

# **China's Energy Security and Relations with Periphery Countries**

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# Introduction

- China's enormous economic growth has resulted in energy demand growth ( **table 1** )

Table 1  
Balance of China's Energy Production and Consumption

Year	Energy Production (10,000 ton coal equivalents)	Energy Consumption (10,000 ton coal equivalents)	Balance (10,000 ton coal equivalents)
1990	103,922	98,703	5,219
1992	107,256	109,170	-1,914
1995	129,034	131,176	-2,142
2000	106,988	130,297	-23,309
2001	120,900	134,914	-14,014
2002	139,000	148,000	-9,000
2003	160,300	167,800	-7,500

Sources: China State Statistic Bureau: *China Statistics Year Book*, various years.

- Coal has been the largest composition of China's energy consumption, which has produced serious environmental pollution energy consumption, ( **table 2** )

Table 2

# Composition of China's Energy Production and Consumption

Year	Energy Total_ (10,000 ton coal equivalents)	Energy Composition (100%)				
		Coal (%)	Petroleum (%)	Gas (%)	Hydroelectric (%)	Nuclear (%)
Production						
1995	129,034	75.63	16.68	1.86	5.47	0.37
2000	106,988	66.70	21.79	3.39	7.55	0.57
2001	120,900	67.45	20.11	3.44	8.47	0.53
2002	139,000	71.69	17.35	3.16	7.11	0.69
2003	160,300	74.63	15.22	2.84	6.26	1.04
Consumption						
1995	131,176	74.97	17.49	1.82	5.36	0.36
2000	130,297	66.73	24.05	2.71	6.06	0.45
2001	134,914	65.03	24.20	2.98	7.33	0.46
2002	148,000	66.31	23.48	2.94	6.63	0.64
2003	167,800	68.37	21.82	2.75	6.06	1.01

Sources: Wang Jiacheng, "Zhongguo Nenyuan Fazhan Xinshi he Zhanlu Fangzheng" (China's Energy Development Situation and Strategy), *Luntan Tongxun* (China Reform Forum Newsletter), no. 3, 2004, p. 27.

# China's Energy Policy Reform

- First, Beijing has embarked on a diversification strategy both in terms of the development of alternative fuels and the establishment of new oil-import markets.
- The other swing is one toward an energy strategy based on market principles as opposed to political considerations.

- This energy policy reform has resulted in fast increase in China's oil/gas consumption and import (table 3).

**Table 3**  
**China's Petroleum Net Imports**

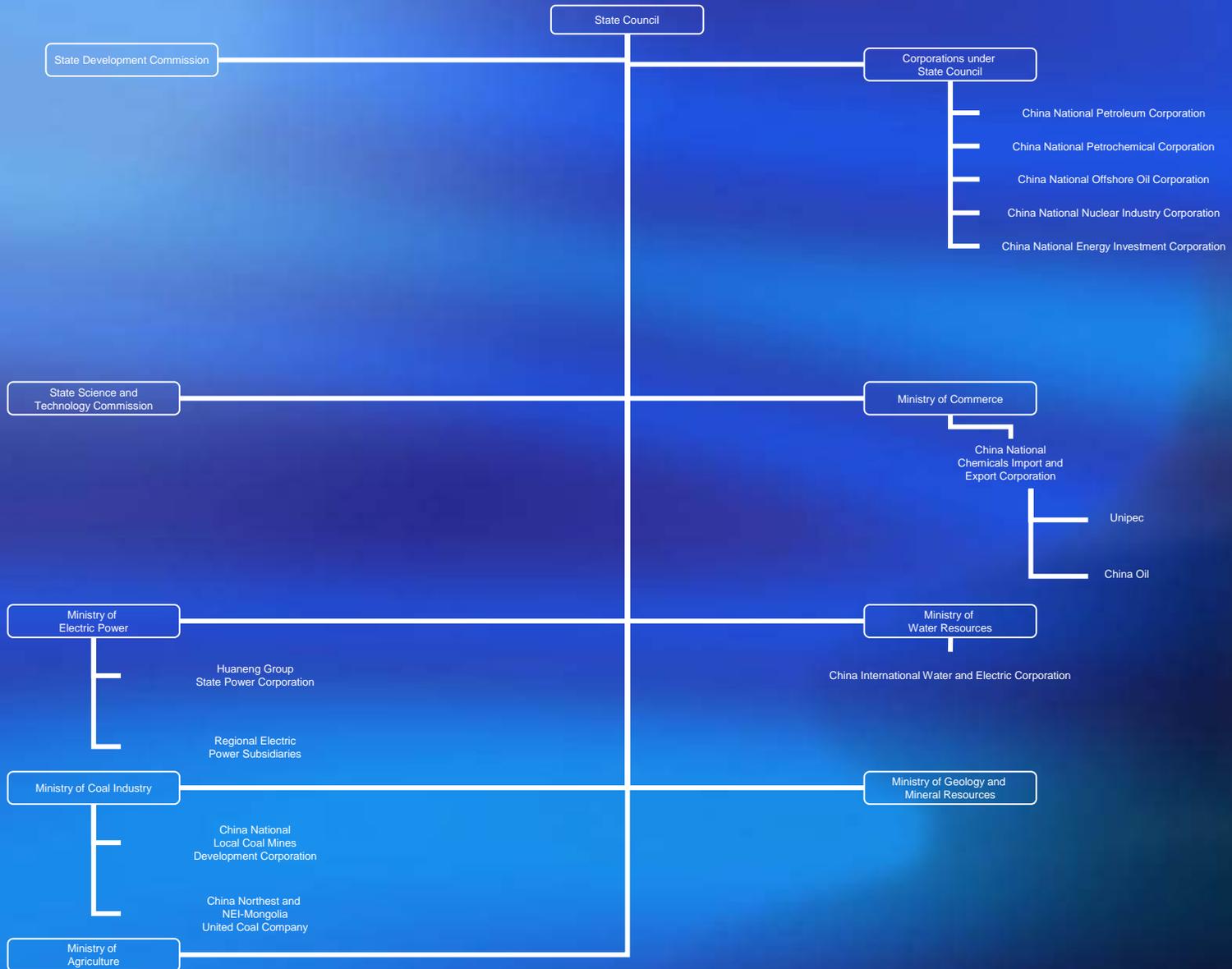
Year	Petroleum Production (10,000 tons)	Petroleum Consumption (10,000 tons)	Balance (10,000 tons)	Petroleum Net Imports (10,000 tons)
1990	13,831	11,486	2,345	2,355 (Net Import)
1991	14,099	12,384	1,716	1,455 (Net Import)
1992	14,210	13,354	856	565 (Net Import)
1993	14,524	14,721	-197	988
1994	14,608	14,956	-348	290
1995	15,005	16,065	-1,060	1,005
1996	15,733	17,438	-1,703	1,395
1997	16,074	19,692	-3,618	3,384
1998	16,100	19,818	-3,718	2,913
1999	16,000	21,073	-5,073	4,381
2000	16,300	22,439	-6,139	6,974
2001	16,500	22,948	-6,448	6,487
2002	16,700	24,242	-7,542	7,183
2003	17,000	25,200	-8,200	10,000

Sources: China State Statistic Bureau: *China Statistics Year Book*, various years.

- To make use of market mechanism, the Chinese government implemented an intensive reorganization of the energy sector in the 1990s (table 4).

# Table 4. Organization of China's Energy Sector

Source: U.S. Department of Energy, Energy Information Administration, Main Products of the Office of Energy Markets and End Use, Country Analysis Briefs, "China: An Energy Sector Overview," accessed at <<http://www.eia/doe.gov/emeu/cabs/china/org.gif>>



- While domestic institutional reform helps set a strategy of sustainable energy development, Chinese search for energy security has played a more and more important role in shaping China's foreign relations, including its relations with Asian neighbors.

# Beijing's Periphery Policy

- After China launched market-oriented economic reform and opening up to the outside world in the early 1980s, Beijing's leaders made a deliberated effort to devise an integrated regional policy, known as “*zhoubian zhengce*” (periphery policy) or “*mulin zhengce*” (good neighboring policy).
- Energy security was not the initial motivation in China's periphery policy. Instead, Beijing's periphery policy was to help China to achieve the goal of creating a regional environment conducive to its economic modernization and national security.

## First stage of China's periphery policy success

- This success came roughly in two chronological stages:
- The first was to abandon ideology as the policy guide and to develop friendly relations with neighbors regardless of their ideological tendencies and political systems (*buyi yishi xingtai he shehui zhidu lun qingsu*).
- The second was to change the practice of defining China's relations with its neighbors in terms of their relations with either the Soviet Union or the United States (*yimei huaxian, yisu huaxian*).
- These policy changes resulted in an improvement of China's relations with some periphery countries previously in tension

## Second stage of periphery policy success

- The Tiananmen Massacre in 1989 and the subsequent end of the Cold War started the second stage of China's periphery policy.
- The massacre led to economic sanctions by and deterioration of relations with Western countries. However, it had little negative impact on China's relations with its Asian neighbors.
- Beijing's leaders decided to further reduce the role of ideological factors in China's foreign relations and stop drawing lines according to a country's social-political system or attitudes toward China.
- As a result, it was really ironical that while China's relations with the Western countries soured, its relations with Asian-Pacific neighbors improved after the Tiananmen Incident.
- The Asian financial crisis in 1997 provided a good opportunity for China to further improve its relations with Southeast Asian countries.
- In the 1990s, China also significantly improved relations with its neighbors in the north and northwest.

## Energy Security and New Relations with Central Asian States

- New uncertainties arose when energy factor began to play a more and more important role in China's relations with neighboring countries.
- Latent in the new strive for energy was a rise of conflicting rather than common interests with some countries that have territorial disputes over potentially resource-rich border areas.
- Beijing has been successful in working with Central Asian states in meeting this new challenge.
- At least partially for securing its growing need for oil and gas, China has demonstrated growing interest in the Caspian Basin.
- Following the disintegration of the Soviet Union, China secured a good start with the newly independent central Asian states of Kazakhstan, Tajikistan, Kyrgystan, Uzbekistan, and Turkmenistan in 1992
- the important issue on the agenda for China's relations with the central Asian states is energy security
- China has invested heavily in several oil- and gas fields in Central Asia.
- Through a landmark agreement with Kazakhstan, Beijing has paved the way for the construction of a major pipeline linking the western province of Xinjiang to Caspian energy development.
- To maintain good relations with central Asian states, China took a lead to launch the Shanghai Cooperation Organization (SCO).

# Energy Security and Border Disputes

- China's rising energy profile has hardly gone unnoticed by China's neighbors who have border disputes over potentially resources-rich maritime areas.
- China's border disputes may be divided into three categories: land boundaries in its north and southwest borders: so-called "lost" territories; and maritime boundaries
- Progress towards the settlement of these disputes has been made largely along its land borders in the north and West. The Chinese government has been extremely firm on the second category of territory disputes.
- Progress in the third category dispute is extremely limited. In the cases of dispute over the South China Sea and the Senkaku/Diaoyu islands, no agreement or compromise has been reached with Southeast Asian countries and Japan.
- the energy imperative has made the disputes more difficult to settle down.

# Conclusion

- To establish and maintain a peaceful security environment in its periphery, China has tried to appear as a benign power that focused on economic development and has tried to improve relations with its Asian neighbors.
- However, China has been assertive and even belligerent when dealing with border disputes over maritime territories where may have rich natural resources.
- China's relations with these neighbors could become testy, if not tempestuous, should Beijing's energy imperative translate into aggressive tactics in border disputes.