

# Example of report on china on oil

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## **China on Oil**

Nowadays, the headlines now indicated that there is a rising power in Asia that can rival the United States in terms of political, military, and economic power, this country is China. News organizations see this rising power as the one who would ultimately dominate the world economy and state of affairs in the international arena. However, despite its growing international influence and power, China is still resolving several problems it had acquired from before they opened up its doors to the public. The major problem the Chinese had to face is their current deficiency in oil, a major energy source in powering many of China's main industries. This report contains the background of China's main deficiency in oil, the importance of the issue to the United States, and proposals to the US legislative assemblies as to how the federal government influence the problem.

### **Background: China's Oil Problem**

After the 1946 civil war, China has set its eyes into industrialization and modernization of the country to compete with other countries like its partner the Soviet Union and the Western powers. However, in order for them to support this concept, they would need a large resource on oil and means to produce oil. In 1959, China could only produce 3.73 million tonnes of crude oil, and they had to rely from oil imports. In addition to the 3.73 million tons the country could produce, an additional 4.3 million tons from Daqing were produced in 1959. With its current setup China was able to generate energy for its industries and citizens, but it was still not enough to support its goal to implement economic and social changes in the country. There is also the

problem of China in terms of its relationship with other countries, which could have enabled China to use their oil self-sufficiency in enabling change rather than using it to power up their industries alone. Nevertheless, its oil self-sufficiency enabled it to continue developing despite the world oil crisis . The oil domestic demand and supply was stable despite China's lack of relationship with other countries. With the lack of need for too much oil reserves, oil companies only produced oil in normal quantities. Oil storage is kept top secret by the Chinese government as to how much they are currently at estimate. However, most of these storage facilities is located in secluded provinces spread around the region. With the establishment of the People's Republic of China, the usage of oil and production has increased drastically. With oil demand increasing, China's economy also increases in value .

The shift in the world demand over oil has affected China's total energy demand, as well as the introduction of oil consuming products like cars, energy sources, and machinery. Before Deng Xiaoping proposed for an open door policy, China did not have much need to use cars or machinery that requires oil use and the country have a stable supply of both oil imports and domestic oil. However, by 1979, automobile ownership added to the need for more oil production and imports. Car ownership is also one of the reasons as to why many countries are importing for oil. The increase in automobile usage by 1980 to 1990 has increased up to 4 times. Experts believe that China's former self-sufficiency in oil has been a delusion of the Chinese economy once it moved away from Mao Zedong's development strategy that promotes China's position as the ' second Middle East' . The continuous

struggle to maintain the country's oil supply has caused Chinese leaders to understand the importance of securing its oil supply and strengthening a link to the global world market. Around 1992, the Chinese government has launched two strategic policies that would cover both domestic and overseas resources to secure its oil requirement. Chen Jin Hua, the former director of the Chinese National Planning Committee proposed for the establishment of oil fields abroad to secure the Chinese demand in oil. This proposal eventually became the “going out strategy”. The strategy covers two objectives, one is encourage Chinese oil companies in developing oil equity like international oil companies and the other is to create competitive firms that would compete with the world's largest oil producers. Chinese companies have slowly created oil firms in oil producing regions like Africa. However, many see this action by the Chinese government as a threat considering there are many countries that depend on oil like the United States . Currently, China now follows the United States as the largest oil consumer, using 6.8 million barrels each year and it has established partnerships to ensure its continuous supply of oil.

### **Importance of the Issue to China and to the US**

China also considers its quest for more oil as a domestic economic development rather than a quest for world dominance as noted by other Western powers. China has always been abundant with coal which enabled the country to be self-sufficient throughout several decades. However, with their self-sufficiency ending in 1993, they had to start importing to meet with the oil demand and lose more funds that could have been used for its development efforts. Most of China's oil fields are also matured and peaked

out of its maximum production, now causing companies to reinvest in untapped reserves, such as in several western provinces and fields. China has only recently understood that the importance of energy security until the late 1990s . As China continues to use oil and burn up its own oil fields, it is a possibility that their oil imports would increase up to 13 million barrels to sustain its energy demand since the country could no longer support itself in producing oil. Most of the country's industries and consumers are also dependent on the country's oil supply, thus the need to locate alternative oil suppliers or energy sources to answer to the oil demand. Without oil, China may find itself on the verge of a temporary shutdown .

As of today, China has continuously depended in its 50% oil imports, and domestic supply to support its energy demand and energy security. For them, energy security is important as it would equate to the improvement of the country's economic edge in the world market. China's national oil companies are now running to fill the gaps presented by government pressures and challenges to improve domestic demand for oil, especially when China acceded to the WTO in 2001. Since the Chinese are newcomers in the world oil market, the Chinese companies must learn how to keep in the track of their position in the world market and create partnerships that will ensure energy security .

Like China, the United States also is oil dependent to fuel its many major industries and machineries. Before China had problems in locating partners to support its oil deficiencies, the United States ranked as the highest importer and oil consumer in the globe. However, with the “ going out” policy of China to satiate its oil demand, it may spell a disaster to the

country China has allied itself to support their oil needs and to the other countries that also depend in the country supplying China's oil demand. In this case, the United States may find seeing China's influence over oil developing countries as a threat not only in the US' own energy security, but also in its political, economic, and philanthropic influence over the country in question. For US policymakers, any form of weakness in terms of the US' capacity to influence domestic affairs of its partner countries or trading partners may cause consequences in US' domestic and international capacity to influence other nations .

With China's current interest in developing its relationship with Africa, a known oil producer and one of the United States' sources for oil, it threatens the United States in a variety of ways. Politically, China can use its partnership with Africa to influence political and domestic affairs to ensure its constant hold over the oil fields and resources in the region. China may serve as an arms dealer for many of Africa's tyrants and use it as a means to lock any foreign influence over the oil fields, causing many countries to lose supplies from Africa. The United States has already cited that China's mere presence in some of the civil wars in the region is proof that it has a secret agenda for aiding these tyrants, and that is to secure its control over the region's oil reserves . Economically, China can threaten the America's trading agreement with Africa and become Africa's trading partner. Although American trading partnerships are more intensive and efficient as compared to China's old trading partnerships, China can utilize various mediums to entice Africa to support their products, causing the US economy to decline throughout the years. Americans who depend on trading would lose their

jobs as China can present cheaper merchandises . Socially, China can also use its partnership to overshadow US and European financial aid to the African region by presenting no strings attached aid opportunities. Africans would be most likely support this form of aid than the terms settled in Western aid, forcing US and European financial supporters to move out of the country. The Chinese influence in Africa and other oil producing countries may also cause environmental and economic issues in the region, which the United States strongly disapproves. China may use its trading advantage over the oil producing regions to exploit the country's natural resources in exchange for Chinese made products .

However, the most important reason as to why the United States must be alarmed with China's going out policy to support its need for oil is the fact that it may cause the United States to lose another oil supplier. Since the United States also consumes oil in large quantities each year, supporting the oil demand of the entire nation must be supported from oil imports from various Arab and oil producing regions such as Africa. With America's continuous conquest to support its own consumption by allying itself with oil producing nations like Africa, China's influence over most of these African sources will hinder the US from claiming its required amount of oil supply from the region. Experts have noted that America must press on to the African countries to open up their markets in oil and energy source to other nations, and ensure that no other nation would utilize its trading partnership with Africa to monopolize the oil reserves. Should a monopoly happen, not only would the United States lose a major oil supplier but other countries dependent on oil would lose a stable supplier . There is also a concern over

China's influence over US oil consumers as they now pay for the prices of China's oil demand growth. With China's continuous need for oil, oil prices now increase causing problems for other oil dependent countries, who are struggling to pay for these high prices .

It is also the concern of many countries aside the United States that the Chinese government has a great difficulty in creating a mechanism that would allow the government to control the fluctuation of oil demand and facilitate its energy industry. The Chinese have already established numerous ministries to facilitate energy security, but they were immediately dissolved due to its lack of strategic planning to the proposals the government wishes to implement. There is also a lack of ministerial-level agencies to oversee the energy development of the Chinese. The Chinese must learn that it is important for the government to facilitate the domestic energy market to ensure success over its policy goals. Without these reforms, China may not be able to develop its energy sector to support the country's energy requirement. It has also been proven by studies that the Chinese government has failed to prove itself in making decisions that encourage energy conservation and regulation .

## **Summary and Recommendations**

China's need for oil showcases two different sides that reflect how the country can influence other nations with its proposals. On the one hand, China's perseverance to modernize its century old traditions and create a competitive economy shows the world that the country is ready to accept change outside the region. It also shows China's capacity in implementing change and its strength as a developing country. On the other hand, China's



need for oil not only causes environmental problems in the country, but it has also exploited other country's oil reserves and supplies to fund its own oil needs, causing other nations to suffer in its behalf. Africa alone presents how China has silently monopolized the oil fields in the region, causing political, social, and environmental issues for the Africans to resolve due to China's monopoly. Although China continues to persist that its intentions in oil producing regions like Africa is purely to entice partnership and assistance, there is the lingering problem that many of its companies have caused both domestic and international problems for the region in question. For the United States, there is a need to address international trading and oil regulation policies to ensure that China would not be able to monopolize oil reserves and production sites in other regions to support its own needs. Since there are Chinese companies who utilizes their partnership with oil producing countries in the extent it disregards the country's own citizens and their rights over what these Chinese companies are claiming, the United States must utilize its influence to enforce stricter laws to ensure that China only receives what it needs and shares the resources with other oil dependent countries. Citizens of oil producing countries must also be educated by the United States' various organizations so that it may be able to create laws and policies that would regulate foreigners from claiming the right amount of oil they require. Trading policies on oil must also be revised to save the remaining oil produced to ensure oil supply.

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