In 2004, China signed a memorandum of understanding with Tehran, which states that China will pay \$100 million to purchase Iranian oil and gas and to jointly exploit oil and gas fields as well

as to construct petrochemical infrastructure. By the end of 2006, both sides had reached a preliminary agreement.

With regard to Africa, the strategy of providing economic aid, giving assistance and investing in African oil suppliers has taken on greater prominence in China's global oil policy. Over the past decade, Beijing has repeatedly committed itself to invest in Africa. In 2006 alone, Chinese investments in Africa amounted to \$50 billion. According to Beijing's statistics, China imported approximately 40 million tons of crude oil from Africa in 2005, accounting for 30% of China's imported oil. For China the largest African oil provider is Angola, accounting for 14% of all imported oil. Sudan, Zambia, Congo and Zimbabwe also play essential roles in China's African energy policy.

Beijing views Latin America as another major region (besides Russia/Central Asia and the Middle East/Africa) that could supply its crude oil to China (Jiang 2006b: 4). As regards Venezuela, China has committed itself to invest over \$400 million in infrastructure, oil fields and refineries. Concurrently, Venezuela has promised that it will supply 100,000 barrels per day to China in exchange for Chinese investments. In 2006, China enlarged its investment in the Venezuelan shipbuilding industry and purchased more crude oil and gas. In recent years, China has also tried to establish tighter energy cooperation with other countries like Brazil and Ecuador. It is certain that China will play a notable role in Latin America in the foreseeable future.

In early 2007, China indicated that it is worthwhile to invest in oil and gas projects in Kuwait, Qatar, Oman, Morocco, Libya, Niger, Ecuador, Norway and Bolivia. Compared with 2005, China's investments in oil and gas exploration have already expanded from the Middle East, North Africa, Central Asia and Russia to South America and West Africa. Overall China's investments and economic aid have reflected its energy diversification strategy. At present, 30 countries supply crude oil to China, twice as many as in the early 1990s.

Reducing Dependence on the Malacca Strait

In the late 1990s, China outlined a plan for meeting increasing East Asian oil needs through the construction of massive and comprehensive oil and gas pipelines (Burles 1999: 24–27). China sees itself as a “core” in this energy net, the “Pan-Asia continental oil bridge”, in which pipelines would connect the Middle East, Russia, Central and East Asia (Andrews-Speed 2006: 76). Beijing views these proposed oil and gas pipelines as an ef-

fective way to enhance its energy security and reduce its over-reliance on seaborne transport. On the other hand, China could expand its influence in Asia and make profits from the oil transport per pipeline. For this reason, Central Asia would inevitably become a critical factor. The Sino-Kazakhstan pipeline, which had an initial capacity of 10 million tons per annum, has been in operation since December 2005. This pipeline will extend the current pipeline to the Caspian Sea and will deliver 20 million tones per year by 2011 (Liao 2006: 42). By that time, China could directly acquire crude oil from the Middle East without depending solely on marine transit. Because this cross-national long-distance pipeline could influence and shift the Asian energy market, it has attracted intense Russian attention. In order to maintain its dominance in central Asia and strengthen relations with China, Russia has expressed its willingness to let China transport its crude oil through this pipeline.

Besides oil transport through land-borne pipelines, China has been considering how to reduce the risk presented by the instability in the Malacca Strait. Since 2001, many proposals have been floated, but they still remain in the discussion phase because of financial problems, technical limitations and competition among regional and major powers. Indeed, every plan could change regional power distribution and undercut each other's interests. This would be unacceptable for China. China would like to be a "free-rider", while the United States keeps its current influence in the region.

Strategy for Oil Supply Security

China's increasing reliance on energy imports indicates that it should make more effort to promote oil supply security. In the view of Beijing's leaders, the greatest threat to its oil supply security has been caused by oil supply interruption from some countries. As a result, China has actively participated in international and regional cooperation in order to minimize its strategic vulnerability. Increasing the level of interdependence with oil-producing countries could prevent them from stopping their supplies to China due to consideration of their own interests. Through tight interdependence China could also prevent the possibility of some big power using the energy weapon to counter China's rise (Pang 2006: 95). Equally, cooperation is also the most effective way for Beijing to show that, as a responsible power, it could shoulder responsibilities placed upon it and indicate its intention by exercising self-restraint. Besides, over the past years, China has showed more consideration for instability in oil-rich regions. But owing to lack of effective political, military and diplomatic capabilities, China could not extend its influence on world affairs and solve these regional problems (Yang

2004: 59). Overall, Beijing's present approach and strategy focus still on maintaining the current structure of the international and regional system as well as preserving existing regimes and relationships (Friedberg 2006: 25).

Because China could continue to be dependent on Persian Gulf crude oil in the medium- or short-term, the regional instability is a great worry. The protracted Arab-Israeli conflict, Arab-Iranian discord, deep chasms among Arab countries, US-Gulf wars and terrorist attacks are all factors that could potentially destabilize the region (Sen & Babali 2007: 1517–1520). In the face of these issues, Beijing has again emphasized that these conflicts should be solved through respect for the interests of the individual countries and international norms, rather than sanctions and interventions. Practically, based on recognition of its capabilities and its perception of the regional structure, China has attempted to pursue a neutral stance towards Israel, Palestine and other Arab countries and preserve the status quo (Verma 2007: 3296–3298). This strategy could restrict the enlargement of U.S. influence and thereby ensure China's oil supply security. In addition, Beijing has sought to strengthen cooperation with the Gulf Cooperation Council (GCC), especially on energy and trade issues. Over the past 5 years, both sides have greatly expanded bilateral trade, mutual investments and even planned to establish a free trade area. For Beijing, economic interdependence is indeed one of the most effective mechanisms to ensure access to oil resources.

Since 2000, China has enhanced cooperation with 44 African states through the China-African Cooperation Forum (CACF) (Zweig & Bi 2005: 25). In recent years, President Hu and other Chinese politicians have frequently visited these countries and promised to expand Chinese investments and aid. Currently, more than 800 Chinese companies have invested a total of \$11.7 billion in 49 African states. These investment measures are undoubtedly oriented toward African oil resources. However, China's grab for African energy has not gone entirely smoothly, it has even been mired in upheavals in some states, a most glaring example being the conflict in Darfur. In order to more effectively ensure its oil supply and achieve its domestic development, Beijing has started to change its position on sovereignty and interventionism and pursued a pragmatic, flexible strategy regarding civil wars and unrest in Africa. For instance, China has participated more in international intervention and peacekeeping in recent years.

China's relations with Central Asian states were initially established on the basis of a strong security dimension. Since the disposition of American forces in Central Asia, China's leaders have been anxious that its grand pipeline plan could be restricted and challenged by the USA. Beijing has

therefore been more actively pursuing closer economic, social, culture and energy integration with these countries under the framework of the SCO. China's government and its national oil companies (NOCs) have intervened in Central Asian energy affairs, including fuel purchase, exploitation, exploration and pipeline construction. Over the past few years, Beijing has boomed its energy relation with Kazakhstan, expanded energy investments in Uzbekistan and increased its involvements in the Caspian Sea region (Ziegler 2006: 17–18). Chinese leaders have even proposed the setting up of a single energy market within the SCO and enhancing energy cooperation among the members. Beijing's current assumption is that the SCO, as a club of like-minded states, could offer China shelter from American containment and facilitate its pursuit of other geostrategic interests in Central Asia. Furthermore, this mechanism could promote relations between Moscow and Beijing and ease bilateral tensions over energy issues and the competition for regional leadership.

More importantly, on the issue of China's oil supply security, relations with other major powers could not be ignored. Since the Chinese started to chase after resources abroad, the "China Threat Theory" has been conjured up all over the globe. All major powers have paid close attention to Beijing's impact on the world oil market, the global power structure and their interests. This strong mistrust could tighten their vigilance towards China and lead to detrimental effects as regards its international position. Accordingly, Beijing has tried to maintain some kind of cooperation, so as to diminish this threat. As China have described itself, China presently is still a developing country which deeply relies on global stability and security provided by U.S and needs Russian support for its energy demands and strategic interests.

Despite great disputes over the energy issue, China and U.S. have found a basis for energy cooperation. In 2004, they established the U.S.-China Energy Policy Dialogue. Through this regular meeting, the two countries have reached some basic agreements on energy cooperation, such as energy information exchange, promoting efficient energy use, developing renewable energy, and interchanging energy techniques. Another mechanism is the U.S.-China Oil and Gas Industry Forum, composed of governmental and industrial leaders from both sides, which also provides an opportunity to enhance understanding of each other. In 2006, China and the U.S. discussed how to deal with rising oil prices and their impact on the global economy. They also signed protocols to strengthen their energy cooperation. Furthermore, Washington established a standing official unit in Beijing to assist China in combating environmental pollution and improving its energy tech-

nology. Overall, these frequent interactions can reduce the potential of bilateral conflict and strengthen mutual trust on the energy issue.

At the same time, Beijing has cast around for Russian and Central Asian oil resources. For a long time, Central Asia has been within the sphere of Russian influence. Russia has almost controlled the Central Asian energy market and transportation as well as provided military protection to enable regional stability and security (Xing 2001: 166). Even if China desires access to Central Asian resources, it will have to exercise prudence and consider Moscow's attitude. In reviewing China's experience in Central Asia, it seems that Beijing has become more involved in regional affairs and even gained more influence, while Russia has tried to consolidate its relations with China or both have encountered a common threat, namely the U.S. military presence in Central Asia. Over the past years, Kremlin and Beijing have strengthened their strategic bilateral partnership. On the multi-lateral front, they have enhanced their interaction in the SCO and profited from each other.

Purchasing Oil at a Rational Price

Since the end of the 1990s, oil price volatility has become a major problem for consumers and producers. The "right" level of the oil price has become a widely discussed issue in China (Andrews-Speed 2003: 2). For a long time Beijing was unable to participate in international energy mechanisms, as China's interests and opinions had always been disregarded. Even today, China is still not a member state of the International Energy Agency (IEA) and has no official relations with the Organization of the Petroleum Exporting Countries (OPEC). Moreover, from the Chinese perspective, China's achievement in the energy field has already fallen behind that of the major powers and their oil companies (Downs 2006: 53). In order to protect its energy security and solve the problem of its awkward market position, China has purchased more oil directly from oil-producing countries and participated in the foreign exploration and exploitation of oil and gas resources. Even so, its oil purchase costs have increased greatly due to rapidly rising oil prices. Thus stabilizing world oil prices has gradually become a major goal in Chinese energy policy. From Beijing's perspective, stable oil-producing regions, a truly multi-polar international system as well as more influence on the energy market offer a number of benefits to China. According to Chinese rhetoric, American unilateralism and its hostile behavior towards China has led Beijing to pay more in order to purchase its much needed oil. Chinese leaders have consequently envisaged that a multi-polar world could probably provide cheaper and more reliable oil (Blank 2006b). Further-

more, China has showed an inclination to participate in the global oil markets. China's national oil companies have been going abroad to acquire stakes in oil fields and issued their stocks on overseas stock exchanges. In the near future, China will likely start to cooperate with the OPEC and establish a Chinese petroleum futures market. All in all, China's influence on oil prices and the market will be enhanced.

Conclusion

Bounded Competition

China regards economic development as the only way to cope with all its internal and external pressing challenges. Because oil shortages could adversely impact its economic development, social stability and even the existence of its regime, Beijing requires a large amount of oil resources to fuel its rapid growth. This has led to increased tension and competition among powers. However, the Chinese developmental process needs the support of a stable and peaceful international environment. On this premise, Beijing's foreign oil policy pursues both its economic development and the preservation of a stable environment. However, due to its limited capability Beijing has been unable to change the regional or international system and challenge the United State's hegemonic status. Instead, China has to cooperate in order to restrain U.S. behavior and maintain the present system as well as its relations with other countries. On the other hand, Chinese economic development still rests on a stable international environment, public goods and the security order provided by American influence and power. China could live within U.S. hegemonic power, as long as Washington does not threaten its core interests. As predicted by defensive realism, China has responded to immediate international situations within its defensive area. China will not actively provoke any conflict or disrupt matters due to its structural dependence on oil.

Rising Influence

The reliance on energy imports poses not only a problem, but also a favorable opportunity for China. Beijing has always regarded its huge oil imports as a strategic vulnerability that could be exploited by other powers to interfere with its internal affairs. Accordingly, from the Chinese perspective, close bilateral cooperation with oil-rich states and multilateral cooperation in the regions could reduce this deficit and better ensure its

energy demands. Simultaneously, this increasing interdependence can also intensify the dependence of these oil suppliers on China. On the whole, through its oil diplomacy, Beijing's impact globally is increasing. Nowadays, China plays a decisive role in some regions and possesses great influence on some states. In Central Asia, China is regarded as a balancer amidst regional powers. Tight Sino-Russian strategic partnership reduces the expanding influence of the United States. Kazakhstan and other Central Asian countries have relations with Beijing, so as to reduce Moscow's control. In Asia, Southeast Asian countries even propose to integrate their economy, trade and energy and communication networks with China. Although Beijing's pursuit of overseas oil resources promotes regional cooperation and integration, its behavior has also had a negative impact on many parts of the globe. China's concentration on energy paired with its indifference towards internal disorders of its important oil suppliers has worsened the bloodshed in countries like Sudan and Myanmar.

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