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# Fuelling Legitimacy:

## The Impact of Energy Security on China's Foreign

### Policy

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*Stefan Vatikiotis*

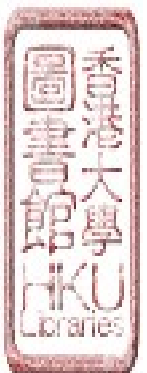


**Capstone Project Report submitted in partial fulfillment of the requirements of  
the Master of International and Public Affairs**

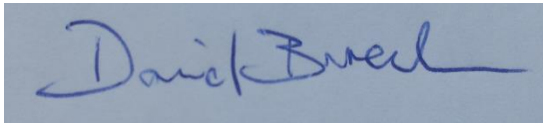
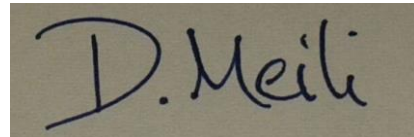
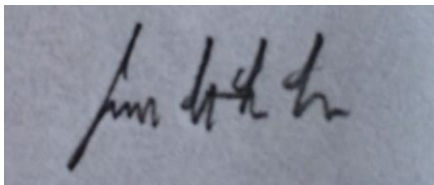
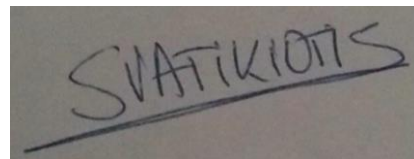
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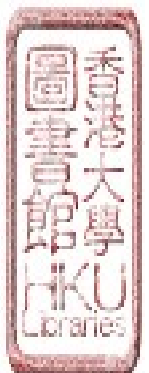
I declare that this Capstone Project Report, entitled 'Fuelling Legitimacy: The Impact of Energy Security on China's Foreign Policy', represents our own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or any other institution for a degree, diploma or other qualification.

Handwritten signature of Daniel Brenden in blue ink on a light blue background.Handwritten signature of Désirée Meili in black ink on a brown background.Handwritten signature of Jonathan Leung in black ink on a grey background.Handwritten signature of Stefan Vatikiotis in black ink on a grey background, with the name underlined.

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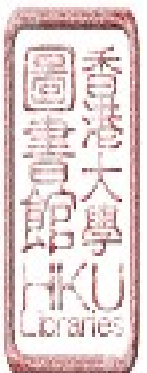


## Abstract

The quest for energy is likely to be one of the defining features of international politics in the 21st century. In the case of China, rapid economic growth has induced an insatiable need for energy imports. Seen together with variations of discourse on China's rise, understanding the role of energy security in the formulation of Chinese foreign policy appears vital to the study of East Asian as well as to international security.

Framing energy security considerations in a framework of legitimacy extraction, this paper will argue that Chinese foreign policy can be understood in terms of legitimacy calculations on the part of the Chinese Communist Party. While battling the contradictions inherent in assertive domestic nationalism and a reliance on a hospitable international environment for economic growth, this paper aims to demonstrate that the CCP shapes its foreign policy in order to secure energy for continuous economic development. Importantly, this implies avoiding conflict that could compromise energy shipments and supplier relations.

By looking at Chinese strategy through the lense of energy security constraints on (1) shipping chokepoints, (2) relations with large middle eastern oil suppliers and (3) the competitive relationship with Japan, this paper contends that the threshold for China-orchestrated conflict is much higher than that of cooperation.



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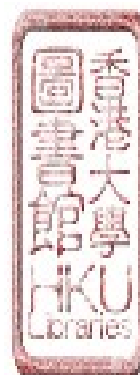
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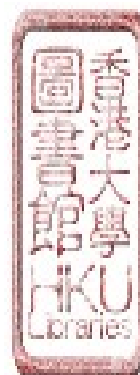
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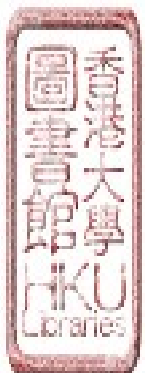


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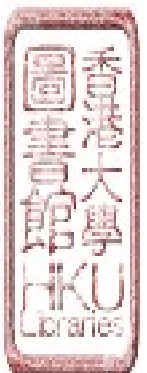
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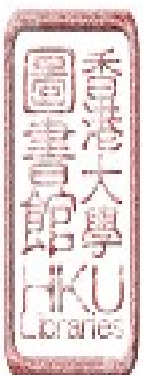
## Abbreviations

ABC	American Broadcasting Company
ADIZ	Air Defense Identification Zone
ASBM	Anti-Ship Ballistic Missiles
BBC	British Broadcasting Company
BP	British Petroleum
CCP	China's Communist Party
CGPCS	Contact Group on Piracy off the Coast of Somalia
CNET	Chinese Naval Escort Taskforce
CNPC	China National Petroleum Corporation
EIA	Energy Information Administration
ESPO	East Siberia-Pacific Ocean
EU	European Union
GDP	Gross Domestic Product
IAEA	International Atomic Energy Agency
IEA	International Energy Agency
IOC	International Oil Company
LNG	Liquefied Natural Gas
MoFA	Ministry of Foreign Affairs
NOC	National Oil Company
PLAN	People's Liberation Army Navy
PRC	People's Republic of China
SHADE	Shared Awareness and De-confliction
SCO	Shanghai Cooperation Organization
SLOC	Sea Lanes of Communication





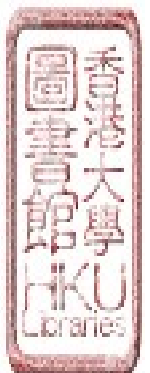
UN	United Nations
WEF	World Economic Forum
WMD	Weapons of Mass Destruction



## Introduction

In 2013, China overtook the US in becoming the world's largest net importer of oil (EIA, 2014). This shift came about as the result of decades of staggering economic growth that propelled China into becoming the world's second largest economy. As China's economy keeps growing, so does its thirst for foreign energy resources. In the 21<sup>st</sup> century, finite energy resources are declining as the energy dependency and competition is increasing. Furthermore, as an emerging global power, China's academic discourse focuses on how a rising China will affect the world. To understand China's energy security calculations, it is vital to understand the unfolding dynamics of this issue.

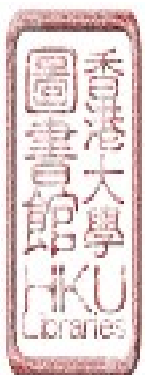
This paper will explore how China's quest for energy security is shaping the country's foreign policy. Without access to energy sources like oil and natural gas, there can be no economic growth. Without economic growth the CCP's legitimacy might falter, because economic performance has replaced ideology as the leadership's main source of resilience. It is evident that energy is the foundation of China's growth, and therefore integral to the legitimacy of the Communist Party. Consequently, this paper will attempt to assess to what extent China's quest for energy security shapes its foreign policy. Energy security determines which countries and regions China engages with, but also where and how China builds political, economic and military ties. Understanding what fuels Chinese foreign policy is vital to predicting how China will develop and maintain its relationship with the world.



The first section will discuss legitimacy in the context of the CCP through a theoretical lens. Additionally, it will aim to define what energy security is, and identify how it correlates with party legitimacy. A general discussion on energy security will be followed by an outline of more specific Chinese energy security characteristics. To facilitate discussion on Chinese foreign policy, we will aim to identify such dynamics. Concluding the first section, a theoretical framework on how to understand the interaction between legitimacy extraction and energy security will be provided.

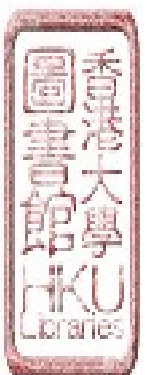
The second section will focus on three case studies specifically chosen to showcase the effect on Chinese foreign policy on an international level, in a regional framework and in China's immediate surroundings. The first case study examines how China is working to mitigate the challenges posed by the numerous chokepoints between Chinese ports and its foreign energy suppliers. This case will aim to assess the strategies employed by the Chinese leadership to alleviate such strategic vulnerability. The second case study will look at Beijing's delicate balancing act between economic and political interests in the Middle East. By developing important relationships with both Iran and Saudi Arabia as well as dealing with the United States' heavy involvement in the region, the Middle East provides a good example through which we can identify foreign policy impetus in China's relations with oil-rich countries.

The final case study will explore the complex relationship between China and Japan. The interaction between the two countries is defined by their geographical proximity, historical legacy and shared energy dependence. The case study observes the Sino-Japanese relationship which represents a balancing act between soaring



nationalist sentiments and vital economic performance. This helps us understand China's reaction when faced with competition and cooperation in a politically sensitive climate.

The objective of this study is to demonstrate how China's dependence on energy supply lines and external suppliers affects the formulation of its foreign policy. Similar to other major powers, it will be observed that China's foreign policy has accommodated or facilitated a policy of energy security in the regional and international context. Unlike other major powers, however, important Chinese characteristics have framed a relationship wrought with fluctuations and tensions with other countries that bestows a sense of escalating conflict. This paper argues that such fluctuations understood in light of Chinese energy security limitations suggests that such escalation will be contained within rhetorics with a high threshold for military conflict.



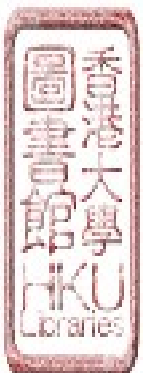
# SECTION 1 - Theoretical Framework

## Legitimacy with Chinese Characteristics

### Background

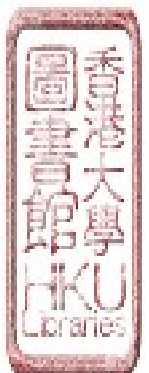
As a civilization state, China prevails in the wake of a rich history. With a population of more than 1.3 billion people, 56 ethnicities and 34 different variations of provinces, no ‘one-size fits all’ approach can be employed by the Chinese Communist Party to ensure political compliance. The attempt to ensure regime legitimacy in China is one of great complexity and intertwined with greater political and economic dynamics. This section will thus attempt to identify some of these dynamics and discuss their nature and impact which will be of great value to any specific discussion on the level of flexibility in Chinese foreign policy.

According to Guo (2006, p.149), the identification of legitimacy is two-dimensional. Normatively, one must investigate the question of ‘what makes people believe in the ruler’s right to govern?’ Empirically, one must single out what strategies and tools the leadership rely on to uphold or enhance such beliefs. In the Chinese context, the CCP has derived legitimacy from a variety of sources. While historically heavily leaning on the ideological roles of Marxist-Leninism, and later Maoism, academics have observed a decline in the role of traditional ideology as source of legitimacy for the CCP (Wu, 2001, p.225, Fewsmith, 2001, p.108, He, 1996, p.167, Zhao, 2003, p.52).



Since the inception of the Dengist reform era in 1978, China has become increasingly integrated to the world economy, moving from isolation to interdependence (Ong, 2002, p.50). Prior to this era, traditional regime legitimacy was to a large extent derived from ideology. Since then it is increasingly becoming clear that legitimacy has become tied to economic performance. This suggests a strong correlation between economic performance and the relevance of ideology. Furthermore, Fewsmith (2001, p.108) argues that the vacuum from Marxist-Leninism has been substituted with a stronger emphasis on pragmatic performance legitimacy. This correlates well with Salamun's (1988) argument that ideology is not based on a fixed worldview, but rather a fluctuating system aimed to assess and adapt to social reality. Chen (1995, p.18) notes that 'undoubtedly, the redefinition of socialism in terms of economic productivity provided the post-Mao leadership with strong theoretical support for its modernization efforts'. This reduced socialism to 'certain ideas of modernization' ensuring the 'CCP could legitimately implement "whatever" means and methods necessary to pursue economic growth and efficiency (Chen, 1995, p.18). A good example of this adaptation process can be found in Jiang Zemin's 'three represents', which accommodates a more technocratic member base in the CCP, as the CCP is trying to move from a revolutionary party to a ruling party (Guo, 2006, p. 163) following a disastrous reputation during the Tiananmen square protests of 1989.

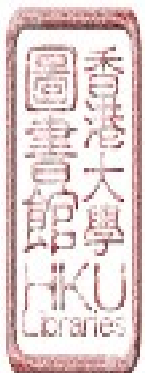
It is important to bear the notion that when sources of legitimacy shift, the parameters to measure such success change accordingly. Furthermore, as adaptations in legitimacy extraction deepen, the dynamics in legitimacy are increasingly altered. Given that one source of legitimacy tends to dominate others in its relative importance,



it ‘defines the nature of a state in addition to the authoritarian and democratic dichotomy’ (Zhou, 2001, p.22). When assessing the CCP’s pragmatic shift towards economic performance as a fundamental source of legitimacy, it is natural that this rebalancing creates new vital impetus in foreign policy making. As this paper will argue, the cornerstone of Chinese strategic considerations will be ensuring the continued success of the Chinese economy for continued legitimacy. On a more fundamental level, it is clear that the economy is reliant on stable imports of energy to run smoothly. This suggests the train of thought that any disruption to energy supplies will have a negative impact on economic performance and hence will affect the CCP’s legitimacy. A discussion on how different sources of legitimacy impact on Chinese energy security considerations and foreign policy decision-making is thus the next focus of this paper.

### **Performance Legitimacy**

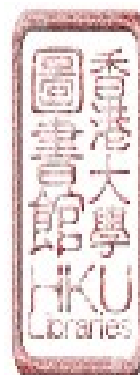
Since its economic reforms in 1978, China has grown to become the second largest economy in the world. With high growth rates, a significant trade surplus and an increasingly larger middle class, the CCP has managed to disprove much of the discourse generated by pessimists on the survival of the regime following the Tiananmen Square protests of 1989. Lipset (1981, p.83) defines legitimacy as ‘the capacity of the system to engender and maintain the belief that the existing political institutions are the most appropriate ones for society’. This highly indoctrinating definition suggests a certain combination of propaganda and performance to ensure



the prolongation of the CCP's legitimacy. Tiananmen had underscored some inherent issues in the popular support for CCP, however, it also marked the start of additional reconfiguration in its legitimacy extraction to ensure continued CCP relevance. This next section will trace the evolution of CCP's modification of its definition of performance legitimacy, in order to maintain its political relevance.

According to Zhao (2001, p.22), performance legitimacy incorporates that 'a state's right to rule is justified by its economic and/or ritual performance and by the state's capacity for territorial defence'. In this light ideology is 'modified to a certain degree to fit the party's political needs and market reforms in post-Mao China' (Guo, 2012, p.91).

In a democratic country, the voting procedure is used as a method to guarantee the legitimacy of the political system as bad performing leaders are voted out. On the other hand, in an authoritarian regime, the process is not so simple. Samuel Huntington (1991, p.50) claims that separating between system and regime legitimacy is inherently problematic. In an authoritarian state like China, poor performance not only questions the legitimacy of the leadership, but the legitimacy of the political system itself -- he coins this the 'performance dilemma'. The establishment of an inherent link between the regime and the system underscores the importance of performance to authoritarian regime longevity. This suggests that economic performance must remain the political party's main priority. Furthermore, the CCP's strategic move towards performance legitimacy precludes a hospitable international environment in which there is a prospect for long-term economic growth. Chinese foreign policy should in result be shaped to facilitate such an international environment. Thus, out of necessity China



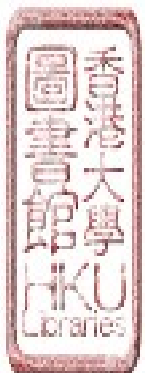


should seek to cooperate with other nations in order to eventuate a hospitable international environment in which it can ensure future economic success. On the other hand, such an ambitious development is not inevitable as potent nationalist sentiments entrenched in East Asia has induced pessimism on the prospect for regional peace and cooperation.

## **Nationalism**

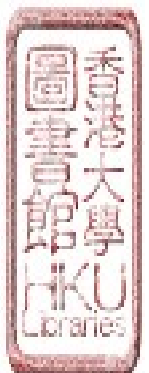
Gries (2005, p.120) identifies two core drivers in Chinese nationalism, namely the reinstatement of past Chinese pre-eminence, and the expulsion of historical humiliation. Emerging from the ‘century of humiliation’, the CCP has built much of its political discourse around preventing political embarrassment internationally, referred to by Shambaugh (2013, p.56) as ‘defensive nationalism’. This can create contradictory dynamics in China’s foreign policy. Shirk (2007, p.257) elaborates, ‘whenever political figures from Japan, Taiwan or America make statements that sound insulting to China, Chinese leaders feel compelled to respond in kind to protect themselves from domestic criticism, even though they know that non-confrontational relations with all three governments are in China’s economic and security interests’.

Weatherley (2007, p.14) notes that the CCP aims to portray itself as a champion for nationalism yet the transformation of China into an economic superpower and a firm stance against other governments could prove a contradiction. He further points out that many argue that the CCP does not do enough to defend China’s prestige against foreign, and specifically, American or Japanese incursions. This transforms

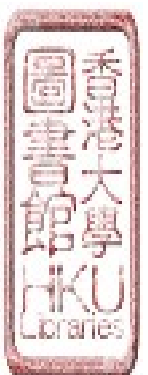


nationalism into a balancing act, as China aims to ensure a hospitable international environment, but also portrays itself as a protector of nationalist values -- two dynamics that at times can contradict each other. In this regard Gries (2012, p.181) explains that Chinese nationalism can both challenge and support Chinese legitimacy. Some sensitive matters demand governmental suppression of nationalist sentiments, in which the government loses face to its people. On the other hand, nationalist issues that are responded to, allow the CCP to gain domestic support. This suggests that suppression of, or response to nationalism is subject to a rigorous cost-benefit analysis. More specifically, the CCP's approach to a nationalist issue should depend on its spillover effect, or political salience, in relation to performance legitimacy.

In relation to energy security, nationalism can at times be a problematic aspect of foreign policy considerations. By building a political discourse on 'the century of humiliation', the CCP has to some extent tied its hands when matters appear salient to Chinese international prestige. Domestic expectations might be conflictual with more overarching economic interests and also with fundamental national interests. This may have some overreaching consequences. First in energy security matters, American supremacy in Sea Lanes of Communication (SLOCs) enables it to cut supply lines outside the Chinese periphery (Herberg, 2010, p.124), inducing a significant deterrence effect. Second, China would not be able to withstand naval 'counter alliance' of neighbouring states should China be too assertive in East Asia (Causevic, 2012, p.20). This suggests that a conflict, if taken too far, could dramatically harm China's fundamental goal of economic development. Furthermore, given Chinese limitations in such conflicts, which will be discussed later in this paper, it would harm



Chinese prestige and economic performance. With this in mind, there are clear overlaps between nationalism and performance legitimacy.

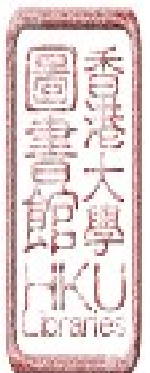


## Energy Security with Chinese Characteristics

### **Defining Energy Security**

It is apparent that energy security plays an integral part in Chinese considerations regarding performance legitimacy extraction, due to China's position as a major net-importer of oil. However, if we are to identify more specific energy security dynamics at play in the shaping of Chinese foreign policy, we must first come to grips with the concept's inherently multidimensional and complex nature. In this regard, 'energy security is an issue so complex that a holistic approach is needed to address it' (Yao, 2014, p.225). Consequently, it is necessary to break down the concept as to better identify its main components, before considering energy security in the Chinese context specifically.

In a general sense, 'The New Energy Security Paradigm' by the World Economic Forum (WEF), considers energy security to be "an umbrella term that covers many concerns linking energy, economic growth and political power" (WEF, 2006, p.9). Given relative differences, how such concerns materialize will vary between actors. The International Energy Agency's (IEA), as an institution representing consumer interests, defines energy security as 'the uninterrupted availability of energy sources at an affordable price' (IEA, 2014). WEF, in this regard notes that the concept of energy security is concerned with supply sources, demand centres, market structures and geopolitics (WEF, 2006, p.9). This suggests that market



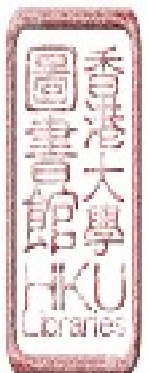
mechanisms, physical safety of transports, and politicization of energy exports and transport are integral issues to the energy security of net importers.

Winzer (2012, p.36) argues that the main objective of energy security is the reduction of a country's vulnerability to political extortion, which explains why nation states aspire for energy independence. Narrowing the concept down, Winzer (2012, p.37) then proposes to view energy security simply as 'energy supply continuity'.

Geopolitical concerns are inherent in the process of securing energy, as no state can singlehandedly ensure national energy security (Qi, 2012, p.563). Thus, the insecurity resulting from this realisation will most likely affect strategic considerations in this realm. Diversification of energy sources, security of supply lines, energy efficiency, and sustainability are still among a number of considerations that a state must take into account, in order to avoid a situation of strategic vulnerability.

### **Energy Security in the Chinese Context**

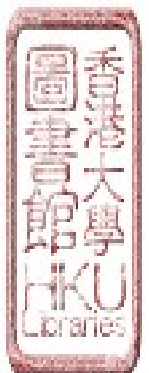
In his discussion on the concept of energy security, Sovacool (2011, p.2) posits that the sheer amount of energy security definitions 'enables people to advance very different notions of energy security, so that they can justify actions and policies on energy security grounds'. Furthermore, Chang and Yao (2012, p.32) argue that 'energy security is a concept of multiple dimensions that assumes different specificities depending on the country, energy source and time-frame'. Hence it is necessary to



understand more specific Chinese dynamics in the realm of energy security, if we are to understand its impact on Chinese foreign policy.

Qi (2011, p.563) explains that fluctuations in demand and price, an unstable geopolitical environment as well as pollution all constitute significant challenges for China under the umbrella-term energy security. Due to the multitude of challenges, energy security can be divided into physical, economic and environmental aspects (Tanabe, 2011, p.88). Naturally, such a division does not preclude overlaps. Being tied to performance legitimacy, the economic aspect of energy security holds great importance to the CCP. As will be the recurring theme in this paper, the availability of energy resources is precursive to economic success. This does not compel the physical protection of imports, especially in light of Beijing's inability to unilaterally protect SLOCs. This puts significant limitations on Chinese foreign policy due to the importance of economic performance.

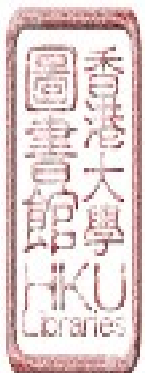
Celikpala (2012, p.47) argues that the strength of energy security can be assessed through the observation of the correlation between energy consumption and GDP. In this respect, Ma and Oxley (2012, p.1) note that since the start of reform, GDP has grown at a fast pace, while energy consumption has grown in parallel. Between 2002 and 2006, the energy consumption growth was in average 12.9 percent per year, whereas GDP growth accounted for 10.4 percent. In 2006, this amounted to a 2.4 times higher energy consumption per unit of GDP than the global average, 4.9 times higher than the EU and 8.7 times than that of Japan (Schiere, 2010, p.44). Consequently, China has an energy-intensive economy. To understand the real impact of this



however, we must assess to what extent China can obtain enough energy from domestic sources to keep up such intensity.

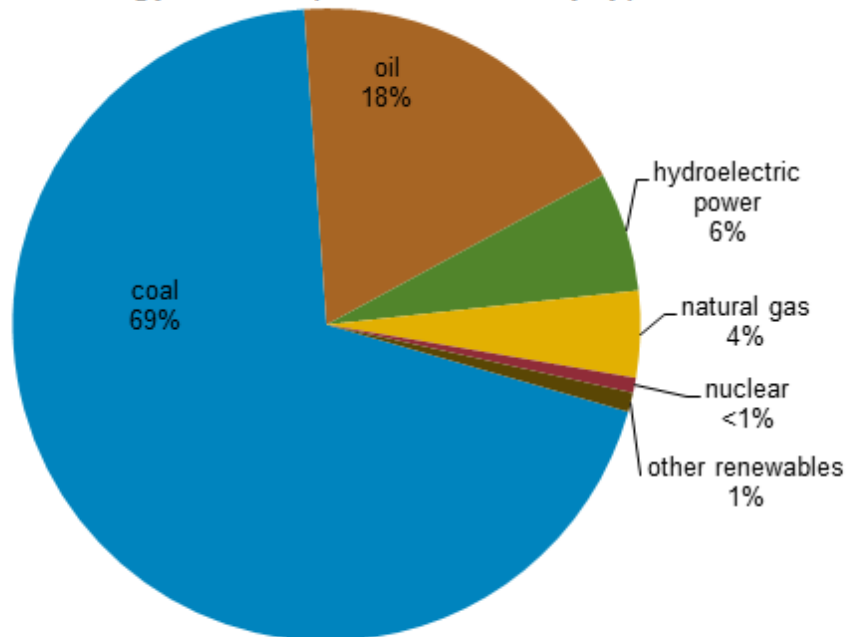
According to the Energy Information Administration (EIA) (2014), China relied on coal for 69 percent of total energy consumption in 2011. In 2012, China produced 1,825 million tonnes, while it consumed 1,873 million tonnes (BP, 2013, p.32-33). This suggests China is more or less self-sufficient in coal. Oil on the other hand made up 18 percent of the total energy consumption in 2011 (EIA, 2014). In 2012, China produced the quite significant amount of 4.155 million barrels of oil per day (mbd), while it consumed 10.221 mbd, which implies that China is very dependent on imports to meet its demand (BP, 2013, p.8-9). While the balance of overall consumption appears to be relative self-sufficiency due to coal, there are multiple facets that showcase the importance of oil in the energy mix.


First, oil has a higher efficiency and cleaner application than coal, which also ties into the environmental aspect (World Bank, 1997, p.53). Second, and most important, oil is the only possible primary fuel that can meet the energy demand in important sectors to Chinese growth such as transportation and industry (Trough, 1999). Finally, the options of heavily relying on alternative energy is unlikely to be a feasible energy strategy for China. In other words, despite being the largest producer of wind-turbines and solar panels (Bradsher, 2010), such alternative sources make up a very small part of total Chinese energy consumption. The following pie chart represents China's total energy consumption by type in 2011. It also confirms Trough's prediction that China is still using coal as its major energy source. Furthermore, it



confirms his second claim that China's alternative sources of energy namely hydroelectric, nuclear and solar are subordinate.

Total energy consumption in China by type, 2011

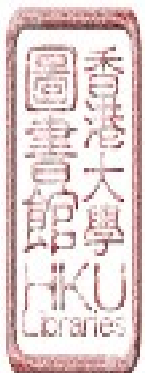


 Note: Numbers may not add due to rounding.  
Source: U.S. Energy Information Administration *International Energy Statistics*.

**Figure 1** (EIA, 2014, 'Total energy consumption in China by type 2011')

Consequently, we can conclude that China is dependent on a significant amount of oil, which due to its relative strategic importance is vital to the Chinese economy.

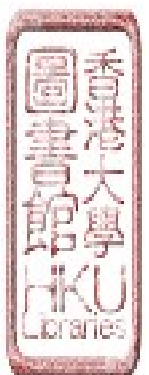
Considering the country's size and geographic location, energy independence is simply infeasible for China. According to IEA's forecast China's oil import dependence rate will reach 84.3 percent by 2035, due to projected imports of up to 18



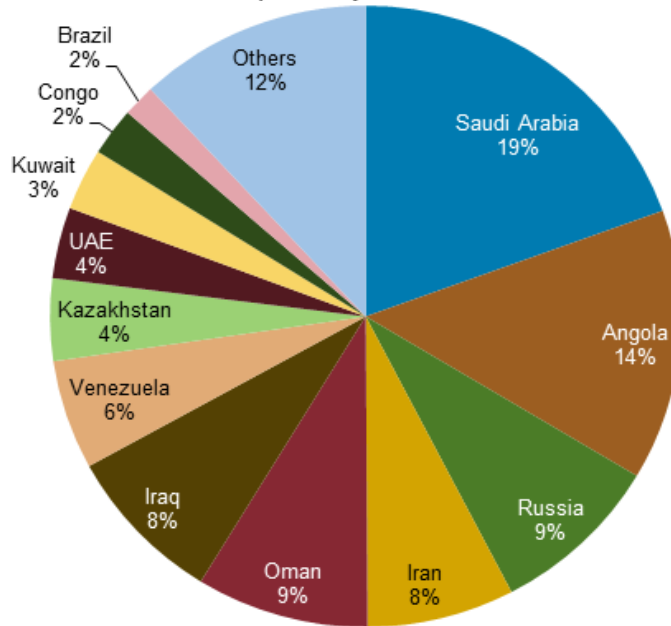


mpd (BP, 2014, p.27). Moreover, the same BP report notes that China will overtake the United States in having the biggest oil demand in 2029. In other words, oil dependency dynamics evident today are likely to grow stronger in the future.

China's increasing dependence on energy imports have for the most part come from the Middle East, in which the Persian Gulf holds the world's largest oil reserves (Dannreuther, 2011, p.1346). According to Lei Wu (2009, p.31), China's average dependence on Middle Eastern oil reached 48.7 percent between 1998 and 2005 and the current percentage of the proportion of oil that China imports from the Middle East remains between 50-60 percent of total imports (Downs, 2013). This is certainly consistent with the EIA which has stated that the Middle East 'remains the largest source of China's crude oil imports' (EIA, 2014). In fact, the EIA noted that China imported over 50 percent of its crude oil from the region at 2.9 million mbd in 2013. The following chart shows the majority of China's imports are supplied from the Middle East region:



China's crude oil imports by source, 2013



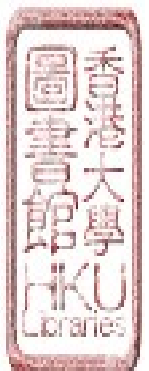
Source: FACTS Global Energy, Global Trade Information Services.

Figure 2 (EIA, 2014. 'Chinese crude oil imports by source, 2013')

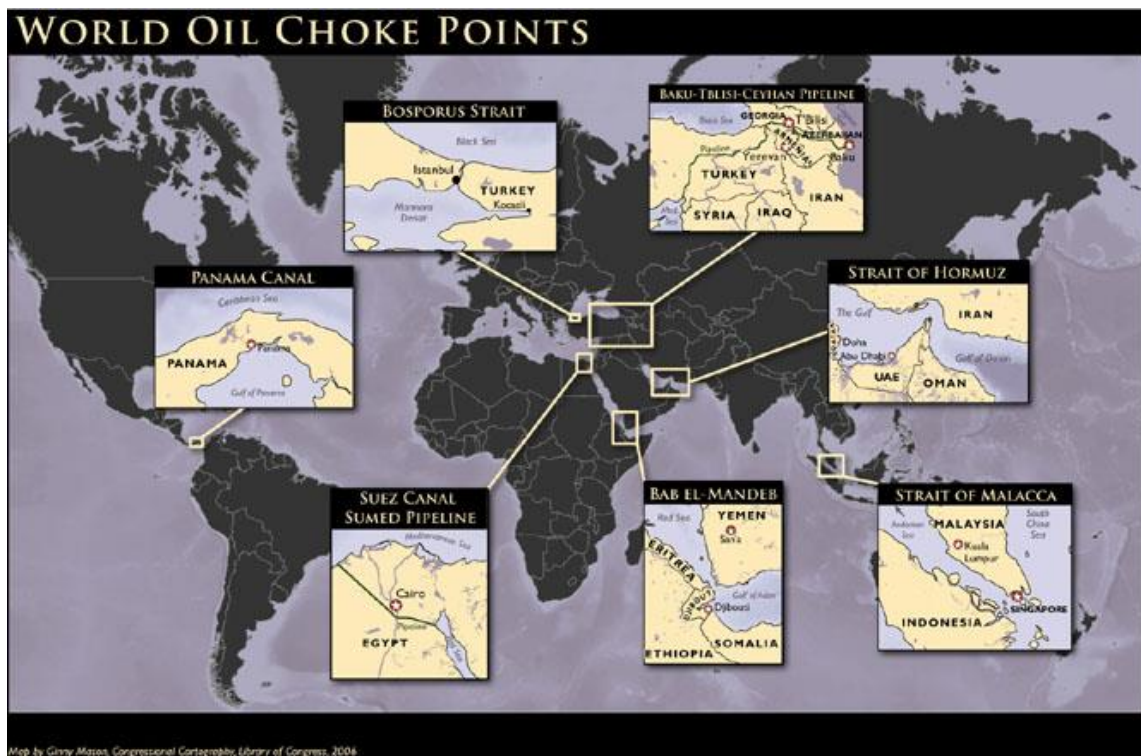
The physical protection of Chinese energy imports confronts Beijing with difficulties. This can be ascribed to the nature of several chokepoints along the SLOCs as well as limited Chinese power projection capabilities. In this regard, Straits of Hormuz, Bab-el-Mandeb and the Strait of Malacca represent three such strategic bottlenecks China must consider when transporting energy.

First, the Strait of Hormuz represents one facet of China's SLOC vulnerability, as of 2011, 50 percent of Chinese oil imports were transported through the strait (Folkesson, 2012). Shipments from Saudi Arabia, as well as Kuwaiti, Iraqi and parts of Iranian imports pass through this point.

Second, Africa is the second most important source of Chinese oil imports, which in 2011 made up 24 percent of the Chinese total imports (IEA, 2012, p.6). IEA

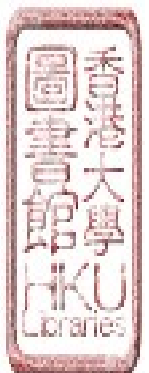


notes that Angola and Sudan were the most significant contributors, with twelve and five percent respectively. In this regard, Bab el-Mandeb between Yemen and Eritrea is the strait that Sudanese and Libyan imports must pass along with the Malacca Strait. Angolan, Congolese and Nigerian imports, on the other hand, move past the Horn of Africa and the Malacca Strait. The following map showcases some of the strategic chokepoints in question that presents a strategic vulnerability for China.



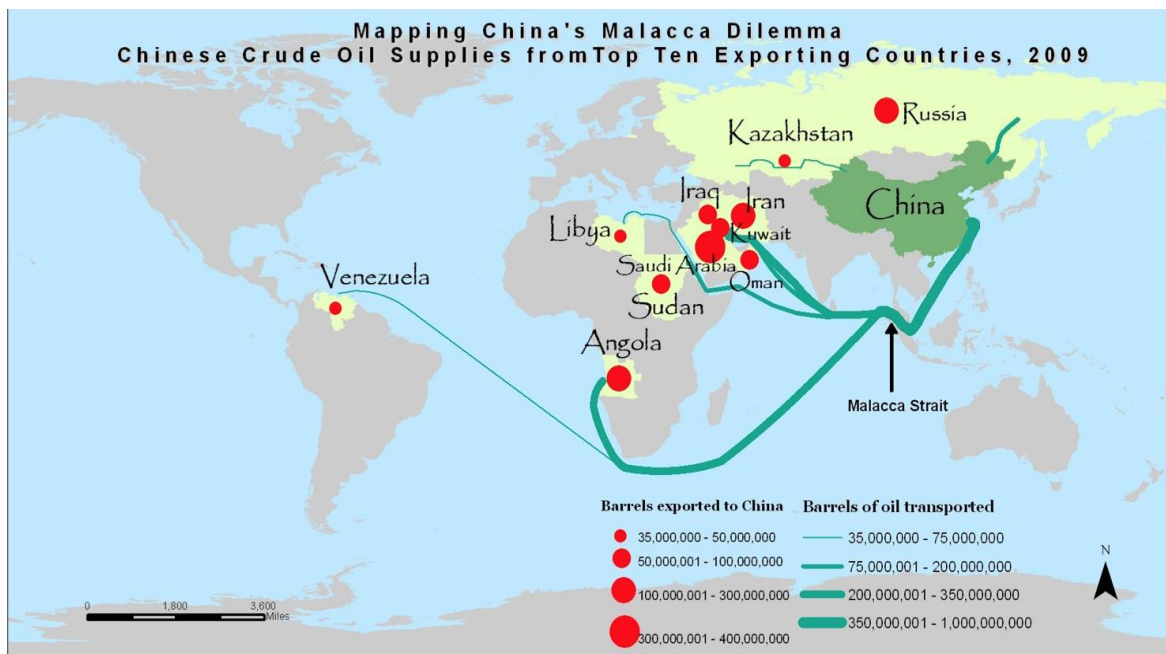
**Figure 3** (Militarythoughts, 2007, ‘World Oil Choke Points’)

Third, the most sensitive point along Chinese SLOCs, is the Strait of Malacca. Supply lines converge on this strait, approximately 80 percent of Chinese oil imports pass through this point (EIA, 2014). Indeed, 50,000 vessels and 15 million barrels of oil and petroleum products are transported via the Malacca Strait per day (Lin, 2012).



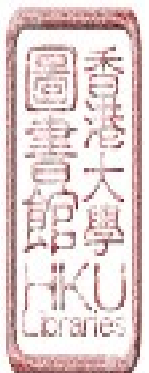
Being around 1000 km in length, as narrow as 15 km at multiple locations with the narrowest point at only 2.8 km wide near Singapore (Sarma and Reinert, 2013), China is worried about its inability to project power in the area. In fact, the Strait of Malacca is by many considered the “lifeline” for Chinese economic development (Hartnett and Velucci: 2011, p.87) as Chen (2010, p.2) consequently argues

‘In every respect can the strait of Malacca be regarded as the lifeline of a rising dragon. However, as China lacks the capacity to project its naval power, the growing reliance on the strait is rapidly turning into a strategic weakness’.



**Figure 4** (Brutlag, 2011, 'Mapping China's Malacca Dilemma: Chinese Crude Oil Supplies from top 10 exporting countries, 2009' - Calculated from EIA and US department of Defense Statistics)

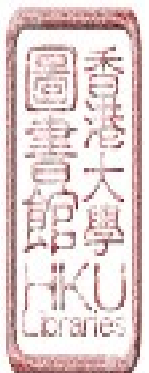
In 2004, Hu Jintao coined this weak spot the “Malacca Dilemma” (Miere, 2013). The CCP has embarked on multiple strategies to limit its dependence on the Strait of Malacca, such as enhancing naval power and diversifying trade routes and suppliers. The impact of such strategies will be discussed later in this paper. Regardless



of such strategies, Chen (2010, p.3) argues that Chinese dependence on the Strait will be integral to Chinese security concerns as long as energy-inefficient growth and foreign trade are the main components of the Chinese economic success. In other words, the support of performance legitimacy is rooted in China's ability to ensure the security of SLOCs. More importantly, China is unable to provide such security singlehandedly.

This showcases an important dynamic in Chinese energy security, and more importantly some limitations in Chinese foreign policy. Dannreuther (2011, p.1346) argues that 'for a country which has traditionally placed a significant premium on self-reliance and on limiting the encroachment of foreign companies and dependence on external powers, the strategic necessity to secure ever-increasing supplies of foreign oil is a source of vulnerability'. What we can extract from this argument is that China's strategic vulnerability is evident in its inability to unilaterally protect its SLOCs in the case of a conflict. This suggests that Beijing must take such strategic vulnerability into account when shaping Chinese foreign policy, given the prioritised objective of ensuring a continuous flow of oil.

However, given contradictory dynamics in nationalism and performance legitimacy, this may not come so easily, especially if nationalist sentiments tie the CCP's hands to act more assertively. The next section of this paper will discuss in detail the economic and military aspects of energy security, their overlaps, and how they impact on policy formulation.



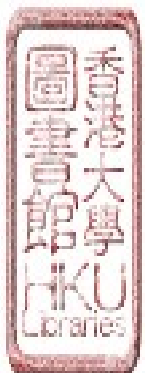
## Linking Legitimacy and Energy Security

Performance legitimacy is identified as the fundamental source of legitimacy in China, while nationalism performs a secondary role. For any leadership, maximizing the positive impact of fundamental sources of legitimacy and simultaneously balancing sources of secondary value, is integral to achieving regime resilience. In theory this appears logical, but in its application such balancing is naturally more problematic. There will be inevitable overlaps between performance legitimacy and nationalism, in which the CCP must assess its options through a rigorous cost-benefit analysis. Given that the two sources of legitimacy might prescribe conflicting policy options to the CCP, this section will attempt to conceptualise how the CCP might view such options.

Considering that military energy security and economic energy security appear to entail different dimensions of energy security, in order to limit overlaps, it will be in the CCP's interest to distinguish between the two. Especially, as such dimensions can be understood to align more with different sources of legitimacy.

Economic energy security can be understood as intertwined with performance legitimacy. China has an energy-intensive economy, in which oil plays an important role. This implies that uninterrupted energy imports are necessary to uphold continued economic development. As such it can be predicted that China will refrain from conflicts that could jeopardise 'supply continuity', and pursue coordinative and cooperative efforts.

Military energy security on the other hand, should in this context be understood as more inherently linked to nationalism. This approach implies that China aims to

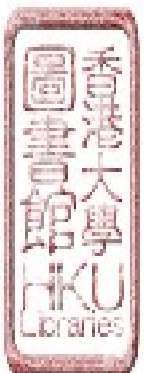


unilaterally ensure the physical safety of energy imports. Furthermore, this suggests that the conflict threshold would be lower if absolute power projection in, and thus security of, SLOCs were to be achieved. However, until now, absolute Chinese physical energy security is simply infeasible. Consequently, energy security policies should be shaped with economic energy security as a first priority. Nonetheless, such policies are employed to limit strategic vulnerability and appeal to nationalist sentiments, but it is unlikely for the CCP to embark on military security strategies that pose a risk to economic security.

These two dimensions of energy security, being linked to legitimacy sources of different salience to the CCP, can shed light on different foreign policy options available to the Chinese leadership. Exploring the political nature of physical and economic energy security in more depth will be the objective of the next section.

### **The Two-Dimensional ‘Two-Level Game’**

In his discussion on ‘two-level games’ Putnam identifies a correlation between domestic political pressures and the nature of bargaining in international negotiations. ‘At the international level, national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments’ (Putnam, 1988, p.434). On the international level, the overlap of two states’ domestic agreements constitute their win-sets, within which they can strike a deal and still satisfy their domestic constituents. Absence of a win-set overlap, on the

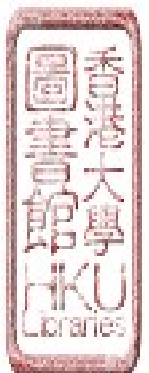


other hand, suggests a ‘non-agreement and the continuation of the status quo, or even a deterioration of the situation (Putnam, 1988, p.442).

While Putnam’s discussion is revolved around negotiations, this paper will extract and reapply the concepts of ‘win-set’ and ‘non-agreement’ in the field of foreign policy. More specifically, the aim is to identify important dynamics regarding Chinese political relations and their interaction with energy security. By further dividing the ‘two-level game’ into two dimensions, namely economic energy security and ‘physical’ military energy security, we suggest that the prospect for, and impact of, win-set overlaps and non-agreements vary greatly depending on the legitimacy source in question.

### **Economic Energy Security**

Economic energy security can be understood as a cornerstone in China’s modernisation project (Wu and Storey, 2008, p.196), and as result is integral to performance legitimacy. Seen in isolation, it is only logical that China would aim to ensure availability of imports, and not embark on any foreign policy venture that (in theory) could lead to import disruption. For example, Japan depended on energy imports for 96 percent of its primary energy supply in 2010. As half of Japan’s energy consumption is oil, of which 90 percent originate from the Middle East (McCann, 2012, p.1), Japan has similar foreign policy impetus to that of China. In simple terms, in the realm of economic energy security there should be good grounds to assume an overlap of win-sets and a higher threshold for no-agreement.





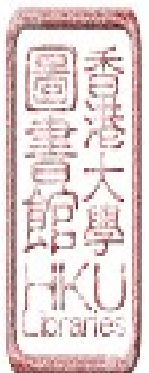
An important aspect of economic energy security is its tangible and objective nature. Growth can be measured in numbers, (using statistics such as GDP), and such growth requires a set amount of energy inflow. Where such energy originates from and how it is acquired is irrelevant to economic development. In other words, the adopted strategies are only measured in their efficiency to ensure continued energy supply and thus any strategy achieving this goal is viable.

It is thus necessary to identify how such viability is achieved. In context of China's strategic vulnerability, it is apparent that the CCP needs to shape its foreign policy with the realisation in mind that any conflictual approach could cripple economic energy security. In other words, employing a cooperative approach would be beneficial for China.

### **Military Energy Security**

Besides the importance of economic energy security, military energy security cannot be neglected. Although performance legitimacy is the fundamental legitimacy source to the CCP, the inclusion of nationalist imperatives constitutes a significant part in the shaping of strategy. 'Defensive nationalism', as mentioned above, puts constraints on foreign policy, which can lead to the deterioration of economic energy security.

However, as opposed to economic energy security, the effects of this dimension are less tangible in the sense that numeric measurements cannot be applied. Thus, subjectivity plays an integral role in the formulation of 'viable' strategies. The

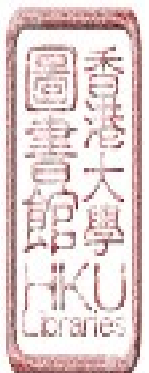


perception of protecting nationalist values through military energy security determines the level of domestic support; meaning that appearing to protect Chinese energy security is more important than actually protecting it.

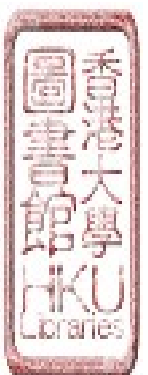
One way for political leaders to influence the perception of their supporters is through rhetorics. Rhetorics can be divided into two types, namely, conscious rhetorics and reactive rhetorics. First, conscious rhetorics channel popular sentiments in order to avoid domestic criticism, to gain support for more assertive policies, or to the two combined. Second, reactive rhetorics imply that demands for a more assertive Chinese behaviour on a domestic level might pressure Beijing to engage in confrontations abroad (that it would have avoided otherwise).

As mentioned above, confrontations spurred from nationalism are linked to polishing the image of being the protector of nationalist values. Importantly, avoiding spill-overs from the diplomatic to the economic realm is likely to be a major priority for political leaders. This is highlighted by the continuous escalation of tensions between China and Japan (Economy, 2014, p.142-43), which seems to occur with any significant tangible effects on the countries' economic ties (Lai, 2013, p.57).

The use of nationalist sentiments to gain domestic support is a dangerous tool. By tying their hands on a domestic level, leaders eliminate the possibility for win-set overlaps in the military energy security realm. This implies a 'no-agreement' situation which could deteriorate, leading to conflict. However, at the same time, increasing economic interdependence signals a credible commitment not to engage in military conflict, as this would be too costly for either side. An economic energy security win-



set overlap renders the issue of no-agreement in the militaristic realm less salient, due to the relative importance of performance legitimacy over nationalism. This allows for fluctuation in nationalist sentiments, as there is a tacit understanding of the costs a military confrontation that would entail, making both sides take steps to avoid spillover from rhetorics to tangible economics.. Consequently, we can derive that economic energy security is the fundamental goal of the CCP, while physical energy security merely balances secondary legitimacy.



## SECTION 2 - Case Studies

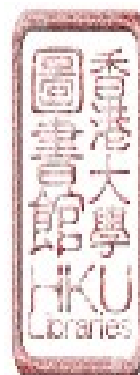
### Case Study 1: Chokepoints

#### Introduction

Chinese resource trade routes contain chokepoints that represent significant challenges in the quest for energy security. The physical protection of such points of vulnerability is inherently problematic due to China's inability to project military power and geopolitical position. On the other hand, the economic importance of such imports are integral to fuelling the Chinese economic development. This suggests China will continue to employ strategies that are the most viable to secure energy resources.

Huge quantities of Chinese oil imports pass through the chokepoints of Bab el-Mandeb, Strait of Hormuz and Strait of Malacca on a daily basis. To put it another way, the Chinese economy relies on the safe transportation of energy through narrow passages over which it commands little influence. Given that a (supply) chain is only as strong as its weakest link, Beijing is consistently searching for measures to improve this critical aspect.

To identify and assess the measures Chinese policy makers might employ, we must understand the variety of threats apparent to Chinese energy resource shipment. Consequently, this case-study will first aim to identify the nature and potential effects of such threats. In this regard, we will distinguish between traditional, i.e. state-to-state

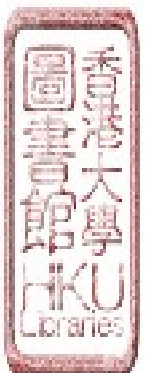


threats, and non-traditional threats, i.e. threats originating from non-state actors. Secondly, the Chinese strategies adopted to mitigate the effects of such threats will be considered. In this regard, particular focus will be placed on the effort to diversify energy trade routes as well as the prospect for a Chinese ‘blue-water navy’.

## **Security Threats**

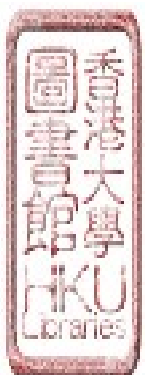
Aggerwal and Govella (2013, p.5) define traditional security as ‘the military defense of state interests and territory’. Furthermore, it is ‘founded on the belief that national security concerns premised on military threats to state security supersede other security threats that could pose grave threats to the state and human security’ (Anthony and Putra, 2012, p.2). Due to its militaristic nature, traditional security entails state-to-state security matters. In the realm of energy security, Moran and Russel (2009, p.7) argue ‘active military control of international straits through which energy assets move’ is to be an important option for strategic intervention. Particularly important is the potential for a US orchestrated closure of the Strait of Hormuz and Strait of Malacca. Economy (2014, p.168) notes ‘the prospect that during an armed conflict the US would use its naval dominance to cut China off from commodities imports would be critical to both its economy and its war-making capacity’. This would no doubt have a detrimental effect on China’s social stability.

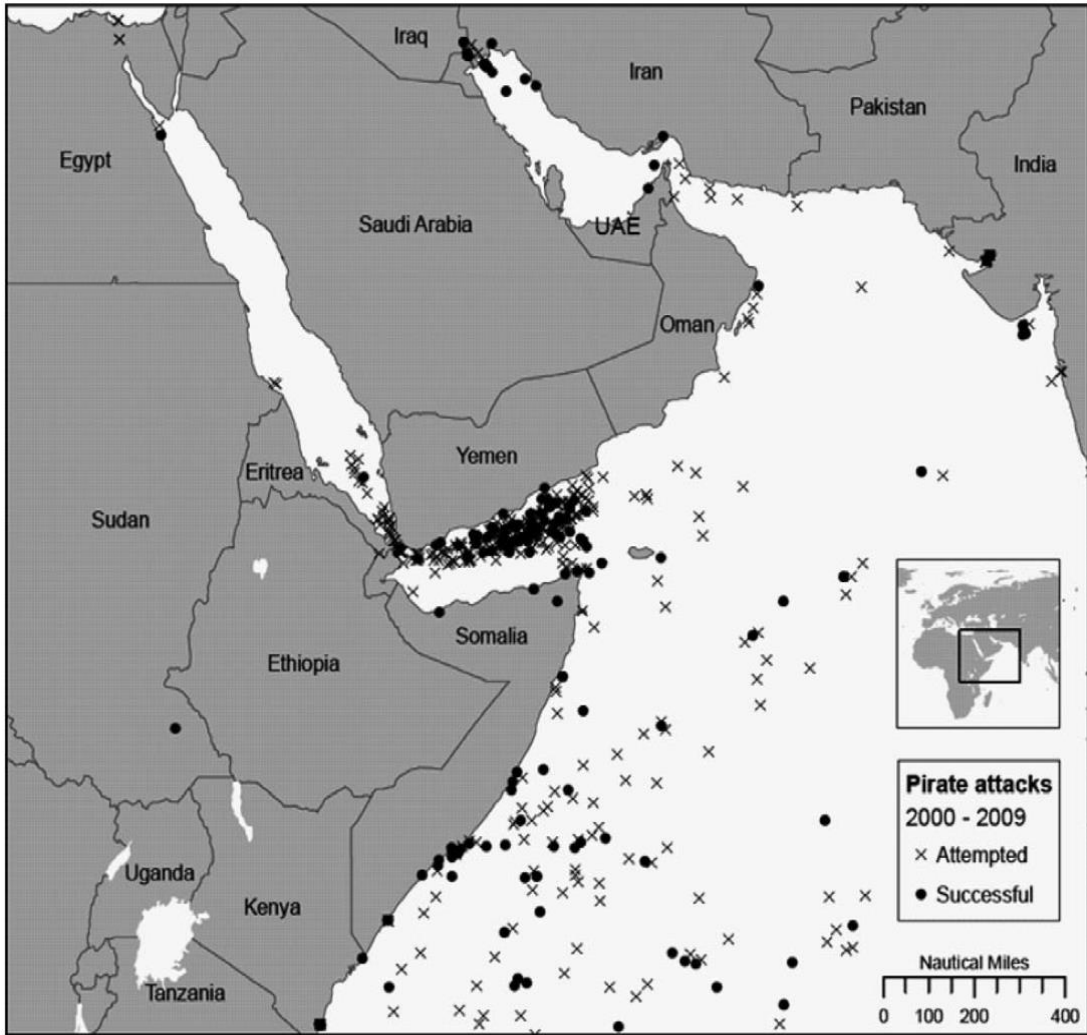
Gradually, non-traditional security issues have received almost the same importance in the security agenda of Chinese policy makers like traditional security



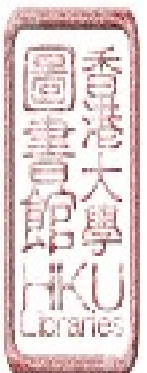
issues (Cai, 2005, p.149). Cai further notes that China considers non-traditional security threats to be: piracy, economic security, environmental security, information security, terrorism, illegal migration as illegal drugs amongst others. In relation to strategic SLOC chokepoints, it is evident that pirate activities tend to converge in such narrow passages.

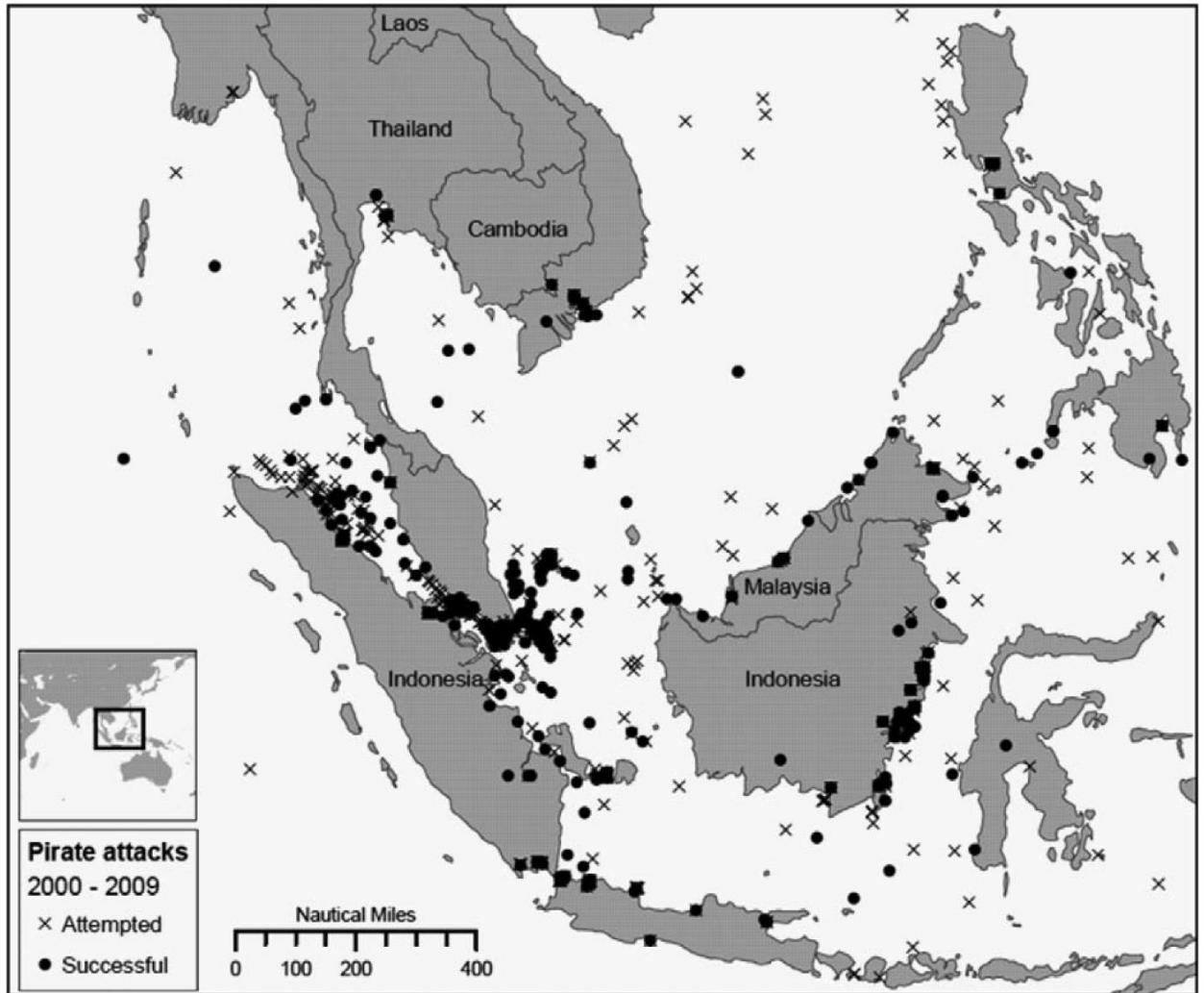
In this regard, the most affected area is bab el-Mandeb between Yemen and Eritrea, depicted in the map below. Collins (2012, p.608) suggests that ‘there may be an inverse relationship between pirate success and the distance from land, because successful attacks are often concentrated in narrow waterways’. The ‘bottleneck effect’ chokepoints represent a strategic vulnerability in terms of non-traditional security and Chinese shipments appear to be easier targets for pirates in narrow sea passages.





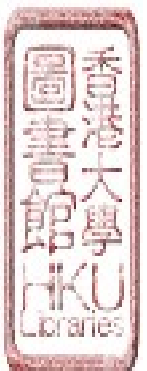
**Figure 5** (Coggins, 2012, p. 611 - 'Piracy in the Gulf of Aden, 2000-2009')





**Figure 6** (Coggins, 2012, p.612 - 'Piracy in the Straits of Malacca, 2000-2009')

The previous map showing the Strait of Malacca, clearly illustrates that the same logic mentioned above applies here. China's energy supplies are forced to pass through such strategic SLOCs, creating a vulnerability for a stable supply of energy imports, because it exposes a large amount of its energy supplies to potential disruptions. From a military energy security dimension, the People's Liberation Army Navy's (PLAN) inability to present itself as the protector of Chinese shipments abroad

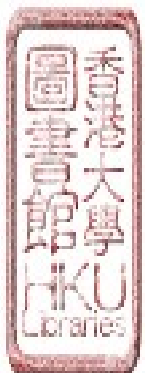




will undoubtedly have an effect on China's domestic public opinion. Indeed, the U.S. navy is widely seen as the guarantor of international maritime transit security (Economy, 2014, p.166). In response to this perception, Beijing has made efforts to establish a Blue Water Navy to satisfy domestic nationalist pressures, by aiming to become a protector of Chinese shipments as opposed to only being a free rider of American security. In the realm of economic energy security, the diversification of energy trade routes is another strategy that can help alleviate strategic vulnerability.

### **Diversification of Energy Trade Routes**

Gu Shuzhong has argued that “diversity is the foundation of stability in resource supply” (Downs, 2000, pp. 19). As a measure to overcome the increasingly heavy reliance on SLOCs that require passage through the chokepoints discussed above, China has sought to diversify its trade routes. The diversification of energy trade routes implies the development of infrastructure abroad. This includes the construction of ports, pipelines as well as roads and railways. Indeed, by investing in the infrastructure in other countries, Chinese strategists attempt to lessen the country's dependence on chokepoints. Furthermore, a spread of supply lines can enable a better integration of inland provinces. Consequently, a diversification strategy appears necessary to Beijing, not only as a measure to avoid potential supply disruption in chokepoints, but also to further the integration of the energy grid. In this respect, the CCP has employed several strategies to enhance its trade route diversification efforts.



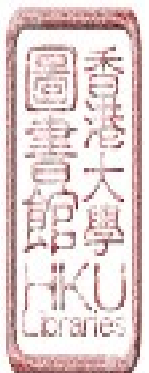
First, and perhaps most obvious, is the construction of pipelines. The Chinese development of pipelines is driven by Beijing's sense of vulnerability in relation to the U.S. capability to project its naval force over SLOCs (Herberg, 2010, p.124). Mitigating the effects of such strategic vulnerability is of great importance to the Chinese leadership, especially since the SLOCs in question transport the bulk of China's energy imports from the Middle East. This explains why the CCP has pushed forward relevant projects, besides the fact that economic benefits are not discernible. Three recent projects are of particular importance when attempting to understand Chinese strategy.

The first project -- the Sino-Myanmar pipeline completed in 2013 -- is a good example of a strategy employed to circumvent the 'Malacca dilemma'. Connecting the Indian Ocean with Yunnan province in Western China, the \$2.5 billion<sup>1</sup> project is of strategic importance to the CCP. However, it is far from evident that it will benefit China economically or in terms of energy security (Economy, 2014, p.178). In terms of cost-efficiency, oil transported in pipelines costs \$5 dollar per barrel, compared to \$1 dollar for seaborne shipments (Erickson and Collins, 2011, p.189). As such, the ability to better connect Guizhou, Yunnan, Guangxi, and Tibet to the energy grid is likely to have played a (significant) role in Beijing's considerations regarding the construction of the Sino-Myanmar pipeline (Erickson and Collins, 2010, p.98).

Second, the East Siberia-Pacific Ocean (ESPO) pipeline runs between Siberia and North Eastern China. Upon completion in 2011, the Russian company Rosneft

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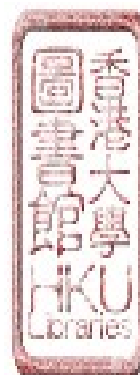
<sup>1</sup> According to Elizabeth Economy (2014, p.178), this project includes 'the construction of a \$1 billion natural gas pipeline (to be supplied by Burmese gas; Burma is a relatively large but underdeveloped resource holder) and an accompanying \$1.5 billion oil pipeline'.



signed a 20 year-contract with China National Petroleum Corporation (CNPC) on the shipping of 300,000 barrels per day to China (Platts, 2011, p.2). Economy (2014, p.177) argues that in contrast to other pipeline projects, the ESPO pipeline makes at least some economic sense.

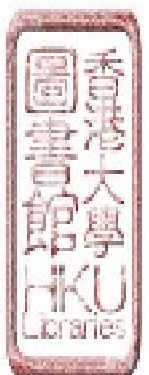
Third, the pipeline connecting the port of Gwadar in Pakistan and China represents a failed attempt to diversify trade routes. The goal to connect Gwadar to Kashgar with a pipeline capable of pumping 590,000 bpd, was indeed ambitious (Shankar, 2012, p.7). The threat of Balochistan rebels combined with the issue of pumping oil through remote areas added complications to the project. Not only did security and technical challenges hinder progress, but also the lack of political stability and of a predictable government prevented China from realising this project. In addition, the pipeline between Pakistan and China would have introduced a new type of vulnerability. Given its proximity to Indian borders, ‘it would be highly vulnerable to Indian land forces during a future Sino-Indian conflict’ (Economy, 2014, p.179).

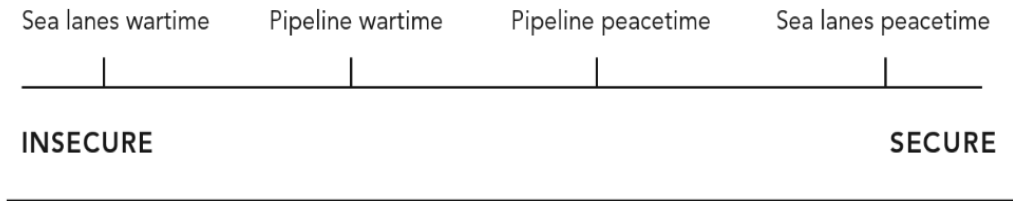
Pipelines do not alleviate strategic concerns to a great extent. In fact, Øystein Tunsjø (2013, p.177) has argued that non-traditional security threats such as terrorists, separatists, and insurgency groups can target pipelines, and thus disrupt the flow of energy to China, more easily than tankers on the high seas or at vital chokepoints. Tunsjø points to the fact that the CNPC reported 18,382 occasions from 2002 to 2006 where thieves drilled into pipelines (Tunsjø, 2013, pp 177). However, before deducing that China’s strategy of diversification of trade routes is irrelevant to avoiding a vulnerable predicament, the case must be made that Tunsjø’s argument is contingent on whether it is wartime or peacetime. Indeed, while he argues that pipelines are less



secure than oil supplied by tankers or the international market during peacetime, in a wartime scenario, pipelines are safer than ships at sea (Tunsjø 2013, pp 178). While non-traditional security threats pose short-term challenges to China's pipelines during peacetime, if a military conflict were to erupt with the U.S. or one of its allies, China would not have the military capability to prevent the U.S. from interrupting free Chinese passage on international SLOCs. While such an U.S. orchestrated strategy should be considered a worst-case scenario, it should nonetheless influence Chinese strategic thinking.

Additionally, Tunsjø claims that the U.S. will not risk escalation by attacking China's neighbours in order to destroy pipelines going to China. Accordingly, he argues that the pipelines connecting China to its neighbouring countries, like the ESPO pipeline, would be safest during wartime, because the U.S. would not challenge a neighbour like Russia. On the other hand, the Sino-Myanmar pipelines are less safe in that situation, because of Myanmar's relative isolation from the international community. Hence, the assessment of the vulnerability of China's pipelines at war is highly subjective to the country the pipeline is connected to. Furthermore, Tunsjø argues that several kilometers of pipelines in China are vulnerable to precision strikes. The following figure illustrates the full extent of Tunsjø's argument in terms of pipeline and sea lane security in both, scenarios of war- and peacetime.

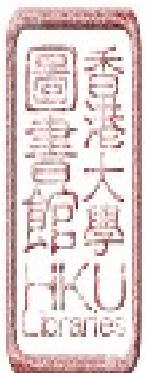




**Figure 7** (Tunsjø 2013, p.179 - ‘Sea Lane and Pipeline Security) Security and Profit in China's Energy Policy: Hedging against Risk. New York: Columbia UP, 2013. Print. pp. 179)

The benefits of pipelines in terms of energy security are dubious. “The Sino-Myanmar (Burma) pipeline does little to relieve China’s dependence on the Strait of Malacca, as the 22 million tons of oil imports are just a drop in the ocean compared with China’s large energy consumption” (Chen, quoted in Economy, 2014, p.178). Furthermore, the economic viability is also called into question, due to cost-inefficiency. However, fuelling greater integration of inland provinces and providing alternative trade routes -- although small in scope -- suggest that the development of pipelines is strategically reasonable for the Chinese leadership.

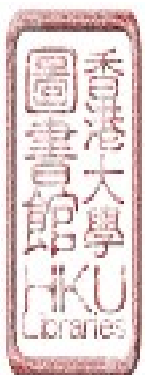
Alternative trade routes avoiding chokepoints without the necessary infrastructure to ensure the movement of seaborne shipments into land supply lines, will have a limited impact. ‘The String of Pearls’ concept represents a Chinese effort to maintain ports in order to support trade and naval missions along Chinese SLOCs. The same ports are necessary entry points for supplies taking the land route. According to Cheng and Paldini (2012, p.261), the ports in question are Gwadar (Pakistan), Singapore, Coco Island (Myanmar), Chittagong (Bangladesh), Sihanoukville (Cambodia), Sittwe (Myanmar), Hambantota (Sri Lanka), Jedda (Saudi Arabia).



However, the number of ports vary depending on focuses; such port development in strategic locations has been subject to regional sensitivity, given their potential military utility. For example, the Chinese takeover of Gwadar in 2013 was met with Indian scepticism due to fears of ‘strategic encirclement’. As a result, Beijing was meticulous in expressing that the takeover only had an economic dimension in connecting Persian oil to Western China (IndiaTimes, 2013). Liu Jian, the Chinese ambassador to Pakistan also waived such military concerns off as being without link to reality, stating that the deal only was “in the economic interest of the people of China and Pakistan” (Zhao, 2013).

### **The Prospect of a Chinese Blue Water Navy**

If we are to assess the potential military impact of the ‘String of Pearls’ and Chinese strategies in general, we must consider another sensitive discussion, namely the debate on the development of a Chinese ‘Blue Water Navy’. Upon the unveiling of the Liaoning, the first Chinese aircraft carrier, China Daily (2012) stated that the Chinese Navy ‘sails into a new era’ and was ‘set to enhance China’s maritime combat ability’. This marked China ‘entering a global elite club’ according to the newspaper. However, what this actually entails for China and its neighbours is a sensitive issue. The following section will examine the ability and potential uses of the PLAN. More specifically, an assessment of the Chinese blue water navy’s role in the traditional and non-traditional security realms will be made.

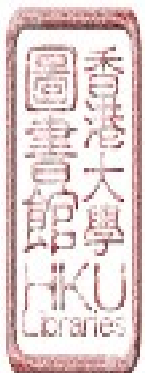


Scott (2008, p.1) defines a blue water navy as ‘one able to operate over 200 miles (320 kilometres) from shore, in other words long-range, deep water, oceanic maritime projection bringing with it seapower’. The United States Department of Defense (2010) further elaborates this by noting that such a maritime force usually ‘includes one or more aircraft carriers’.

O’Rourke (2012, p.7) argues that the Chinese program is set out to modernize the Chinese fleet, and not to increase its size or change its fabric in a way that will allow what he refers to as ‘high-end blue water power projection’. Collins and Erickson (2012) in this regard argue that there are two-layers to the PLAN, as it is a navy that ‘is not working off a traditional European, Soviet, or American naval development playbook’. The first layer is the rapid development of a high-end navy which is focused on the Chinese periphery, and then more specifically anti-navy capabilities. Indeed, China is fielding anti-ship ballistic missiles (ASBM) dubbed ‘Carrier Killers’<sup>2</sup> (Gertz, 2010) and has aimed to obtain access denial capabilities through a periphery fire support by a variety of missile types (Office of the Secretary of Defense, 2013). The second layer Collins and Erickson (2012) outline is the development of low-end capabilities. They explain such capabilities ‘are focused primarily for low-intensity peacetime missions in areas further afield’. Importantly, they argue, these two layers do not overlap.

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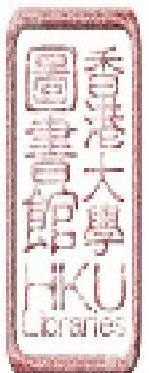
<sup>2</sup> O’Rourke outlines a number of options for the US navy to defeat Chinese ASBMs. The US navy can accelerate the deployment of electromagnetic rail guns, use high-power power electron lasers, solid state lasers, develop endo-atmospheric targets, equipping ships with electronic warfare systems, generate radar-opaque smoke that confuses ASBMs, procure sea-based terminal interceptors, develop ballistic missile defense interceptor missiles, acquire systems for jamming and disabling China’s long-range maritime surveillance as some options (Minnick, 2013)



This section has identified three chokepoints as focal points of Chinese strategic vulnerability. Problematically for China, the PLAN at this stage and in the near to mid-term future is not likely to obtain power projection capabilities to prevent the United States from enacting supply chain disruption outside the Chinese periphery in the case of a conflict. However, Holst (2014) argues that ‘that current PLAN research and development patterns may not predict future PLAN capabilities’. He points to the *People’s Daily*, as the ‘government mouthpiece’, that calls for the PLAN to become equal and able to defeat the U.S. navy, even though this might take years. Furthermore, Holst notes that the newspaper is dismayed by the fact that China's energy imports are protected by foreign navies and that “the prime objective of China’s navy is to develop a blue-water navy to protect China’s energy and trade routes”.

We can extract two dynamics from this. First, China is currently unable to protect its energy shipments. Second, as China is unable to do so, they want to create an image of actively pursuing strategies to obtain such capabilities for the benefit of their domestic audience. However, there are two important dynamics inherent in this observation. As China seeks to appear stronger or create plans to become stronger in the military sense, the CCP will also remain cautious about spiralling into a security dilemma by developing a stronger naval force.

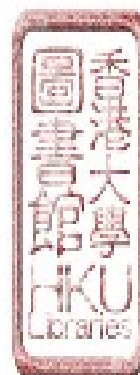
Edward Luttwak, an American strategist, has argued in his book *The Rise of China vs the Logic of Strategy* that very fast economic development and very fast military development will inherently have an adverse reaction to China’s diplomatic influence. Indeed, the combination of China’s economic growth and military aggrandizement will undoubtedly antagonize its neighbours and other countries





located in China's periphery that are wary of China's rise. Thus the creation or the persistence in China's naval development will aggravate such resistance in the region and could potentially have a negative economic effect on China as it will find it increasingly difficult to expand its economy in the regional sense. In fact, the CCP will find the unintended diplomatic effects of developing a navy force inconsistent with its regional policy known as "*zhoubian zhengce*" (periphery policy) or "*mulin zhengce*" (good neighbour policy) which aims to facilitate a peaceful and stable external environment (Li and Lee, 2011, p.154). Consequently, if China decides to develop its navy further, its periphery policy will undoubtedly suffer, engendering economic and political consequences.

In simple terms, Beijing is forced to balance its international and domestic legitimacy. Meaning China has to appear to be a responsible power and avoid committing to a very fast military development while at the same time strive to act as a protector of Chinese interests abroad such as energy transport routes. With these two contradictory dynamics in mind, the prospect of a blue water navy appears in a different light. The unveiling of Liaoning helps us to illustrate these dynamics. Domestic nationalist considerations are apparent in the congratulatory letter from the Communist Party of China Central Committee, the State Council and Central Military Commission upon the Liaoning ceremony. The letter read by premier Wen Jiabao said that Liaoning would "be of great and far-reaching significance in inspiring patriotism and the national spirit and driving national defense technology" (China Daily, 2012). Furthermore, the letter stated that Liaoning also "will be of great significance in

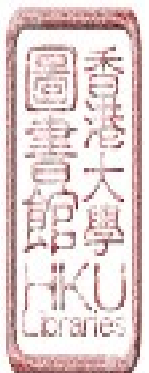


enhancing national defense and the country's comprehensive strength" and would boost naval combat capability (China Daily, 2012).

A different picture is also evident. As noted by Gerald Chan (2014, lecture at HKU), a blue water navy can only function effectively by maintaining three aircraft carriers. One carrier is stationed in international waters, a second one remains in the home port for maintenance, and a third carrier travels between the first two in order to provide a replacement. This shows limited strategic importance in the unveiling of Liaoning in terms of traditional security matters. Robson (2014) explains;

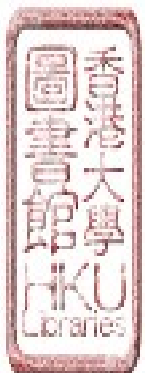
'Chinese aircraft carriers won't be able to compete with the combat power of the U.S. Navy any time soon, but experts say that won't be obvious to many people when the great ships start to exercise, make port calls and respond to natural disasters'

A superior US navy suggests that it will be in Beijing's interest to ensure the Chinese navy avoids any clashes, as the positive domestic perception of the PLAN's relative power would undoubtedly change. In other words, China wishes to use its navy to be perceived as protectors of Chinese interests abroad, as evident in the Liaoning congratulatory letter. On the other hand, any conflict would challenge this perception and is thus not in China's interest. Hence, in traditional security matters a blue water navy has little utility for China, but it performs an important role in channeling nationalism in a positive way for the benefit of the CCP in terms of military energy security.



Another important aspect for the blue water navy is its role in countering non-traditional security threats such as piracy. Importantly, non-traditional security issues render the distinction between economic and military energy security more difficult. This is due to non-traditional security threats being non-confrontational, as opposed to traditional security matters. First, China's involvement in the protection of SLOCs can be seen as an international 'service' due to the costs of sharing the burden of non-traditional threats like piracy. Simultaneously, it also portrays China as a protector of Chinese national interests. Second, China's counter-piracy yields tangible economic benefits by preventing the disruption of energy shipments which generates economic costs to China's growth.

The Gulf of Aden represents an excellent showcase for China's approach to counter piracy activities. The region around the Somalian coast saw a sharp increase in piracy attacks in 2008. According to Liu Jianchao (MoFA, 2008), a Foreign Ministry spokesperson, during the first 11 months of 2008 China had 1,265 commercial ships passing the Somali coast, equalling to three to four ships per day, of which 20 percent were subject to piracy attacks. This led China to engage in counter-piracy efforts in the Gulf of Aden and to dispatch its first Chinese Naval Escort Taskforce (CNET) in the end of 2008 (Economy, 2014, p.172). Putting this into context, Collins (2012, 613) shows that while China has the largest domestically owned merchant fleet with over 3,000 ships between 2000-2009, the attack total of 5.4 percent overall in this timespan was relatively low to that of other merchant fleets. Hence, given a significant increase in attacks in 2008, it is apparent that Chinese counter-piracy activity is highly reactive in relation to Chinese interests.

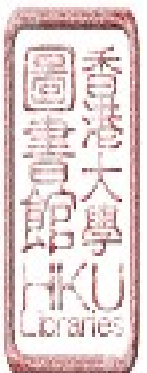


Indeed, Chinese counter-piracy activities focus on the protection of commercial Chinese ships, rather than fighting piracy in general (Economy, 2014, p.173). This illustrates that Beijing's foremost priority is the securitization of economic resources and trade routes, followed by the wish to be perceived as a protector of national values on the domestic level. On the international level, China has joined two multilateral forums such as the Contact Group on Piracy off the Coast of Somalia (CGPCS) and the Shared Awareness and Deconfliction (SHADE) meetings. However, as with most multilateral cooperation China is involved in, its contribution and burden-sharing is very limited (Economy, 2014, p.173-174).

### **Summary**

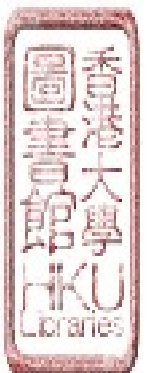
In summary, China has employed multiple strategies in order to avoid and mitigate the strategic vulnerability that the chokepoints present to stable Chinese energy shipments. On the one hand, the strategy of trade route diversification has provided China with alternative means of supply routes to U.S.-dominated SLOCs. On the other hand, the development of a blue water navy is a strategy that is meant to enable Beijing to ensure the security of seaborne energy shipments through military development.

While pipelines serve as an ideal alternative means of importing oil and gas, its effectiveness and security in relation to ships on the open sea is heavily determined by the context of peace or war. Such a contingency inherently creates another vulnerability for the CCP to consider while the choice of alternative supply routes remains limited. Furthermore, the high number of theft occasions is testimony to



pipeline vulnerability and its fragility in guaranteeing a stable, secure energy supply. Yet from the flourishing number of pipeline projects China has instigated, it is clear that the CCP views strategic pipelines as necessary. This is particularly evident when the CCP supports pipeline projects that are bound to yield an economic deficit.

The blue water navy appears to offer China little in terms of traditional security in the short to medium-term. However, its value seem to lie in the effect of portraying China as protector of Chinese interests abroad as opposed to actually ensuring economic energy security. Furthermore, China's approach to counter-piracy efforts suggests that China is able to partially ensure economic security in the non-traditional security. The selective nature of such activity again showcases Beijing as more concerned with responding specifically to Chinese needs alone. In other words, the blue water navy has a strong link to military energy security, and the aim of the CCP to appear as protector of Chinese interests. Inherent security dilemma dynamics in its development suggests that China will balance its development for international stability with nationalist impetus, especially in light of a lack capacity to protect economic energy security in the case of conflict.

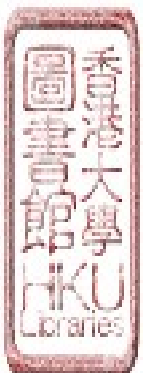


## Case study 2: Middle East

### Introduction

Due to the discovery of the Daqing oilfield in 1959, China was able to remain self-sufficient until 1993 (Sager, 2010). The economic reform policies introduced by Deng Xiaoping in the 1970s, however, ensued a dramatic increase of China's energy demand. The country's shift from a net-exporter to a net-importer of oil has led the CCP to broaden its foreign horizon and to approach the region with the world's largest reserves of oil: the Middle East (Dannreuther, 2011, p.1346). Indeed, China's quest for oil and gas has forced Beijing to re-evaluate its current strategies aimed to secure the continuous flow of imports of resources needed to fuel a growing economy.

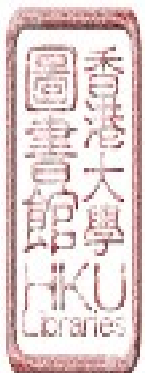
The following case study will analyse China's relations with the Middle East and two of its dominant oil suppliers in the Middle East; Iran and Saudi Arabia. In addition, the section examines Beijing's political and economic motivations for engaging with these countries, in the backdrop of the region's instability and vulnerabilities instilled in China's rapprochement.



## Importance

First, it is crucial to showcase to what extent the Middle East is an important supplier of energy to China. Currently, China is the second largest oil importer in the world, accounting for 10 percent of the world's energy consumption. Nearly half of its supply is coming from abroad, with over 50 percent of its imports originating from the Middle East (EIA, 2014). According to the U.S. Energy Information Administration (EIA), the Middle East currently supplies China with 2.9 million bpd (52 percent) of its crude oil (EIA, 2014). In comparison, the United States imported 2.5 million bpd from the Middle East in 2011, accounting for 26 percent of U.S. oil imports (Downs, 2013). In fact, China's largest crude oil supplier for the past decade has been Saudi Arabia, which provided China with one-fifth of its crude oil imports -- almost 1.1 million bpd -- in 2012 (Downs, 2013). This dependence is likely to continue as dependence on imported oil in 2004 amounted to 46 percent and was projected to increase to 63 percent in 2015 and 77 percent in 2030 (Medeiros: 2009 p. 164). The majority of these imports will continue to originate from the Middle East. Therefore, foreign policy with the aim of securing energy security in the Middle East will increasingly become a priority for the CCP.

The interest in trade relations between Asia and the Middle East is of mutual nature, as the highly oil-saturated region is naturally attracted to China's vast and growing oil market (Sager, 2010). Ever since the global financial crisis, oil demand has plummeted and the outlook for economic growth remains bleak for much of the industrialized world (Sager, 2010). However, as China's economic growth requires a

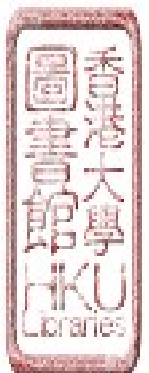


constant stream of oil to fuel its industrial development, Middle Eastern countries paid more attention on gaining access to the Chinese domestic market, which remains the fastest growing energy market in the world (Sager, 2010). In addition, considering that the West has embarked on a search for alternative energy sources, pressure on the Middle East is mounting to seek new markets (Sager, 2010). Downs also adds that as a result of increasing domestic oil production in the U.S., the International Energy Agency projects that the United States' oil imports from the Middle East will fall from 1.9 million bpd in 2011 to just 100,000 bpd -- 3 percent of total oil imports -- in 2035 (Downs, 2013).

Therefore, both China and the Middle East have every reason to cooperate in order to ensure a stable flow of oil imports for China and an expanding oil market for the Middle East to balance the retreat of the West from oil market. In fact, Downs asserts that Saudi officials have repeatedly reassured the Chinese that they can count on Saudi Arabia to provide China with the oil it needs for continued economic growth (Downs, 2013).

## **Issues**

From a Chinese perspective there are two issues challenging China's energy security in relation with the Middle East. First, China is wary about the fact that all energy supplies originating from the Middle East are transported within U.S.-dominated SLOCs (Dannreuther, 2011, p.1346). The Chinese government is indeed uncomfortable with the capability of U.S. naval forces to project power on SLOCs

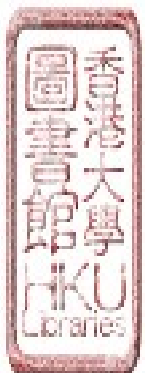




used by China to import its energy. If Sino-U.S. relations were to turn sour or if both countries went to war, China's inability to protect its energy shipments would put China in a position of strategic vulnerability.

Second, Beijing is also wary and insecure about the fact that it has to rely for most of its import of oil on a region where the U.S. has an overwhelming ascendancy in comparison to China. Considering that the PRC will have no choice but to import most of its oil from the Middle East in the future (EIA, 2014), in the event of conflict with the U.S. or Sino-U.S. relations souring, China will once again be put in a position of strategic vulnerability. Besides rising oil production capacity in Central Asia and Africa, the Middle East still dominates the world market of crude oil. Hence, in terms of oil prices, transportation and geographical factors it will remain China's main source of oil (Qian, 2010, p. 67). The fear stems from the fact that such a strategic dependence on the region can be used as political leverage by the U.S. against China (in the case of misbehaviour in the South China Sea, for instance) which would lead to devastating effects on the CCP's legitimacy. Such an action played by the part of the U.S. has manifested in a recent article published by the British Broadcasting Company (BBC); following Russia's takeover of Ukraine, the U.S. has accused Russia of using its energy supplies as a political tool to control Ukraine (BBC, 2014).

China's insecurity is further aggravated by its relatively weak ties to Middle Eastern oil producers in comparison to those of the U.S. and its allies (Japan and major European countries). According to Dannreuther, China has associated this to the fact that the country was 'late in developing a strategy for establishing resource import relationships' (Downs, 2000, p.48). Consequently, China embarked on a charm

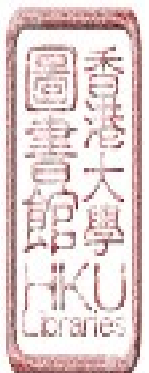


offensive and organized high-level official visits, in order to establish closer multilateral ties with states in the Middle East and to gain an upper hand in its position in the region.

## **Diversification**

As a result of China's perceived vulnerability in the Middle East region noted above, China has sought to follow a strategy of diversification of its supply source. Apart from constituting the region with the most oil reserves in the world, the vulnerabilities and risks attached to the dependence on one sole region like the Middle East, threatens the legitimacy of the CCP. Thus, China further modified its foreign policy in order to accommodate a strategy of diversification of its oil suppliers within the Middle East as well as outside the region.

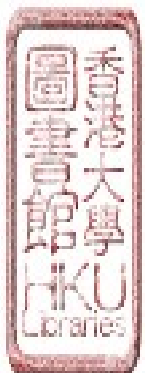
Internationally, China has made efforts to diversify its oil imports with, although not limited to, so-called 'pariah states'. This designation refers to countries that have poor relations with the U.S. or even given a 'pariah' status in the eyes of the West (Dannreuther: 2011 p. 1352). Dannreuther adverts to how China only entered Sudan after the withdrawal of Western companies, because of Sudan's status as a 'pariah state'. China provides these 'pariah states' and other capital-poor nations among others with loans for energy infrastructure and energy reserve extraction processes in exchange for oil and gas imports (EIA "China", 2014). According to the EIA, these 'oil-for-loan deals' have applied to Russia, Kazakhstan, Brazil, Ecuador,



Bolivia, Angola, Ghana. In 2013, Venezuela signed a deal for \$40 billion in exchange for 600,000 bpd of crude oil and products (EIA “China”, 2014).

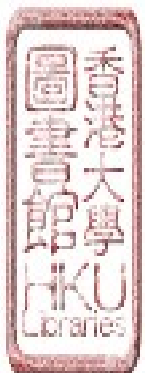
In the Chinese perspective, Dannreuther argues this is also an inevitable consequence of being the ‘late-comer’ in the international energy markets -- where most of the world’s oil and gas supplies are either controlled by International Oil Companies (IOCs) or by National Oil Companies (NOCs). On the other hand, China’s decision to deal with ‘pariah states’ could be explained by an attempt to avoid the risks and strategic vulnerabilities such as the reliance on the Middle East presents to China. Downs argued that China’s interest in developing Central Asia oil reserves and pipelines like in Kazakhstan can be explained by the desire of the CCP to secure an oil supply that avoids the American-controlled sea-lanes (Downs, 2000, p.53). The Shanghai Cooperation Organization (SCO) created in 2001 is the culmination of one of China’s efforts to diversify its imports away from the Middle East into an area that avoids American hegemony.

Within the Middle Eastern region, China has diversified its sources of energy supply to states that hold the most energy, such as Saudi Arabia. Medeiros claims that ‘China’s dedicated effort to grow its ties with the Saudis is a prime example of its goal to diversify its political and economic influence in the region’. In addition to Saudi Arabia, the quest for energy security has also led China to collaborate with Iran and Iraq. In fact, China has been actively building economic, political and military relations with Iran and Iraq, which equally resent American presence in the Middle East (Downs, 2000, p.49). This is consistent with Dannreuther’s argument that China



has clearly viewed Iraq as offering a major political and strategic opportunity to gain a foothold in the Middle East, as a result of its explicit anti-American sentiments (Dannreuther, 2011, p.1360). Furthermore, since the 1980s, China's relations with Iran have been the most high-profile and controversial aspect of its Middle East policy simply because of the complication they create for China's relations with the U.S. (Medeiros, 2009, p.162). Medeiros claims 'China-Iran interactions are strongly influenced, in China's eyes, by the implications for U.S.-China ties'. On the one hand, the U.S. viewed Iran as a prime source of regional instability (terrorism and pursuit of Weapons of Mass Destruction (WMDs)). On the other hand, China based the relationship on mutual benefit and a shared skepticism against the current international system and U.S. hegemony (Medeiros, 2009, p.162).

China's continuously growing thirst for oil implies that its footprint in the region will grow larger over time. Considering this dynamic, Sager argues that sooner or later it is bound to play a more active political role (Sager, 2010). Hence, this case study will further explore China's interactions with two selected countries in the Middle East, namely Iran and Saudi Arabia. The comparison of a pro-Western state and a state viewing Western influence negatively, allows the analysis of China's political and economic interactions in terms of energy security.



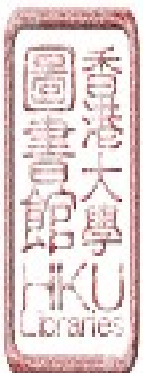
## **Iran**

### **Historical Background**

China and Iran share a long and mostly amicable relationship. The Silk Road - the ancient trade route that linked the Middle Kingdom and the Middle East through Central Asia -- led to diplomatic and trade relations between the two great civilizations since 139 BC. Furthermore, the two countries have no history of war and despite currently being ideologically opposites. Iran is an Islamic republic and China a communist autocracy – their history provides them with a basis for psychological identification as both the Chinese and Persian empires have “suffered from the humiliating experience of neocolonialism” (Dorraaj, 2008). The two countries also share a strong belief in non-intervention in the affairs of sovereign countries and an ideological commitment to Third World identification (Dorraaj, 2011) all of which have provided the two countries with a common standpoint despite their ideological differences. However, this relationship remains centered around economic and political interests, and, not least, oil.

### **Mid-1979 to 1990’s**

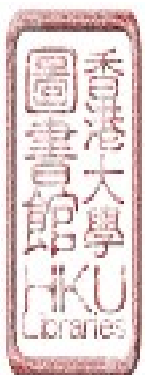
In the late 1970’s, two major events took place in the two countries: The 1978 leadership change in China following Mao Zedong’s death, and the regime change in Iran following the revolution that overthrew the American appointed Shah in 1979. As Deng Xiaoping began reforming and opening up the economy and the Islamic



Republic was founded, the ties between the two countries grew steadily (Dorraj, 2009). While both countries were challenged domestically, as they rose as regional powers in their respective region, they also started developing a common interest in balancing the United States and its allies. The forged alliance was based both on economic and political interests. As trade relations kept growing, they also offered each other public, rhetorical backing. China thus condemned the U.S. downing of a passenger plane from Iran in 1988, while Iran backed China following the violent crackdown on the democracy protests in Tiananmen Square the year after (Dorraj, 2008). The cultural ties also intensified as the two countries exchanged students, scholarship programs and tourists more freely. This intensified relationship was also evident when it came to trade relations. China, who first began importing oil from Iran in 1974, significantly increased its import of Iranian oil throughout the 1980s. The import went from 300,000 tons of oil in 1977 to one million tons (25,000 bpd) in 1982, which was then doubled to two million tons (40,000 bpd) by 1989-90 (Huwaidin, 2002, 165-172).

### **Mid-1990's to 2008**

In 1992, China's domestic oil and gas reserves were no longer sufficient to accommodate the country's growing need for energy. As China's energy demand grew dramatically during the early 1990s, China began revising its policy in the Middle East. Instead of continuing backing radical regimes such as Yemen and Oman, in the mid-1990's, China began focusing on improving, expanding and stabilizing its relationships with bigger oil producers, especially Saudi Arabia and Iran (Dorraj, 2011). Still crippled by international sanctions following the hostage crisis of 1979 and

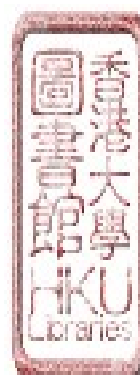


the Iran-Iraq war that ended in 1988, Iran was having difficulties finding a buyer for its oil exports -- the main source of income for the country. The sanctions also heavily damaged its oil infrastructure (Dorraj & Currier, 2008), as the harsh sanctions dried up funds for modernizing or expanding the facilities. China, eager to lock-in Iran as a long-term supplier of oil, convinced the country of its technological capabilities, offered Iran to engage in joint-venture exploration of new fields, both oil and gas, as well as promised to rebuild the run-down and war-torn facilities. This led to the signing of a cooperation agreement in 1997 (Garver, 2006, p. 266-268). The relationship between the countries, based on the export of Iranian oil and gas to China, intensified throughout the end of the 20<sup>th</sup> century and the beginning of the 21<sup>st</sup>. In 2004 the two countries made history when they reached an agreement on the world's largest purchase of natural gas, with China buying 2.5 million metric tons of liquefied natural gas every year for 25 years (Howard, 2007, p. 95). China has continued investing in the Iranian oil infrastructure, and the trade volume has increased as well, reaching \$15 billion in 2007, which represents a 27 percent increase (Yasin, 2007).

## **Current Relationship**

### **Background**

Over the past three decades, China and Iran have developed a relationship that is both broad and deep, and while the central pillar remains China's growing need for energy, China-Iran ties have extended to involve non-economic aspects (Harold & Nader, 2012, p.1). Indeed, arms sales, mutual diplomatic support and at the very least,

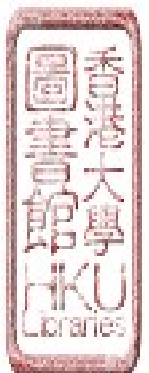


leverage against the U.S. (Harold & Nader, 2012, p.2). However, China remains hesitant in forging a closer political relationship with Iran, as an affiliation with a pariah state entails significant reputational costs and might sever Chinese relations with the United States (Harold & Nader, 2012, p.2). This section of the paper will explore the economic and political costs and gains in China's relationship with Iran.

### **Economic ties**

The broadening and deepening of the relationship between China and Iran has resulted in China becoming the biggest buyer of Iranian oil as well as Iran's biggest economic partner (Harold & Nader, 2012, p.10). The total bilateral trade between the two countries amounted to \$39 billion through October 2011 (Nasseri, 2011) and they have announced plans to more than double this trade to \$100 billion in 2016 (Fars News Agency, 2011; Mehr News Agency, 2011). The economic relationship is not only fueled by the Chinese imports of Iranian energy resources. China is also playing a crucial role as the dominating foreign player in helping Iran explore and extract oil and gas (Harold & Nader, 2012, p. 10), just as China is investing in other sectors, including industrial, mining and particularly in infrastructure.

The rapid growth of the Sino-Iranian economic relationship has partly been attributed to the isolation of Iran. So far four rounds of UN Security Council sanctions have been imposed, as well as several unilateral sanctions, with the United States as the frontrunner (Hunt, 2011; Shimbun, 2012; Reuters, 2012; Cody, 2012; Platts, 2012). While most countries in the world including Iran's trading partners, such as Japan and





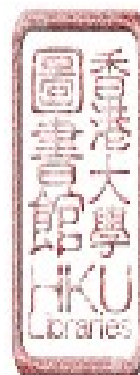
Turkey, are withdrawing from their relationship with the country, China has made it a “deliberate strategy” to grow its economic ties with Iran, as a way to shield the country from the sanctions which have crippled the Iranian economy (Lasster and Hall, 2012). Indeed, instead of distancing itself from Iran following the agreement on sanctions, China has instead ‘accelerated and expanded its economic ties with Tehran’ (Harold & Nader, 2012, p.9).

China is benefiting from the sanctions on Iran in an economic sense, by winning contracts that Iran would have otherwise given to other countries and by taking advantage of lower oil and gas prices (Slavin, 2011; Vakhshouri, 2012). Japan’s withdrawal from the Azadegan fields due to U.S. pressure, and China’s subsequent involvement is a good illustration of these dynamics (Harold & Nader, 2012, p.10).

China is the only country still active in the Iranian oil patch (Downs & Maloney, 2012, p.1) and simultaneously the only country shielding Iran from international sanctions, therefore Iran is willing to accept this dependency (Harold & Nader, 2012, p.10). China has repeatedly stated that it only adheres to the limitations imposed by United Nations Security Council Resolution 1929 which allows countries and companies to invest in energy and trade (Downs & Maloney, 2011, p.3).

### **Political (and Military) Ties**

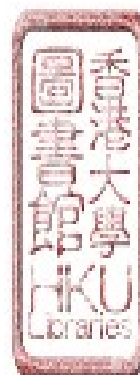
China’s need for foreign energy sources and Iran’s abundance of oil and gas as well as its limited access to the international market due to sanctions lie at the centre of the Sino-Iranian relationship. However, it has broadened to include political and



military ties as well. Furthermore, it must not be understated that China's purchase of Iranian oil necessarily establishes the economic relationship as inherently political due to the international sanctions imposed on Iran. Indeed, while China has moved fast in forging a closer relationship with Iran because of the alluring economic prospects of securing a long-term supply of oil due to the sanctions imposed on Iran (Downs & Maloney, 2011, p.7), dealing with Iran carries political costs for China.

Michal Meidan, an expert on Asia for the Eurasia Group, is quoted in Harress (2013) for saying that "the trade relation between China and Iran has been a very delicate balancing act for China", as "China views Iran as a long-term partner, but not at the expense of compromising relations with the U.S." The balancing act has been apparent in the Chinese behaviour in the UN Security Council's resolution on the nuclear program. In 2010 China abstained from voting – and vetoing – on Resolution 1929 which imposed another round of sanctions on Iran in the hopes of curbing the Iranian nuclear program and making Iran more cooperative with the International Atomic Energy Agency (IAEA) (Ferdinand, 2013, p.6).

According to Garver (2011, p.1), China has six objectives in dealing with Iran: cooperate with the U.S. as far as necessary to demonstrate that China is not a strategic rival and should be seen as responsible partner; support Iran against U.S. diplomatic pressure and help it to advance its nuclear program; expand economic cooperation with Iran and deflect sanctions; facilitate the flow of a wide range of dual use technologies to Iran; cooperate with Iran to strengthen its military capabilities, and try to mediate between the U.S. and Iran. It is the balancing between these objectives that rationalises

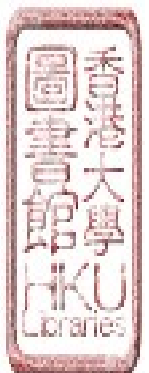


China's abstention from vetoing sanctions and/or efforts to bypass them once they are imposed.

A debate is going on in Beijing over how close of an association Beijing can afford to have with Iran, and whether the access to oil and prospect of securing a long-term supplier is worth the political costs (Harold & Nader, 2012, p.16). This balancing act is also evident in China's changing attitudes to arms sales to Tehran. While China has previously been one of the main suppliers of weapons to Iran, especially during the Iraq-Iran war (Mazza, 2011, p.7). In recent years China has halted the sale of weapons, even though they are allegedly still going on (Harold & Nader, 2012, p.17).

### **Summary - Iran**

Despite the growing political costs of conducting business and forging a closer relationship with Iran, China's economic and political ties with Iran have grown in recent years (Harold & Nader, 2012, p.26). This is because China's growing need for foreign energy resources is shaping the relations between the two authoritarian countries where relations are shaped by the overlapping economic interests between them (Mazza, 2001; Dorraj and Currier, 2008). Furthermore, investing in Iran provides China with the prospect of a secure supplier of oil for decades to come (Harold & Nader 2012, p. 17). Despite the political costs associated in tying hands with Iran and in particular the costs in relation to the U.S., China is deepening and broadening the relationship. Admittedly, China's investments have "enhanced Chinese energy

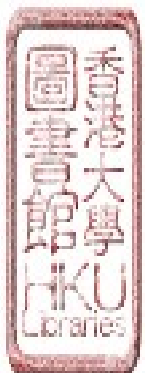


security by developing a solid relationship with a supplier unlikely to be compelled into cutting oil exports to China in the event of a U.S.-Chinese military conflict” (Harold & Nader, 2012, p.18).

## **Saudi Arabia**

### **Historical background**

In contrast to China’s relationship with Iran, the Sino-Saudi relationship has been short and defined by animosity. The countries shared ten years of friendship from the establishing of their relationship 1939, when Saudi Arabia normalized diplomatic ties with the Republic of China as the first country in the Arab world (Al-Tamimi, 2012, p.3). However, when the CCP took control of most of mainland China in 1949, Saudi-Arabia maintained diplomatic ties with Taiwan for the next four decades. In large parts this was due to strong economic ties between the two countries and the fact that Taiwan imported 40 percent of its oil from Saudi-Arabia (Tanzer, 1982, p.28-29). In July 1990, Saudi Arabia decided to shift its diplomatic recognition from Taiwan to the PRC. This decision was accredited to Saudi Arabia giving priority to the economic opportunities the development of a relationship with the PRC offered (Ismail, 2011, p.168). The coming decade saw a significant growth in the diplomatic and economic relationship, with numerous high-level visits, signing of agreements (Anderson, 2004) and dramatically increasing trade ties (Ismail, 2011, p.2). The volume of oil imports

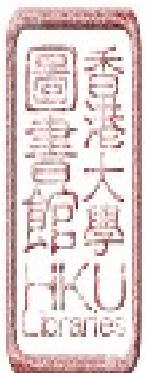


rose by 6721 percent during the first decade of the relationship (Ismail, 2011, p.369). In 2002, Saudi Arabia became the biggest source of oil imports for China after trade increased with more than 59 percent in one year -- a position it has retained ever since (The Economist, 2010). Then in 2010 China overtook the United States as the biggest importer of Saudi oil (Mouawad, 2010).

### **Current relationship: Political and Economic Costs and Gains**

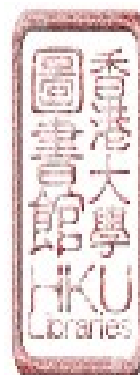
The current relationship between China and Saudi Arabia is one of ‘complex interdependence’ based on the bedrock of the close economic links between the two countries and with close to no focus on military ties (Ismail, 2011, p.366-367). China is heavily dependent on Saudi Arabian oil and hopes that investing in the political and economic relationship with Riyadh will secure China access to the fields of the world’s biggest oil producer, as well as access to a large trade market (Al-Tamimi, 2012, p.7; BP, 2013, p.6). The former Chinese ambassador to Saudi Arabia said the only way to describe the relationship is “energy cooperation”. Thus, the strategic cooperation implies that Saudi Arabia hopes for increased political and economic ties resulting in a stable export market for oil and gas, and for China to enhance its investments and assistance in the economic development of the country (Al-Tamimi, 2012, p.7).

Especially since the 9/11 terrorist attacks on the U.S., Saudi Arabia has applied a hedging strategy to decrease its dependence on the United States (Al-Tamimi, 2012, p.3; Pant, 2006, p.45-52, Leverett and Bader, 2005, 187-201). Saudi Arabia decided to look towards the East and slowly retreat from the former decades of an “oil for security” relationship with the United States (Conge and Okruhulik, 2009, pp.359-



374). The goals Saudi Arabia is aiming for includes “rapid growth without regime change”, which the “China model” can offer. As Prince Turik-al Faisal said about the Sino-Saudi relations, ““with China, there is less baggage, there are easier routes to mutual benefits”” (Meyer, 2010).

Another benefit of the Sino-Saudi relationship from the Chinese perspective is that it is “absent of the possible political consequences and image concerns that occur in Sino-Iranian relations” (Douglas, Nelson and Schwartz, 2007, p.8), since Saudi Arabia is not a ‘pariah state’ like Iran. According to Jochen (2006), China also views a robust relationship with Saudi Arabia as “the best possible approach to being shut-off from vital oil resources in the case that the Sino-American relationship should take a turn for the worse”. However, China is faced with the challenge of dealing with Saudi Arabia and Iran who are arch enemies, while the U.S. plays an integral role maintaining a close relationship with Saudi Arabia and being the frontrunner for imposing sanctions on Iran. China is thus attempting to protect its economic and political interest in the region while playing a “hard political game” (Becker, 2010) balancing its relations with Iran, Saudi Arabia and the United States. While Saudi Arabia’s close relationship with the United States has diminished the prospects of closer military ties between China and Saudi Arabia, China’s close relations with Iran has had the same effect (Al-Tamimi, 2012, p.13). Furthermore, China is far from exerting the same level of influence in the Middle East and globally as the U.S. As a result the Saudi Arabian leadership regard China as ‘a weak alternative for U.S. supports against threats’ (Al-Tamimi, 2012, p.14).

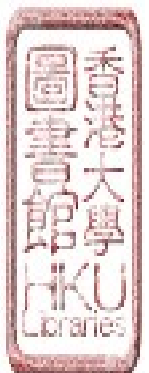


## Summary

While the economic ties between China and Saudi Arabia keep increasing and show no signs of slowing down, the military and security ties remain almost obsolete, apart from Chinese arms sales to Saudi Arabia. The relationship is thus largely defined by economic interests, yet the economic ties are helping to build political trust between the two countries (Al-Tamimi, 2012, p.17). The relationship is – and will remain for the foreseeable future – an ‘energy-economic partnership and not a strategic-political alliance’ (Al-Tamimi, 2012, p.19). It is unlikely that Saudi Arabia will look to China for security instead of the United States (Bremmer, 2011). China seems to be content with the almost exclusively economic nature of the relationship, as it is in the country’s national interest to accommodate its growing energy needs and not to project power in the Middle East at the cost of the United States (Al-Tamimi, 2012, p.19). It is thus likely that the economic interdependence will increase, while the political relationship will remain secondary.

## Conclusion - Middle East

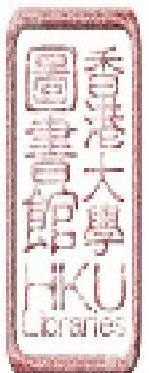
Based on the evidence so far, it is clear that China’s engagement with the Middle East for oil is highly contentious. From the overwhelming American presence in the region to the reliance on SLOCs that are exposed to American naval forces, a stable flow of oil imports from the Middle East is increasingly tied to China’s relations with the U.S.. Furthermore, following the 9/11 tragedy, an aggressive American policy imposed on the region has led China to deem the Middle East a “politically volatile



region” (Downs, 2000, p.19) and implying a greater strategic risk to supply line disruption (Wu and Landsdowne, 2008, p.183).

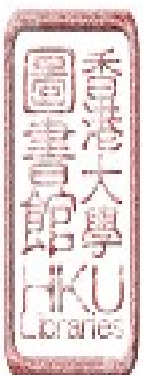
On the other hand, due to a retreating American oil market, analysts like Sager have observed that China’s political role in the region will increase. The comparison of China’s relations with pro-western Saudi Arabia and anti-western Iran showcases these dynamics. To summarize these interactions, it is clear that China’s engagement with the region is based almost exclusively on economic motivation. In fact, in some cases, China has gone the extra mile to avoid antagonizing the U.S., particularly regarding sanctions on Iran.

According to Economy, despite being uncomfortable with a strong U.S. presence in the Middle East, China is equally worried about a departure of the U.S. from the region. She claims that ‘were the United States largely to withdraw from the Middle East...China might find its energy supplies considerably more volatile’ (Economy, 2014, p.167). Economy argues that ‘Chinese concerns about possible U.S. retrenchment have increased in recent years as Western analysts have begun projecting that North America might become energy self-sufficient’ (Economy, 2014, p.168). This is consistent with Sager’s and Downs’ prediction of a retreating U.S. market. It also goes in line with Dannreuther’s argument that there is a considerable amount of pragmatism evident in China’s engagement with the Middle East. He further contends that China is not seeking to usurp or challenge U.S. hegemony in the region directly, nor does it see itself as an alternative hegemon. Yet, he argues that China does have a firm political resolve and a clear set of objectives in the region, notably to increase its influence and courting the states of the region, in particular those with the largest oil





and gas reserves. By doing so, China attempts to persuade them to diversify their relations towards China and Asia-Pacific, in order to reduce their dependence on and political subordination to the U.S.. As a result, China will not only increase its energy security in the region but it will also build a foundation for a substantive political role in the future, which in turn would diminish China's vulnerability to U.S. hegemonic control (Dannreuther, 2011, p.1361).



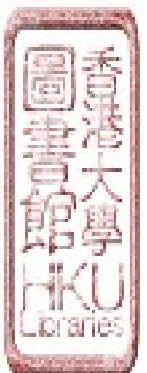
# Case Study 3: Japan

## Introduction

This paper's third and last case study will explore Sino-Japanese political and economic relations through the lens of geographic constraints. China and Japan, in close proximity to each other, are both heavily dependent on energy imports transported on the same SLOCs. Moreover, the two countries share a history that entails sensitivities, which at times has led to clashes fuelled by nationalism. This case study aims to observe and assess what causes such clashes, as well as their economic and political impact on China's foreign policy.

To provide a foundation for the following discussion, the first section aims to contextualize the Sino-Japanese relations. To begin with, the nature and impact of Japanese energy dependence will be considered. By outlining shared energy security characteristics, one can better understand how China and Japan view each other in terms of energy security. Secondly, the geographical background will be used to highlight the security limitations of energy transportation in the region. Finally, this section will outline some nationalist dynamics that are likely to be important in Sino-Japanese relations.

The second section of this case-study is dedicated to the observation of three cases depicting different dynamics in Sino-Japanese relations. First, the case of the Russian pipeline from Angarsk in 2004-2006 showcases the economic competition

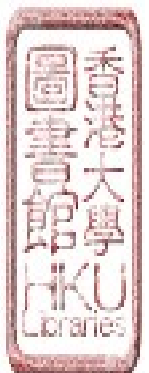


between China and Japan. Second, the Chinese establishment of the Air Defense Identification Zone (ADIZ) presents a situation in which nationalist competition was employed to ensure security interests. Finally, the ratification of a ‘code of conduct for unplanned encounters’ on the South China Sea by Japan and China will showcase the necessity of guidelines to avoid unintended nationalist escalation (which in turn could lead to conflict).

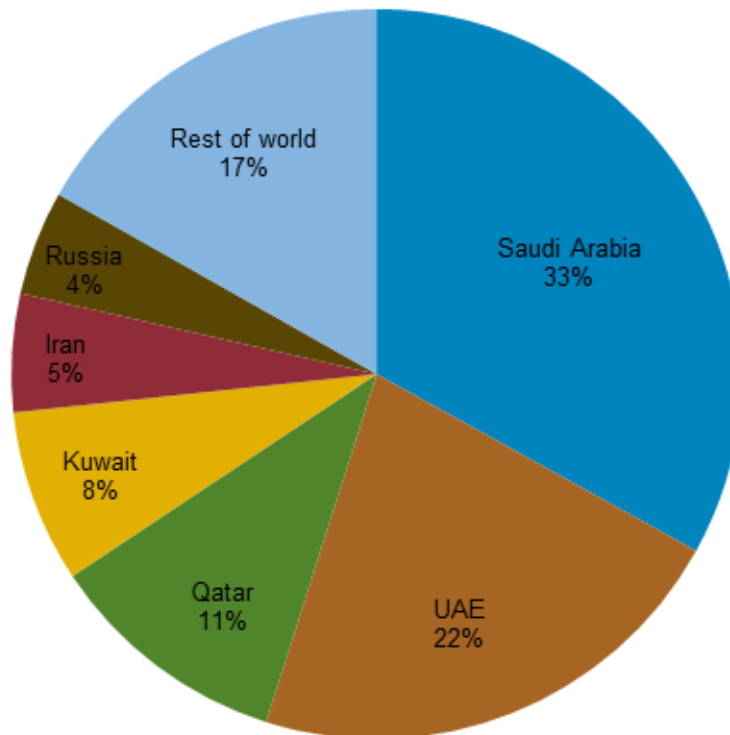
### **Energy Security Characteristics**

According to the EIA, Japan was the third largest petroleum importer in the world in 2012, importing over 4.7 million barrels per day (EIA, 2013). Oil remains the largest source of primary energy in Japan, however, its share in the energy mix has fallen (Stewart, 2009, p.182). Due to a combination of energy efficiency, the expanded use of nuclear power and development of renewable energy the overall consumption of oil has declined from about 80 percent in the 1970s to 43 percent in 2011 (EIA, 2013). Japan relies almost solely on imports to meet its oil demands. However, since the Fukushima incident in 2011 Japan’s oil imports rose, due to concerns regarding the safety of nuclear power (Tabuchi, 2012).

The following pie chart provided by the IEA, clearly shows that the main source of oil for Japan is Saudi Arabia.



### Japan's crude oil imports by source, 2012

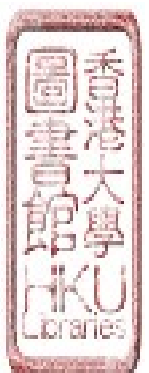


eia Sources: Global Trade Atlas, METI

**Figure 8** (EIA, 2013 - 'Japan's crude oil imports by source')

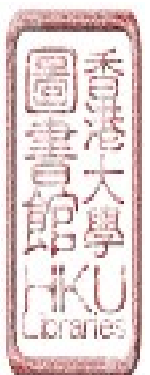
The observation that Japan relies heavily on Middle Eastern oil is significant, considering that the same applies for China. Japanese imports thus go through the same SLOCs and chokepoints like China's oil shipments.

However, China and Japan can be distinguished in other aspects such as structural factors. First, China's size and rapid growth imply that it requires more energy as opposed to Japan with its comparatively moderate economic growth. Indeed, Japan's GDP was forecasted to grow a mere 1.4 percent for the fiscal year of 2014 (Reuters, 2013). Second, both countries have been active in reducing the country's



reliance on oil imports. Implementing domestic policies, Japan yielded more successful results in comparison to China, who employed a strategy of diversification on the international level. These domestic policies which include fuel substitution, government-mandated energy efficiency targets as well as a declining population. As a result, Japan's oil demand has declined by 15 percent since 2000 (EIA, 2013). Third, while China's industrial sector is highly dependent on oil, Japan's industry has already developed to the point that it has shifted to natural gas (Drifte, 2001, p.270) -- once again lowering its reliance on strategically vulnerable oil imports.

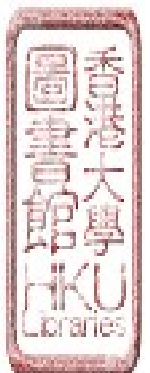
Japan's stable growth and its aim to shift away from the use of oil on a domestic scale has meant that its overall consumption has been decreasing in recent years. Nonetheless, Japan is reliant on seaborne imports of oil and liquified natural gas (LNG). This implies that maritime security is of fundamental importance to both the Japanese and the Chinese government. To further understand the background of relations between Japan and China, we must discuss their close geographical proximity.

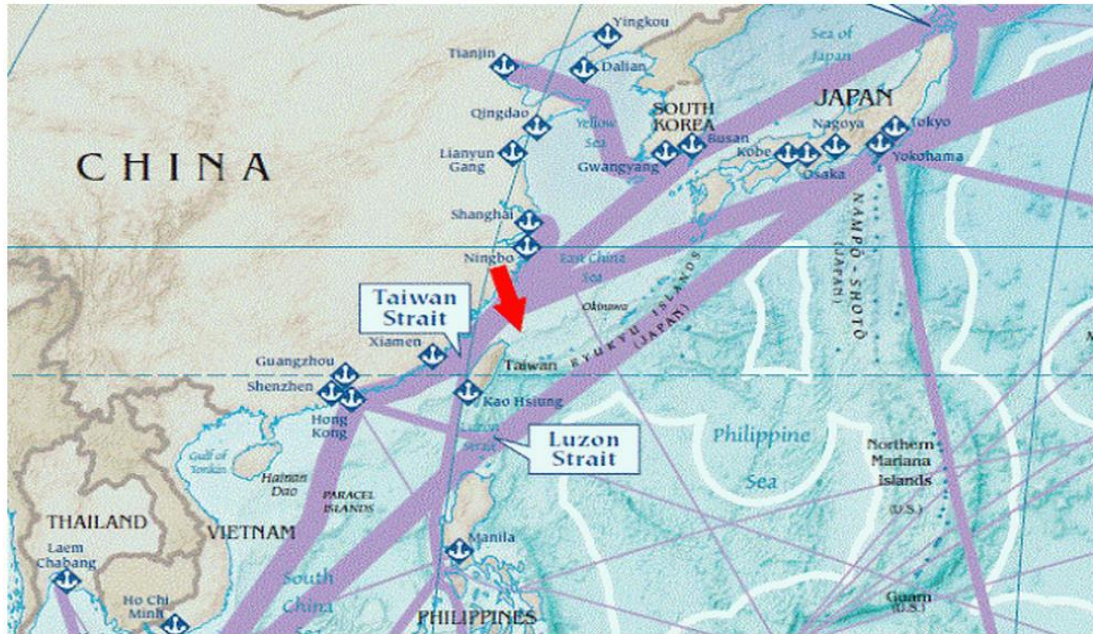


## **Sino-Japanese (Geographical) Background**

Japan's geographical location has been a crucial factor around which much of the discourse between China and Japan has evolved. Its proximity to the Yellow and East China Sea exposes a strategic issue for China and Japan, namely that a conflict would have significant impacts on the seaborne shipments that pass through the SLOCs they share.

To China this is an especially sensitive security issue. One prominent aspect of China's transport geography can be found in its northeast coastal region, which has traditionally been the main Chinese industrial area. Additionally, it is in this region that trade networks with Russia are located, such as the ESPO pipeline (Medeiros, 2009, p.108-109). As a result, the majority of China's oil refineries and storage centers are located in this region. This means that most of its oil imports must pass through transportation hubs, such as ports, located along the coastline bordering the two seas connecting China and Japan. This is evident in the following map, which highlights the geographical proximity of strategic SLOCs and ports. The red arrow marks the disputed area where Senkaku/Diaoyu islands are located -- a territorial dispute which lies at the core of current Sino-Japanese nationalist tensions.

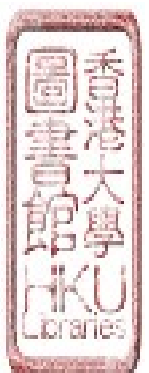




Arrow indicates disputed area. Sea lanes in purple (from CIA map).

**Figure 9** (Tempest, 2012, ‘Things to worry about: Japan and China and some islands in the East China Sea’ )

More specifically, the majority of China’s major ports are located in the waters of East China Sea and the Yellow Sea. These ports are vital for the movement of goods both within and outside of China. The most critical are China’s northern ports such as Dalian and Tianjin, as well as Shanghai’s deepwater port (Cullinane and Wang, 2004, p.38). The Tianjin Port is the gateway to Beijing, while the deepwater port in Shanghai is China’s main international port (Xu, 2011). In domestic transportation, these ports are responsible for shouldering the burden of an aging railway system and more expensive overland routes. All the northern ports in China are transport hubs responsible for distributing China’s domestically produced energy supplies, in particular coal (Xu, 2011). This suggests that, in addition to disrupting international



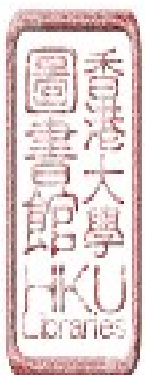
seaborne shipments, a potential conflict between Japan and China could also have an impact on the domestic transport of coal.

Due to its geographical characteristics Japan is reliant on seaborne shipments. This led to the early development of an extensive port infrastructure all over the country. Japan's biggest ports are all located on its East coast facing the Pacific Ocean, connecting a massive inland consumer market with the international markets. The most prominent ports include the ports of Nagoya, Tokyo, and Yokohama as seen on the previous map.

Now that Japan's oil relationship has been defined in relation to China and that the geographical proximity of their strategic SLOCs and ports have been denoted, it is evident that China and Japan have a common economic interest in avoiding conflict. However, to understand the likelihood for conflict, nationalist dynamics in Sino-Japanese relations must also be considered in the equation. This will further contextualize the impact that economic energy security and nationalism have on shaping Chinese foreign policy in regards to Japan.

## **Nationalism**

When discussing the Sino-Japanese relationship, it is necessary to outline nationalist tensions that frequently flare up, particularly in relation to territorial disputes about the Senkaku/Diaoyu islands.

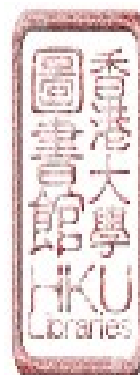




Zheng (1999, p.135) explains that ‘modern Chinese history is closely associated with Japanese aggression in China’ and that for many Chinese ‘Japan’s modern success was based on China’s humiliation’. In this regard, Zheng alludes to the 1894-95 Sino-Japanese War, the Treaty of Shimonoseki, the intervention in Manchuria and the Nanjing massacre as defining historical incidents. In Japan on the other hand, officials were perceived as being reluctant to ‘take the responsibility for Japan’s wartime atrocities and colonial excesses on the Asian mainland, particularly in China and Korea’ (Hartley, 2007, p.93). Hartley further notes that this has painted an image of the Japanese populace as having lost their consciousness of historical war-crimes. In the eyes of external observers, the resurgence of rightist political forces in Japan, described to ‘hold staunchly conservative views similar to those of America’s Tea Party’, does little to counter such views (Hayashi, 2014). This creates a potent foundation for strong nationalist rivalry.

In 1972, the agreement between Chinese Premier Zhou Enlai and Japanese Prime Minister Kakuei Tanaka, to put the dispute of the Senkaku/Diaoyu islands to the side (Nye and Rudd, 2014), made it possible for China and Japan to normalise political relations. China and Japan were able to improve their relations in general, and this facilitated cooperation in the field of energy security. As such, in 1974 China exported oil to Japan, which increased to over 50 percent of Chinese oil exports in the second half of the 1990s (Sun, 2012, p.2).

The tacit agreement between Zhou and Tanaka on the Senkaku/Diaoyu islands disputes began to unravel in 2008. During that year a failed attempt to cooperate on the joint development of the Chunxiao/Shirabaka gas field (Economy,

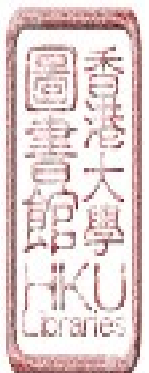


2014, p.142) put a strain on Sino-Japanese relations. Tensions reached a new high in September 2010 with the conviction of a Chinese captain who crashed into a Japanese naval vessel. This caused nationalist sentiments to rise high and the two countries initiated a spiral of action and reaction (Nye and Rudd, 2014).

### **China-Japan-Russia: Pipeline**

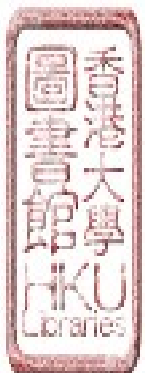
Given the dependency of both Japan and China on imported energy resources and shared main supply routes in the East China Sea, there is heavy competition between the states to secure their energy supply lines. Furthermore, the nearest supplier for their energy needs is Russia. In the following case study it will be observed that these factors have created a tense dynamic between China and Japan as both compete for influence and the ability to project power in the region. Their geographic proximity and the overlap of their immediate spheres of influence enhance the importance of this in the security calculations of both states.

Between 2003-2006 China and Japan heavily lobbied Russia to develop pipeline routes favoring their interest (Helmer, 2005). In early 2003, Russia agreed to sign agreements with China to establish pipelines linking Russia's oil field in Siberia to China's Daqing. In late 2003, Japan successfully lobbied Russia to guarantee a similar commitment for the establishment of pipelines to its Pacific ports. What followed was a series of increased lobbying by China and Japan to ensure that priority would be given to their pipelines. While Russia attempted to navigate this issue by



setting the pipeline to initially stop 50 km outside of China's border to allow for a second Pacific-focused pipeline to branch off, this plan failed due to Japan's refusal to compromise.

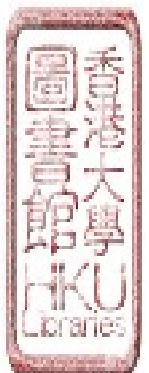
During these negotiations Russia played a careful balancing game. As the then deputy foreign minister Alexander Alexyev summarized the argument, Russia's objective in developing pipelines was 'to expedite the development of East Siberia and the Russian Far East' (Chan, 2005). With this in mind, Russia was 'happy to cooperate with partners in Japan, China and other countries of the Asia-Pacific region in its implementation' (Chan, 2005). Russia's balancing act was evident in 2003, when Russia held high profile meetings with both states' leaders, Hu Jintao and Koizumi respectively (China Daily, 2003). As Russia's pipeline company Transeft's spokesperson emphasized, "we are not building a pipeline to China or Japan. We are building a pipeline on the territory of Russia. The first part of the project will stretch to Skovorodino [terminal]. Then for the project to start operations, we will send oil from Skovorodino by railroad" (Helmer, 2005). In this light, two dynamics from Russia's pipeline project can be observed. Firstly, Russia was keen to emphasize that the construction of the pipeline was not done as a favor for either China or Japan. Secondly, Russia recognized that economic and not political considerations would be the focus of its decision on the pipeline routes. By establishing Skovorodino -- 54 km from China's northernmost Heilongjiang Province-- as the location where the pipeline would end and the oil would be distributed, Russia left open the possibility to extend the pipeline network towards either Japan or China. Economics was the determining factor in this case of competition for energy.



From 2003 to 2006 the pipeline biddings gained economic recognition and evoked discussions among political analyst. After much wrangling, with both countries guaranteeing ever-higher sums of money to invest in Russia, China won the bid. However, after China pushed for full control of the pipeline, the deal did not go through and the pipeline was instead given to Japan. While a critical and fierce competition for future energy security was stirring between China and Japan, the discourse only remained in the spotlight of both countries, governments and corporations. China's initial success and eventual failure did not stir up significant national sentiment. Similarly, in Japan while the pipeline deal was seen as a critical competition with China, it was not something of great interest to the public.

### **ADIZ and Senkaku/Diaoyu Island Dispute**

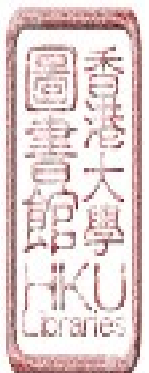
In April 2012, tensions were raised when the Senkaku/Diaoyu Island dispute escalated. While the islands were subject to a long-standing territorial dispute between China and Japan, it was in 2012 that the confrontation between the two nations reached new heights. The catalyst for this escalation was the statement by Tokyo Governor Shintaro Ishihara that public funds should be used to purchase the islands from its private owner. In order to prevent the conservative Governor of Tokyo from escalating the situation on the international level, the government of Japan bought them instead. This triggered massive protests throughout China, culminating in the boycott of Japanese goods and had severe impacts on Japanese businesses. In 2013, China



established an ADIZ over the area, sparking protest by the Japanese government. As of 2014, tensions between the two states remain as high as of 2012.

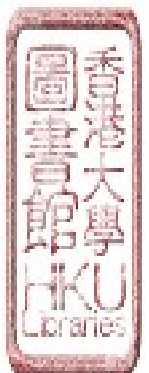
A retired Chinese Major General Luo Yuan in an interview with the South China Morning Post reflected on the issue, noting that "China should remain in a high state of vigilance because Japan has a history of manufacturing small incidents to trigger military conflict" (Chan, 2014). China Daily depicted Japan as belligerent in the matter. In a public statement Chinese foreign ministry representative Hua Chunying contended that "we urge the relevant countries to respect facts, distinguish right from wrong, cautious and stop all words and deeds that are not beneficial to the proper handling for the issue and undermine regional stability" (Reuters, 2013). These statements illustrate that Beijing fuels the perception of Japan as an aggressor, in order to gain support on a domestic level.

Japan has similarly responded to China's reaction to the dispute. Senior cabinet Vice-Minister Yasutoshi Nishimura stated in an interview with the South China Morning Post, "It does look like China, on the back of its power, unilaterally tried to change the status quo. That's our interpretation". He further compared China's action of claiming the island as its sovereign territory to Russia's seizing of Crimea (Robertson, 2013). Similarly, the Japanese government in 2013, called for a boycott of Google maps, because of the use of the Chinese name for the islands (Japan Times, 2013). Furthermore, the Asahi Shimbun published an editorial piece by a professor Mori (2013) labelling 'China's Air Defense Identification Zone' as an act of intimidation.



From the evidence presented above, it can be observed that both China and Japan have taken a hardline approach over the Senkaku/Diaoyu islands dispute and made it a point to depict the opposing party as an aggressor. Indeed, nationalist sentiments weigh heavy over the issue, with strategies such as boycotts and protests being promoted by the government of both countries, in order to gain domestic support. When the escalation reached the point that individuals of both countries were targeted, China pushed for restraint. This call for restraint was meant to reinforce the country's claim of being a victim and at the same time to discredit Japan. This is consistent with the statement of an independent political analyst saying that "the protests come when the leaders need one to come, and the protests will stop when they want them to stop" (Wan, 2012).

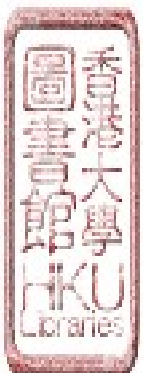
Notably, despite escalation on both sides, neither party has pushed for more than rhetorical battles. Even China's ADIZ represents a defensive, rather than an offensive measure. As noted in ABC, the Japanese governor's claim to purchase the island was done as a domestic move to promote his conservative voting base (ABC, 2013). Nevertheless, both sides have been working towards establishing a certain level of restraint and increasing the exchange of information, in order to improve transparency, in spite of occasional public cries for escalation. Up to this point, there has not been any escalation on a military level, as opposed to the case of China and Taiwan, or North and South Korea.



## Establishing Joint Navies Sign Sea Code

On April 22, 2014, twenty-three states in the Asia-Pacific region ratified a joint communication agreement establishing ‘The Code for Unplanned Encounters at Sea’ (China Daily, 2014). Among the states ratifying the code were the United States, Japan and China. The code serves to establish a common language among states in the region, so as to avoid miscommunication between ships. Besides being a non-binding agreement, the code provides communication guidelines for states to enhance inter-state transparency, so as to avoid any unnecessary conflict through miscommunication or accidents. Moreover, the ratifying of the joint communication agreement is the result of a regional agreement on restraint.

In response to the treaty, China Daily quoted Vice-Admiral Xu, stating, “You can’t say it’s related to the issues in the South and East China Seas. This is about the navies of many countries....this will not influence those issues” (Zhao, 2014). On a similar note Admiral Wu contended “we need to respect history and take history as a mirror and continue to resolve maritime disputes and conflicts through peaceful means as well as avoid extreme behavior that may endanger regional security and stability” (Zhao, 2014). These two quotes sum up how China would prefer the issue to be presented globally. What can be observed is that China’s government is pushing for restraint and stability in the region. However, it is also keen not to back down over its territorial issues in the region.

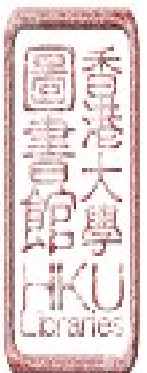


## Conclusion - Japan

Through the case studies examined above, the evolution of China's relationship with Japan over the last decade can be observed. It continues to be defined by their energy security calculations. Prior to Chinese oil import dependence, cooperation appears to have been fuelled by absolute gains considerations. However, this changed when China became a net importer of oil in 1993. Since then, the relationship has become increasingly defined by competition.

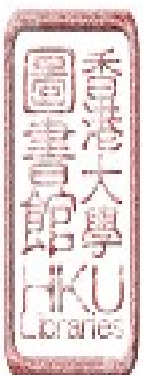
In the 2003-2006 Russian pipeline case, it is evident that competition was contained within the economic realm. In the Senkaku/Diaoyu island dispute and the ADIZ case, besides being of strategic economic interest, it was primarily played out in the nationalist realm in form of intense rhetoric and nationalist sentiments. Most recently, the Code of Conduct presents a case where both China and Japan's leadership decided that toning down the rhetoric yields better results than giving in to nationalism and acting on each other's aggressiveness.

Finally, the (above) observed dynamics in the Sino-Japanese relationship can be applied to the previous study of Putnam's two level game by using a two dimensional approach. In the first case, it is clearly an economic issue in which China and Japan share large economic energy security win-sets with Russia. Little nationalist interest was manifested in this economic issue. As a result, non-agreement dynamics were not apparent and thus political relations were stable. On the other hand, a case of non-agreement can be observed in the more politically sensitive Senkaku/Diaoyu islands dispute and the ADIZ case, where relations were defined by strong rhetorics. However, as shown in the Code of Conduct, China and Japan have modified their





foreign policy to ensure greater stability in their political relationship. This depicts a situation where Chinese foreign policy has been shaped to ensure that nationalism would not spill over and disrupt economic pragmatism.

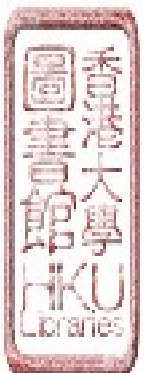


## Conclusion

Based on the evidence presented in this paper, it is apparent that China's quest for energy security significantly impacts on how the CCP formulates its foreign policy. Given that energy security is integral to economic growth which in turn is fundamental to legitimacy, it represents an obstacle China must be aware of in order to be able to ensure regime resilience. This implies that Beijing will shape foreign policies that serve this objective.

China's path to energy security is thus unsurprisingly one of economic pragmatism. Such a path is not without risks. As a rising power, China needs to balance domestic nationalist sentiments calling for a stronger and more assertive China, while simultaneously attempting to pursue the most viable policies for economic development with energy security constraints in mind.

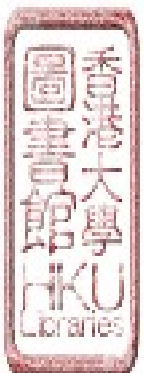
Chinese strategies have aimed to achieve the diversification of its energy suppliers and its traditional trade routes. The development of China's blue water navy is one example of nationalist balancing that contributes little to ensure energy security, but much to accommodate to nationalist sentiments. What can be observed here is that while China aims to impress its domestic audience, it also attempts to refrain from appearing too threatening on an international scale. As observed in case study three, this can entail intense rhetorics, but is unlikely to have tangible economic effects. It is thus evident that the CCP employs a rigorous strategic cost-benefit analysis in the prospect of securing energy for its economic growth. The intertwined priorities of



performance legitimacy and energy security, mean that the CCP will go far to prevent nationalist spillover to the economic realm.

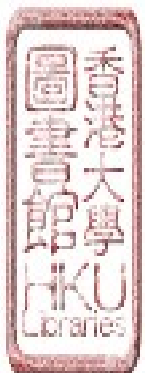
Furthermore, China's dealing with Iran and Saudi Arabia has demonstrated that the CCP has taken a cautious approach to Middle Eastern political affairs. China has focused on economic pragmatism concerning its energy trading partners in a region that holds the world's largest oil reserves.

In conclusion, China's dependence on energy imports greatly influences its foreign policy. The three case studies seek to demonstrate that China's quest for energy security and its limitations shape its foreign policy on an international level (SLOCs), in a regional framework (Middle East) and in its immediate surroundings (Japan). By showing pragmatic shifts in China's foreign policy in the three case-studies, this paper portrays Chinese energy security circumstances as more likely to facilitate international coordination and cooperation rather than uncertainty and conflict. In result, the threshold for a future security dilemma spinning out of control should remain high as China aims to calibrate its foreign policy to ensure continued access to energy and consequently economic development.

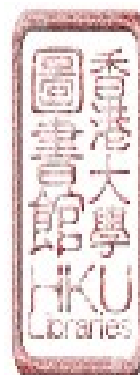


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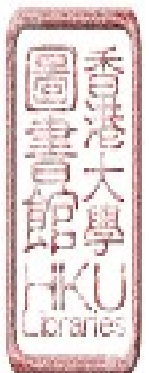
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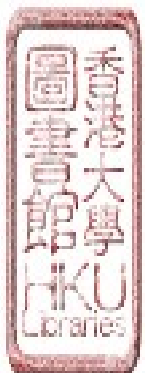


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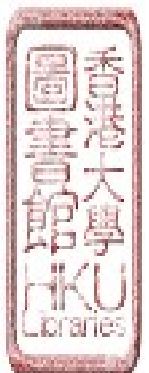


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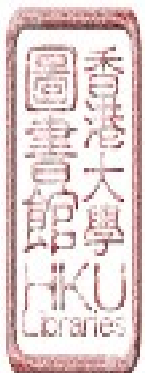


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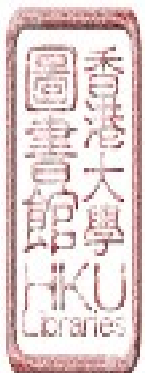




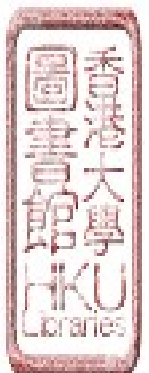
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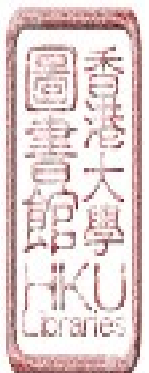
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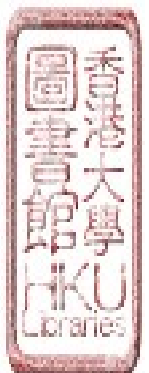


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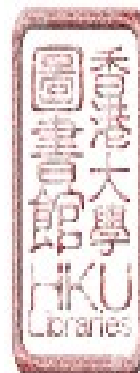


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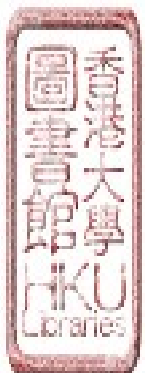


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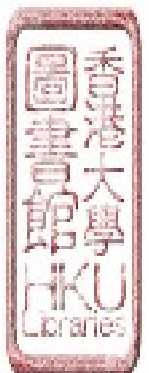
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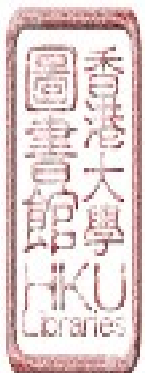
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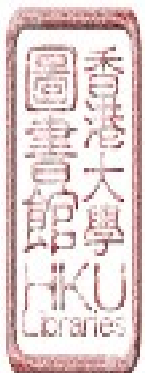




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