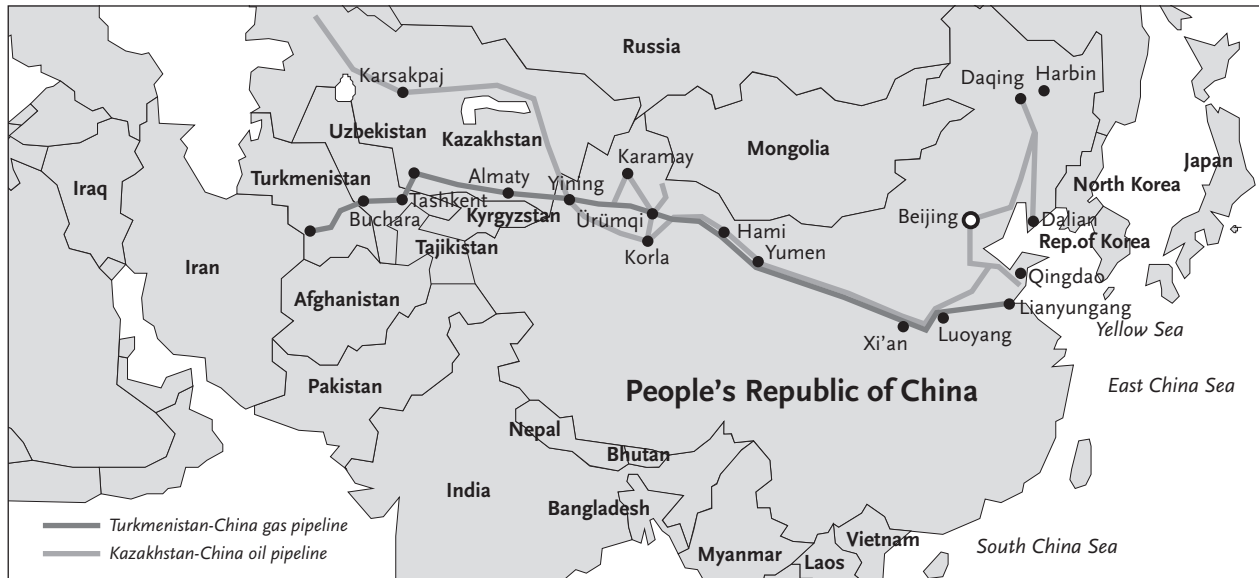


Power and energy supply security

China has surpassed Japan to become the world's second largest oil and gas consumer. It already consumes more grain and meat, coal and steel - three out of the four basic food, energy and industrial commodities - than the US. Consuming more of the fourth, oil, is only a matter of time.



Mehdi Parvizi Amineh

China's economic growth has rapidly increased its energy needs. Coal accounts for three-quarters of its energy consumption, while oil and gas represent only one-fifth. But in 2003 total demand - 5.56 million barrels per day - far outpaced domestic production. China has been a net-importer of oil since 1993 and of crude oil since 1996. Although it is trying to increase domestic production, oil imports will grow by an estimated 960 per cent over the next two decades, comprising, by 2025, almost 70 per cent of the country's oil consumption.

How will China meet its energy needs? The world's largest oil and gas reserves are concentrated in two regions: the Persian Gulf contains approximately 65 per cent of known global oil reserves while the Caspian Sea region consisting of the five littoral states Azerbaijan, Kazakhstan, Turkmenistan, Iran and Russia hold approximately 45 per cent of known gas reserves. China will have to tap these sources further to secure an adequate energy supply.

Sixty per cent of China's oil imports already come from the Persian Gulf. Iran was China's second largest oil sup-

plier in 2003, providing 14 per cent of total imports, while China was Iran's main supplier of unconventional weaponry despite having signed international agreements prohibiting the proliferation of technologies that can be used for making nuclear, chemical and biological weapons. Oman and Yemen are also becoming important oil-based trading partners.

Saudi Arabia is China's largest oil supplier, while China is Saudi Arabia's biggest customer. Though Saudi Arabia will soon drop out of the top five as a US oil supplier according to the *Washington Times* (16 September 2004), its growing ties to China have increased tension between the Bush Administration and the Saudis, particularly since September 11. Aware they can no longer rely on the US alone to defend their regime, the Saudis want to diversify their security policy and China appears to be an interested partner. But Chinese arms trafficking to the Persian Gulf presents a potential threat to US security. In 2002, the US-China Economic and Security Review Commission, established by Congress to monitor US-Chinese relations, warned 'arms trafficking to these regimes presents an increasing threat to U.S. security interests in the Middle

East. A key driver in China's relations with terrorist-sponsoring governments is its dependence on foreign oil to fuel its economic development. This dependency is expected to increase over the coming decade'. China is aware that its short-term energy security depends on cooperation with the US. But Chinese policy-makers also realize that the US seeks a dominant position in the Persian Gulf and is trying to contain China's activities there. Persian Gulf access will join Taiwan, trade relations and human rights as the key issues in US-Chinese relations.

That is one reason why China is turning toward the Caspian Sea. It must gain access to the region's vast oil reserves to reduce its energy dependence on the Persian Gulf. And to do that, it must ensure political stability in the region's five Central Asian republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan) and counter US encroachment.

Geographically, the Caspian Sea is more accessible. Russia, Central Asia, and China share the Eurasian landmass, which makes overland oil and gas pipelines attractive options for energy transport. In 1997, under the govern-

ment's 'Go West' policy, the China National Petroleum Corporation promised to invest 9.5 billion USD in pipelines and oil fields. China's national oil companies have begun to invest in Kazakhstan, the only Central Asian country that exports oil to China, amounting to one per cent of total oil imports. Kazakh oil is transported by rail, but that will change after the completion of a 1,000-kilometer pipeline from Kazakhstan's central Karaganda region to western China. From there it will cross into the Aqtobe region to the Kenqiyak oil field, where Beijing has invested about 1.3 billion USD and which China and the Kazakh state oil and gas company have been modernizing since 1997. From there the pipeline will continue to the Caspian Sea.

In 2002, China and Russia completed a feasibility study for a Sino-Russian pipeline from Angarsk to Daqing. Construction was to begin in July 2003; the Japanese were also interested and offered Russia 14.5 billion USD worth of 'subscriptions and gifts' and 8 billion to invest in the Russian Far East oil and gas projects Sakhalin 1 and 2. In June 2003, the Russian Transneft Open Joint Stock Oil Transporting Co. proposed an alternative pipeline from Angarsk to Nakhodka. The Russian Minister of Natural Resources, however, stated his preference for the Angarsk-Daqing route and President Vladimir Putin agreed, citing its strategic importance. In March 2004, Transneft proposed a new route from Taishet to Nakhodka that could be extended to Daqing.

Future geopolitical scenario

Control of the production and transport of Persian Gulf and Caspian Sea oil and gas will determine the political and economic future not only of those two regions. Oil and gas have been the world's primary source of energy, and thus power, for decades and are expected to account for approximately 70 per cent of global energy supply through 2020. According to the United States Energy Information Administration (EIA), global oil consumption will rise

from 82 million barrels per day (bbl/d) in 2004 to 100 million bbl/d in 2015 to 120 million bbl/d in 2025. Experts are concerned that global oil production will be unable to meet this rapidly rising demand. Existing resources are decreasing while newly discovered ones disappoint. Major oil consumers will have to follow more aggressive policies to satisfy their oil needs and military intervention to safeguard oil production and export will become more likely. This will have enormous implications for global peace and security.

It is not yet clear whether the three main contending powers - the US, Russia and China - see each other as rivals, allies or as combinations of the two. Russia and China claim a common interest in the Caspian Sea but until now have not acted in common. The US will use political, economic, and perhaps military pressure to expand its influence and remove any obstacles to the safe flow of oil. Russia and China are unable to compete with the US military and will avoid a direct confrontation with Washington, but they will ally with local powers to defend their regional interests. The nightmare for all three powers is an alliance of the other two; the worst-case scenario for the world would be direct confrontation. <

For further reading

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- Amineh, Mehdi Parvizi. 2003. *Globalization, Geopolitics and Energy Security in Central Eurasia and the Caspian Region*. Den Haag: CIEP.
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Shi Yong Yearning

each piece 200cm x 120cm
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Father: Look, our international prospects for the new century are bright
Mother: We must show off our skill.
Grandmother: It must be time to struggle.
Grandfather: In the new century we must grasp after opportunity!
Son: But the road is windy.



Son: The new century after all belongs to our generation, the burden is heavy!
Grandfather: Back then, when I was about your age, I was already a red soldier.
Mother: Talk about your experiences, inflate him.
Father: Certainly there are obstacles on the road to the new century. But Grandfather, father, didn't they all come through turmoil to get here? Son, do not lose heart!
Grandmother: All these years, your grandmother has been thinking of struggle.