



CHINA AND THE POLITICS OF OIL

By Jacqueline N. Deal

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China faces a dilemma. Today China imports more than 50 percent of its oil, and that figure is expected to rise to 75-80 percent in the coming decades. As many experts have noted, China does not seem to feel comfortable relying on the international system and the continued operation of energy markets to meet its needs.¹ To put this dilemma in context, let’s consider the history of great powers in the age of oil, then turn to China’s options for securing its imports, and conclude with some thoughts on the implications of Beijing’s choices for other states in Asia and for the United States. The analysis suggests that China is pursuing an indirect strategy designed to alter the geo-strategic map in China’s favor. To ensure stability along key oil routes, then, the United States may have to build up the defenses of friendly or allied states or, at least, encourage their cooperation.

China remains officially Marxist; so Chinese strategists might embrace a historical materialist account of the twentieth century. According to this account, oil played a decisive role in the series of clashes between great and rising powers that shaped the last hundred years. Oil first emerged as a critical resource in the period before World War I, when Great Britain’s empire was still preeminent, and Germany was the ambitious rising power. The fuel for the steam ships that traversed the British empire was coal, and neither Britain nor Germany was endowed with significant indigenous oil supplies. But from tanks to aircraft and submarines, the major military innovations in World War I relied on oil. During the war, Germany exploited access to Romanian oil, but once the fighting moved from static trench warfare to more fuel-intensive combined arms combat in the later stages of the conflict, both sides found their supplies stretched thin. One explanation for the outcome of World War I is that the United States’s delivery of American oil to the Entente powers afforded them a crucial edge.

In the interwar period, a still-dominant Great Britain solidified its position as the most influential outside power in the oil-rich Middle East. But early German successes in World War II threatened to cut the United Kingdom off from these supplies. Meanwhile, Hitler’s ill-fated decision to break the Molotov-Ribbentrop pact and march eastward in 1941 was based in part on the German war machine’s thirst for Russian oil. In the Asia-Pacific region, the rising power Japan found itself dependent on the United States for 80 percent of its oil in the late 1930s. When Japan launched a series of attacks on Indochina in 1940-41, this triggered an embargo by the United States, Great Britain, and the Netherlands, the last of which accounted for most of the remaining 20 percent of Japan’s oil, thanks to the Netherlands’ position in the Dutch East Indies. The embargo led to the infamous Japanese strike on Pearl Harbor in December 1941 and the entry of the United States into World War II. The oil factor thus accounts for the composition of the two sides in the war, and the eventual victory of the allies, including oil-rich Russia, can be traced in part to their superior position relative to this critical resource.

After World War II, the United States eclipsed Britain as the liberal power with the most influence in the Middle East, in keeping with the solidification of its superpower status. During the Cold War, the Middle East was a key theater in the US-USSR competition, with both sides cultivating relations with oil-producing states and arming their regimes. Ultimately, the favorable resolution of the Cold War for the United States can be traced to American influence in Saudi Arabia. Washington persuaded the Saudis to expand supplies and thereby lower the price of oil in the 1980s, at a moment when the Soviet economy was particularly vulnerable, and dependent on oil revenue.

¹ Gabriel Collins et al., eds., *China’s Energy Strategy: The Impact on Beijing’s Maritime Policies* (Annapolis, MD: Naval Institute Press, 2008).

This materialist account of the rise and fall of great powers during the last century helps explain the anxiety of today's Chinese strategists. As a rising power dependent on imported oil, China might be said to have three options. First, China could trust that the free market in energy will continue to function. This would imply a belief that unlike Germany and Japan, China will not end up in a conflict that disrupts the operation of the market and involves the interdiction of its imports. Second, China might pursue the military capability necessary to project power and secure its global energy supply lines. The United States currently possesses a blue-water navy and long-range aircraft with refueling that allows it to police the seas and guarantee the operation of international markets. In pursuit of this second option, China's military, the People's Liberation Army (PLA), would acquire equivalent forces. A third option—call it the indirect approach²—would be for China to defend its overseas energy supplies by disrupting hostile alliances and replacing them with a network of well-armed friends or client states along key oil routes. This would raise the costs of imposing an embargo or blockade on China. If Beijing could shape the international environment such that any power contemplating interdicting Chinese oil would have to think twice, then China would not need American-style power projection to secure its supplies.

The ruling Chinese Communist Party finds the first option, reliance on the market, unacceptable, judging from the writings of Chinese strategists, and the record of China's political and military behavior. The second option may be China's goal, but even the most optimistic analysts estimate that the PLA is a decade from being capable of American-style power projection. The third option has the virtue of being feasible now, and is consistent with the writings of both modern Western and ancient Chinese strategists.

As Toshi Yoshihara and James Holmes, among others, have pointed out, PLA "defense intellectuals" turn out to be close readers of Halford Mackinder and Alfred Thayer Mahan.³ Mackinder and Mahan were writing on strategy at the turn of the twentieth century, a period when, like today, economic ties were linking disparate nations across the globe to an unprecedented degree, and new technologies were speeding the deployment of military forces across great distances. Mackinder developed a theory of continental power, based on the ability of a state to dominate the "Heartland," i.e., the core of the Eurasian land mass. Mahan was a captain in the US Navy before becoming a historian, and his alternative theory of maritime power emphasized the role of a blue-water fleet with access to a network of far-flung coaling stations. Today's PLA authors on land and sea power seem to be influencing China's strategy in both directions. On land, China has pursued infrastructure routes, demographic access, and political and commercial relationships with bordering states from Russia and Southeast Asia into Central Asia. Current plans target a high-speed rail connection linking China to Europe. On the maritime flank, observers have noted China's acquisition of a series of access points—the so-called "String of Pearls"—at friendly ports from the South China Sea across the Indian Ocean to coasts in the Middle East and Africa.

What links China's adherence to Mackinder's template in the territorial west and a Mahanian script in the maritime east? Beyond the wisdom of these venerable Western writers from a previous era of "globalization," a much older, indigenous vein of strategic thought is likely inspiring China's behavior today. Sun Tzu, the author of the renowned *Art of War*, lived and wrote in the Warring States period (from the early fifth century to the late third century BC) of ancient China. In addition to Sun Tzu's classic, other canonical Chinese works date to ancient China, and current PLA authors benefit from both these texts themselves and a sizeable library of commentaries on them, handed down throughout China's dynastic age. While Mao, as a Communist modernizer, publicly discouraged reference to works from China's "feudal" past, his successor Deng Xiaoping encouraged a renaissance in the study of China's strategic tradition.

We can surmise that the Warring States period proved such a fertile era for Chinese strategy because it featured a long-term competition among a handful of roughly equivalent states, vying to consolidate power over all of the modern-day Han core of China – from Liaoning province in the north (near Shenyang and the Korean border) to Jiangsu in the south (the environs of Shanghai), and as far west as Gansu province (east of Tibet and Xinjiang). A key tenet of Warring States strategic texts is the need to break up enemy alliances and build one's own network of well-disposed states. This can be accomplished via a range of means, from traditional diplomacy to darker methods involving the co-option of foreign elites or even the use of military force. Arguably, China's current policies both on its land borders and in the maritime domain owe something to this notion of creating a favorable geo-strategic environment. Not only has China been rapidly building up its own military, but also it has increasingly engaged in the transfer of arms to regional states.

Third parties have noticed China's efforts along these lines. As an example, Moscow monitors China's new relationships in Central Asia that have the potential to displace older Russian ties. Delhi has watched with some alarm as China builds up its presence from Central Asia and Pakistan to other Himalayan states that have traditionally been allies of India. The increasing deployments of the PLA Navy in the Indian Ocean also have the attention of Indian strategists, who see that ocean as India's natural area of influence. Some reactions are already visible. For instance, Indian diplomats appear to be competing with China for the allegiance of states such as Bangladesh and Nepal, and a similar logic drove India's relations with the military

² Jacqueline Newmyer, "Oil, Arms, and Influence: The Indirect Strategy Behind Chinese Military Modernization," *Orbis* (Spring 2009).

³ Toshi Yoshihara and James R. Holmes, *Red Star Over the Pacific: China's Rise and the Challenge to US Maritime Strategy* (Annapolis, MD: Naval Institute Press, 2010).

junta in Myanmar, even before the recent reforms.

The United States, meantime, faces the question of how best to support partners and, more generally, the cause of stability in the face of China's indirect strategy to alter the geo-strategic map in its favor. That is a subject for a whole different e-note, if not a book, but the options would seem to include encouraging relationships between traditional American friends and allies, such as India, Australia, and Japan. Additionally, the United States might pursue its own indirect strategy involving both diplomacy and military partnerships or arms transfers. The goal would be to increase the costs of any Chinese effort to change the status quo.

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