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Chinese Energy Security and the Unipolar World Integration or confrontation?

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Abstract

The growing demand of imported energy has forced China to activate its foreign policy. Some of the relationships tied by oil-diplomacy are integrate China to the existing unipolar system and global economic and political institutions, while some move China closer to the revisionist states, which do not agree with norms or power relations in the system. On the regional level the cooperation between China, Russia and Central Asian countries in Shanghai Cooperation Organization is a combination of multilateralism and revisionism, which has united the major authoritarian-capitalistic states and the energy rich Central Asian states under one institution. SCO turning into a revisionist block is not yet the case. On the global level China has engaged into both revisionist and integrationist energy relations. Cooperation with the rogue states, like Sudan and Iran, is conflicting with the Western policies and because of the bilateral long-term energy deals, China will remain depended on these countries. China is further involving itself with the existing system through trade with the Western producer states. Volumes in the actual energy trade are less significant. Next step is to examine the possibilities how the other consumer countries could intensify their cooperation with China in the field of energy, and so further integrate China to the existing international system.

Keywords China, international relations, energy, foreign policy, energy security, energy policy

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1 Introduction

The economic and political power of the People's Republic of China (China, PRC) is rising in the international relations. The era of modernization, which started thirty years ago, has made the power increasingly visible for other major powers. The rising power is easily detected in the economic barometers about China as strong growth of GDP, booming exports and ever richer state. China is using its seat as member of permanent five (P5) in the United Nations Security Council (UNSC) more eagerly and its military spending is rising. While China refers to its increasing capabilities as "the Peaceful Rise", the supporters of the current international system, namely Japan and the US, see through the rhetoric. Japan, old economic giant of the region, and US, responsible for the military stability on the region, see China as a potential threat to their power and the existing order. Not only governments of the traditional industrial powers follow the changing situation carefully and critically, the issue is also widely discussed in the academic circles.

What makes the Rise of China interesting for the scholars is the question, whether China is a revisionist power which tries to overthrow the existing system or tries to integrate into the international society and live side by side with the other great powers under the current international order. This overall debate is discussed in the second chapter. What is the current international system? What is the status of China in the international system from the historical point of view? How does China behave internationally according to the international relations scholars? Does China agree with the existing system or does it challenge the system according to its foreign policy?

In addition, this paper will focus on one of the greatest concerns of China and the international society. It is the growing demand of energy on the global markets. The fast industrialization and economic growth of China increases its energy consumption and the growing dependency on imported energy has raised concerns on country's energy security. This paper will provide an overview of the relationships which China has developed during its pursuit to assure secure energy imports and examine how these relationships affect the external behaviour of China. In the third chapter I will introduce domestic factors affecting Chinese external energy policies and explain what kind of outputs energy security produces for Chinese foreign policy. What is the role of energy security in China's national security, who are the actors in energy issues on domestic level and what is their side regarding China in the international system?

The growing demand of energy makes China dependent on good relations with the energy exporting countries. The fourth and fifth chapters will present some of these relationships on the regional and global level. They are examined as cases to introduce the most important ones. What kind of ties does the energy create? Do these relationships move China towards revisionist behaviour or do they integrate China to the international system? Last chapter concludes the main chapters.

2 China in International Relations

Chinese Foreign Policy is called “Independent Foreign Policy of Peace” (IFPP). It is a policy which is referred as well in the foreign and security analysis as in the statements by the politicians and bureaucrats. When dealing with the Chinese foreign policy it is presumed that the idea of this policy is to give other states a clear view what to expect from China as an actor in international relations. To understand Chinese policy, its status and history in international system has to be examined.

First of all it is important to define the nature of the current international system. In this article ‘the international system’ refers to the unipolar system, which resulted from the collapse of Soviet Union. Under the stability created by the US military guarantees the liberal democratic industrialized states have established common norms, institutions and discussion forums. This system is seen by some liberalist writers, for example Francis Fukuyama, as the inevitable and final end of human political history and as a triumph to the norms of free market economy, liberal democracy and human rights (Fukuyama 1992). This society has a set of rules or laws and an institutional framework to make the behaviour in the system predictable. The institutions in the society of states include such international organisations as United Nations, World Trade Organization, G8, World Bank, International Monetary Fund and several treaties or organizations concerning the military security. The most important and powerful military actor in this system is the United States, which is a central security supplier to almost all of the states within the system. Members of the international system accept the legitimacy of the US-led system and are ready to work together against states which do not act according to its laws. Libya, Iraq, Iran, Cuba and North Korea are countries which US designates as sponsors of regional or global terrorism. The states sponsoring terrorism or seeking capability to build weapons of mass destruction have traditionally been labelled as the ‘rogue states’ by the US international advisors and politicians. This is also the case in the document National Strategy for Combating

Terrorism (2006) published by US foreign and security policy think-tank National Security Council.

However, the international system might face even a greater challenge than international terrorism or normal rogue states. This derives from the fact that international institutions are based on the social contract between states, which thereby affirm the ideas behind the institutions. It is not self-evident to all the scholars studying international relations, that these ideas based on the Western thought are accepted by all the old and new major powers. Especially they are concerned of the transition countries from non-western civilizations like China, Russia and India (Huntington 1996). Huntington claims that the international system has limited acceptance outside the Western liberal democratic and capitalist states. According to realism the US led society should be challenged by other powers or the state will not be given its share of the world and resources. To some the challenger will be the old enemy, authoritarian capitalism. As it was seen in Europe during the first half of 20th century, a new capitalist-authoritarian power, Germany, was able to over-throw the existing institutions of balance of power. Germany and its ally Japan, also an authoritarian-capitalist state, were defeated. The old order was replaced by new institutions of co-existence in the West, and a new authoritarian challenger, communist block led by Soviet Union. A researcher from Tel Aviv University, Azar Gat pointed out in his article *The Return of Authoritarian Great Powers* (2007) that the rise of an old challenge, the capitalist-authoritarian state, could become a real alternative and challenge to the current international society. In addition to strengthened Russia, also China is a major actor in this game with its vast population and thousands of years' history on authoritarian governance. Whether China will integrate and turn in to a democratic state or it will stay authoritarian and oppose the current system of international relations. In this revisionism-integration dilemma both options are open for China.

To understand the level of China's integration and to criticize the rhetoric of the contemporary Chinese foreign policy, the history of China has to be examined. According to Chinese history writing, three eras can be separated in the contemporary Chinese history: The Age of Empire, 100 Years of Humiliation and the New China. Examination of these eras will reveal the nature of China as a state. During the Ming dynasty the attitude towards diplomatic cooperation was negative. In the beginning it was not possible for Western states to establish diplomatic relations with China at all. Chinese emperor did not treat other states or their representatives as equal. The

friends were separated from the enemies by their will to bow and bring gifts to the emperor. China experienced, and in many ways it still does experience itself as the Central Kingdom surrounded by barbarian nations (Spence 1999). Most of its history China has been militarily, technologically and culturally superior to the surrounding states. The only regional power-centre would not benefit from diplomatic relations with states without a capability to pose a military threat. The trade with technological, scientific and cultural superiority would have only decreased Chinese power towards its neighbours. China also had all the resources it needed for its society. (Kennedy 1988.)

This self-centric world view was slowly undermined after the first Western merchants arrived in the East Asian Seas in the beginning of the 16th century. During the next 400 hundred years Chinese learned how the competitive European states developed economically and militarily. Until the end of the 18th century, China managed to stay outside the Western influence by closing its harbours from trade and focusing on internal matters. In the 19th century this behaviour together with internal problems like inefficiency and corruption in salt distribution and growing number of local militias, led into a situation where China was no longer the central power in the world. Instead, the most dynamic region of the world moved to Europe, which became the technological and political centre of the globe. The Western Empires forced the inferior China to open its markets to Western trade and habits. (Spence 1999.)

A good example of the change is the Treaty of Nanjing in 1842. After a military conflict between China and the victorious Great Britain, the treaty forced China to open five of its cities to international trade, give away Hong Kong, free the British prisoners and pay for the economic losses Britain suffered during the conflict. In the same treaty China was also forced to adopt equal diplomatic relations towards the foreign representatives. Treaty defined the language used in its official documents. Before this, the foreigners were forced to use terms such as "petition" and "beg" when communicating with the imperial bureaucracy. Article 11 of the treaty changed these terms to more neutral Western terms, such as "communication", "statement" and "declaration" (Spence, 1999). Today the change of status of China can also be seen in IFPP. It is stated in IFPP that "China believes that all countries, big or small, strong or weak, rich or poor, are equal members of the international community" (IFPP 2003), instead of claiming its capital being the superior centre of human civilization.

After this the Western thinking started to invade China. China had to welcome the Western diplomats, who did not bow in front of the emperor, instead they gave him orders. Internal problems continued and the emperor lost his face and value as a guardian of Chinese interests. In 1911, a revolution led by a scholar with Western education, Sun Yat-sen, turned China into a republic with aim of modernization (Spence 1999). However, by the World War I (WWI) the empire turned into a battleground of warlords. British and French concentration on the War in the West soon allowed the government to gradually change into a military regime led by Tsiang Kai-shek. The superiority of the West, the collapse of the Central Kingdom and a civil war was not enough, but the WWI opened a window of opportunity to Japan to conquer great parts of China. The newly modernized authoritarian-capitalist Japan turned into a dominant regional power.

However, Japan was beaten by another new great power, the liberal democratic United States of America. Only four years after the end of WWII, in 1949, the communist forces trained by Soviet Union in the northern China were able to reunite the whole former China under one government. The Red Army led by Mao Zedong won the Civil War against the less armed rival Kuomintang (KMT). According to Chinese history writing, this ended the humiliation of China which started from Treaty of Nanjing, despite the power Stalin exercised over the communist block until his death. China switched its camp during the Nixon era, and ever since the foreign policy separate from the two super-powers has remained the centre of Chinese foreign policy (Liu Huaqiu 1999).

One characteristics of China in international relations has its roots in communism. The diplomacy of China during the Mao era covered mostly other communist states. None of these states kept capitalist system of the West as a legitimate form of international order. Instead, at least in their rhetoric, they wanted to overthrow the existing capitalist system (Lieberthal 2004). Because of communist leadership China stayed out of most of liberal organisations. Mao created a united China, which had a capability to act as an actor in international society, but did not agree with the norms it was laid on. Still it is written in the IFPP that:

“China actively facilitates the establishment of a new international political and economic order that is fair and rational. China holds that the new order should give expression to the demands of the development of history and progress of the times and reflect the universal aspirations and common interests of the peoples of all the

countries in the world. The Five Principles of Peaceful Coexistence and the universally recognized norms governing international relations should serve as the basis for setting up the new international political and economic order.”

The reform which resulted in China reaching its current status as a developing great power started during the era of Deng Xiaoping in the end of 1970s (Medeiros and Taylor 2003, Lampton 2001). The economic policy of reform and the gradual opening to international trade also brought China closer to the international community. At the time the US controlled regime in the West was confronting ever faster globalisation and creating economic institutions to control the side effects of the capitalist markets. Gradually the cooperation with the Western international system increased. However, the diplomatic operations were still on the beginners’ level during the 1990s and China did not try to act as a responsible power in international politics. This was most easily noticed in the United Nations. China received its place as a P5 member in the UNSC. Despite the veto –right the permanent membership, the Chinese funding to UN was and still is very limited. The policy of ignorance was seen in several international crisis and questions until the recent days. The first generation of Chinese diplomats was still highly uneducated for their occupation and the foreign policy was strongly in hands of the elite of CPC (Medeiros and Taylor 2003).

During the second half of the 1990s China had started a foreign policy far more sophisticated and multilayered than during the Deng era. China turned into an active actor in international relations (Medeiros and Taylor 2003, Lampton 2001). The foreign policy found its current form and the Independent Foreign Policy of Peace started in practice. IFPP states that “China pursues a policy of all-dimensional opening up to the outside” (IFPP 2003). This opening up included several interesting characteristics. First of these was the increased bilateral activity. Between the years 1988 and 1994 China normalized or formed diplomatic relations with 18 states, and by doing so agreeing to be an equal actor (Medeiros and Taylor 2003). After it has China also been actively promoting strong relations, especially with the states on the region and the US. Bilateral treaties have settled border issues with the countries on the region and China has been benefiting the regional stability and disarmament of its border regions: After the year 1991 Kazakhstan, Kirgizstan, Laos, Russia, Tadjikistan and Vietnam have settled their border disputes with China (IFPP 2003).

These treaties were made on multilateral level and for example in a case of South China Sea in 2002, China and the Association of Southeast Asian Nations (ASEAN)

achieved a peaceful settlement on maritime demands. There is also a more controversial example on Chinese interest in international organisations, Shanghai Cooperation Organization (SCO). The members Russia, Kazakhstan, Uzbekistan, Tadzhikistan and Kirgizstan have geopolitical, military and economic interests in SCO (FMPRC, 'Shanghai Cooperation Organization' 1.7.2004). It is clearly an intergovernmental organisation with only limited institutional framework respecting the countries sovereignty. Following the bilateral and multilateral developments within the SCO framework, the regional security environment of China has been stabilised (Medeiros and Taylor 2003).

There are also signs that China is changing its attitude towards global multilateral organisations, for example UN and WTO. The IFPP states that China values United Nations, but at the same time supports a reform of the UN and a multipolar world (IFPP 2003). The questioning of the current UN and the existing world order under unilaterally acting US are less unpredictable in the economic dimension. In 2001 China entered the most important capitalist forum supporting the current trading system and the legal framework, World Trade Organization. China has also started to ratify some universal Treaties, such as Non-Proliferation Treaty (NPT) which aims at stopping the proliferation of technologies needed for building nuclear weapons (Medeiros and Taylor 2003). Also the talks in G-8 meeting in the summer 2003, which China attended, about China "sharing the global responsibility" (Medeiros and Taylor, 2003) with other major powers is a sign of further integrationist efforts by both the side of the existing system and the side of China (Johnston & Ross 1999).

The status of China in international system has changed. The booming economy has already has convinced some Chinese strategists and press releases to consider China as a great power, which should be more self-confident (Zhang Yunlin and Tang Shiping 2002, Goldstein 2005). Russians see China as a potential trade partner especially in energy issues. At the same time the Japanese are debating about actions for stronger military forces with 72 percent of Japanese not trusting China and US is demanding increasing Japanese military build-up to match with the one of rising China (Hughes 2006). The value of China not only as a military threat but also as an economic and political partner has increased.

"There is no precedent in Asia for two big countries to have a strategic partnership based on equality. We want to establish such a strategic partnership with China. That's what we're aiming for." -Shinzo Abe

Chinese foreign ministry acknowledges that the contemporary international system is a unipolar system led by United States. "One superpower, several great powers" (People's Daily, 'Review: International Politics', 27.12.2004) is one of the Chinese views about international order. At the same time China challenges the international system with statements where it stands against hegemony, supports the democratization of the global politics, questions the unipolar system, supports the view about further multipolarisation of the world politics and a system which would guarantee the best for all the nations and all the peoples (IFPP 2003). In addition, China does not stress the importance of human rights or internal democratization of its trade partners in the third world as the Western states do. In addition the Taiwan issue is still unsettled. (Goldstein 2005.) These can be considered as present challenges in the international affairs, but they do not necessarily imply that the Chinese foreign policy is suggesting that the current international system has to be replaced with a new one with Chinese characteristics.

3 Energy Security of China, Domestic Factors

According to Daniel Yergin the aim of energy security is to "*assure adequate, reliable supplies of energy at reasonable prices and in ways that do not jeopardise major national values and objectives*" (Yergin 1988, 11). Chinese authorities are aware of the great threats to its national values and objectives which lie behind the failure to guarantee sufficient energy resources to its booming industry. The problems in the energy imports would rapidly raise the prices of energy and therefore give a reason for distrust about the Chinese economic growth. After the Tiananmen 1989, the legitimacy of the government led by the Communist Party of China (CPC) has strongly relied on its capability to maintain the impressive economic growth and increase the living standards in China (Introduction in Deng & Wang 2005). Economic crisis following the lack of trust to Chinese economy, in the society which is in the middle of radical changes, would be followed by social disorder. This would be a direct threat to the whole modernisation process, for the legitimacy of the government led by CPC and above all for the unity of China. Therefore, the interruptions in energy imports are seen as an issue of national security. (Downs 2004.)

Chinese dependency on imported energy is growing fast and the issue is by some observers considered even as a driving force of the new diplomacy of China (Zweig; Bi Jianhai 2005). The scarcity of resources has been a main issue behind several

conflicts through out the human history. On international level the security concerns on resources have traditionally included scarcity, uneven geographical distribution and centralized demand (Yergin 1988). Currently this is the case especially in oil and gas. Therefore it is important to examine how the energy dependency affects Chinese foreign policy.

In the study of energy security, the line between the two major theories is used to explain how states behave in the case of scarce resources. According to Downs both in the study done inside and outside China it is suggested that China can either act alone to secure its selfish needs or gradually become a part of the international energy markets. The first option would lead to conflict situations between countries, and joining the international institutional framework would make these conflicts economical and mostly fought through business.

According to Downs (2004) China should integrate to international economic institutions as profoundly as possible to keep the issues of scarce resources from affecting country's foreign policy. The study based on realism often suggests that China will act outside the existing system to maximize its gains and will in the end finally try to overthrow the system in its quest to maximize its power. Realism highlights the minimal ties China has to international institutions and prefers to see the rise of China's energy demand as a zero-sum game between the two scenarios: If China is able to secure the flow of energy resources it will become a super power. In the scenario two, the Communist Party is not capable in guaranteeing the adequate energy resources China will suffer from internal instability and its external power will decrease. Realists point out the geostrategic problems concerning the intensifying competition on energy in Asia and makes cynical conclusions. Seeing the Chinese dependence on imported energy as a factor which will instabilize the security situation in China the conclusions suggest more US commitment to Asian issues, so that conflicts can be prevented (Calder 1996). However, as easy China's treatment as a state described by realism would be, the liberalists point out that it is also possible for China to reach its status as a great power by joining the community created by West, if the Chinese decision-makers are given adequate knowledge on how the global energy markets work (Downs 2004).

In the modern energy-markets there is a deep contrast between the industrialized states dependent on energy imports and the energy producer states whose economy

relies on their energy exports. The consumers attempt to secure a stable flow of energy. To do this they are willing to pay great amounts of money and see the issue worthy of sacrificing lives of their own citizens for stable and friendly producing countries outside their national borders. There is constant competition for energy, partly competed between multinational corporations, but since the energy is also a concern of national security, the political participation is constantly present through state owned corporations.

The energy resources and the consumption are unevenly distributed around the world. Top exporters are almost without exceptions undeveloped non-industrialized countries whose economy strongly relies on the export of resources. Industrialized countries in the East Asia and Europe are heavily dependent on energy imports, with the US being the biggest importer. The table on the top oil exporters, importers, producers and consumers shows the contrast in the most important form of traded energy, oil:

Top World Oil Producers, Exporters, Consumers, and Importers 2006
(millions of barrels per day)

Producers ¹	Total oil production	Exporters ²	Net oil exports	Consumers ³	Total oil consumption	Importers ⁴	Net oil imports
1. <i>Saudi Arabia</i>	10.72	1. <i>Saudi Arabia</i>	8.65	1. United States	20.59	1. United States	12.22
2. Russia	9.67	2. Russia	6.57	2. China	7.27	2. Japan	5.10
3. United States	8.37	3. Norway	2.54	3. Japan	5.22	3. China	3.44
4. <i>Iran</i>	4.12	4. <i>Iran</i>	2.52	4. Russia	3.10	4. Germany	2.48
5. Mexico	3.71	5. <i>United Arab Emirates</i>	2.52	5. Germany	2.63	5. South Korea	2.15
6. China	3.84	6. <i>Venezuela</i>	2.20	6. India	2.53	6. France	1.89
7. Canada	3.23	7. <i>Kuwait</i>	2.15	7. Canada	2.22	7. India	1.69
8. United Arab Emirates	2.94	8. <i>Nigeria</i>	2.15	8. Brazil	2.12	8. Italy	1.56
9. <i>Venezuela</i>	2.81	9. Algeria	1.85	9. South Korea	2.12	9. Spain	1.56
10. <i>Norway</i>	2.79	10. <i>Mexico</i>	1.68	10. Saudi Arabia	2.07	10. Taiwan	0.94
11. <i>Kuwait</i>	2.67	11. Libya	1.52	11. Mexico	2.03		
12. <i>Nigeria</i>	2.44	12. <i>Iraq</i>	1.43	12. France	1.97		
13. Brazil	2.16	13. Angola	1.36	13. United Kingdom	1.82		
14. <i>Iraq</i>	2.01	14. Kazakhstan	1.11	14. Italy	1.71		

1. Table includes all countries with total oil production exceeding 2 million barrels per day in 2006. Includes crude oil, natural gas liquids, condensate, refinery gain, and other liquids.

2. Includes all countries with net exports exceeding 1 million barrels per day in 2006.

3. Includes all countries that consumed more than 2 million barrels per day in 2006.

4. Includes all countries that imported more than 1 million barrels per day in 2006.

Energy Information Administration (EIA). www.eia.doe.gov/emeu/cabs/

The case is similar with natural gas, which has highly centralized and regional markets, the top producers close to Chinese markets being Russia, Central Asia and Iran (EIA 2007), there is a possibility for competition between the important importers US, EU, Japan, Korea, India and China. However, the competition between US, EU, Korea, and Japan is lessened by common a common energy-institution, International Energy Agency (IEA), and dependency on US military power. Outside of these institutions, but inside the democratic group of states, the non-industrialized India is also not questioning the existing international system. These issues make the newly industrialized, energy dependent one-party state PRC an outsider in this group of energy importers and worthy of further examination.

China turned into a net importer of oil in 1993. The problems of energy security are caused by the growing oil deficit. Already in 2002 the share of oil imports was 37 percent of the whole oil consumption (British Petroleum 2003) and China's net oil imports jump from 3.5 mb/d in 2006 to 13.1 mb/d in 2030 (IEA 2007). In 2003 China passed Japan for the first time in energy consumption, and in 2007 the growth of Chinese energy demand is the most remarkable on the global markets, 40 percent of the growth in global demand (IEA 2007). Published Chinese estimates are lower than those of foreign specialists, but both expect the demand and dependence on imported oil to grow significantly. According to the IEA specialists the imported oil will cover 63-70 percent of the demand by the year 2020 and according to Chinese officials around 46-54 percent (IEA 2003).

The increasing dependence on imported oil has been followed by growing concerns about Chinese energy security. What makes the issue even more crucial is the fear that the disruptions in energy imports could decrease the legitimacy of CPC and increase the social instability in China. Economic growth, industrialization and social transition followed by it have already created an unstable situation, which in governmental is considered as a case of national security. According to Downs, the dissatisfaction to growing class differences, pollution, inflation, and growth of the cities can only be controlled under circumstances of booming economic growth and surveillance of the strong central government (Downs 2004). The rising price of energy and the following inflation would be a dangerous combination increasing the

dissatisfaction to the government significantly. Therefore the government is willing to keep the energy flowing and the control over those flows in its own hands.

To do this China modernized its state-owned oil companies in 1998. After this the three companies that dominate the Chinese energy markets are China Petrochemical Corporation (Sinopec), China National Offshore Oil Corporation (CNOOC) and China National Petroleum Corporation (CNPC). The state owns majority of stakes and the leaders are members of the CPC in every of these companies. They have direct access to the government and power when political decisions on energy security are being made, but they still act under the central authority. (Downs 2004.) This makes political domination of the energy markets possible.

The main part of Chinese energy security debate is traditionally state-, supply- and oil-centered. There are two views inside China about the future of the of Chinese energy policy. The first one supports effective integration to the international energy markets. It is supported mostly of all in the economic circles of China. (Downs 2004.) The integration to international system would mean cooperation with supranational organisations, such as IEA and dependence on the global market prices. The common rules and institutions would therefore lessen the prospect of conflicts between the importer states in their pursuit to secure their energy resources. For integrationists the unstable producer countries are a constant problem, but economic cooperation is seen to increase prosperity and internal stability of such states. Diplomatic cooperation and long-term trade deals increase the trust between China and these states and therefore also promote the energy security.

The second camp sees the dangers in unstable energy markets and prefers geopolitical solutions. This option would lessen the probability of conflict with the producer states, since it makes China bilaterally dependent on their will to cooperate. This option has been traditionally seen as the most secure one and is seen in claiming direct overseas energy reserves, in will to construct oil and pipeline system in cooperation with Russia and Central Asian countries and in demands made by military officers to guarantee the maritime safety not depended in US naval presence. This kind of development would be seen in US as efforts to balance US hegemony and bring instability to the current US led international system. (Downs 2004; Calder 1996.)

In long term the security of maritime trade routes is sometimes seen as a security threat to China, because of the US capability to block overseas energy imports and use this as a way to put pressure on China (Calder 1996). A maritime blockade would be an effective way to bring immense problems to Chinese economy. Benefits would be that in a blockade, there would be no need for active use of military force (Calder 1996; Downs 2004). The overseas exports are partly dispensable by building oil and natural gas pipelines from the Central Asia and Russia, which would guarantee energy deliveries not depended on US.

What both of these groups want is variety of resources and trading partners. But even variety does not in the end protect from the greatest and most evident threat which is the rising price of energy in international markets. To protect itself better, China aims at buying the actual oilfields. (Downs 2004.) This is the best way to guarantee energy security without invasion, but at the same time demands active diplomacy and good relations with several energy exporting countries around the world.

According to some observers, the issue of energy security is the most important single feature shaping Chinese foreign policy and has led to increased activity in its diplomacy. The relations China is developing are sometimes controversial. Dependence on the oil producer states has to be examined to find out the relationship between the growing energy dependency and Chinese behaviour towards the international system. The focus here is on regional and global levels to examine how the Chinese actions correlate with the existing international system, but also to point out the similarities and differences of the regional and global relations.

4 Regional Stability and Energy Security

China is using its possibility to secure energy imports from its own back-yard. Russia and Central Asia, especially Kazakhstan, are full of energy resources and China has developed good and practical relations to those countries. It has even developed a common intergovernmental organisation for stable regional relations with the Central Asian countries.

According to BP Statistical Review of World Energy (2004), Russia, Iran and the countries of Central Asia, are estimated to contain around 18,8 percent of the world's proven oil reserves and around 45 percent of the world's proven gas reserves. Russia is the second largest oil producer and exporter in the world, and it is the largest natural

gas producer in the world. In addition, the vast Russian landmass is still not totally explored. The size of Russian oil reserves is estimated to be around 48.6 million barrels (IEA 2007). Russia and China made a contract to build a gas pipeline from Russia to China (China Daily, 'Russia to build large-scale gas pipelines to China', 2006).

While the energy resources of the Central Asia are neither profoundly explored, the gas and oil industries of these countries are developing fast and European, Russian and Chinese investors are interested in prospects to develop the fields in the area. Currently the only huge oil producer on the region is Kazakhstan. Cooperation started already in 1997 when China and Kazakhstan signed several treaties concerning the use of Kazakhstan's natural resources. CNPC bought 60 percent of Kazakhstan oil-company Aktobermunaigaz and started building an oil pipeline to Xinjiang in Western China. The pipeline was finished in 2005 and is capable to transport 400.000-800.000 barrels a day and as such is relief for governments worries about time to time separatist Xinjiang. (CIEP 2004.)

As Russia is a bordering country for China with huge army, great arsenal of nuclear weapons and a P5 seat in the United Nations Security Council it is essential for China to keep good relations to Russia not only because of the energy security, but also because of Chinese defence and security policy. Chinese interest in the Central Asia has also focused on security policy issues such as opposing separatism, terrorism, radical Islamism and drug-crime (FMPRC, 'SCO', 2004). Consequently, these common interests in security policy and energy security resulted in establishment of Shanghai Cooperation Organisation (SCO).

SCO is an organisation established by China, Russia, Kazakhstan, Tadzhikistan, Kyrgyzstan and Uzbekistan in 2001. The predecessor, Shanghai Five, group without Uzbekistan, was created in 1996 to promote military stability and mutual trust to Central Asia. The meetings of Shanghai Five became annual and the discussions started to cover variety of issues. During the fifth annual anniversary of Shanghai Five Uzbekistan joined the group to establish a new organisation. A year later in St. Petersburg, Shanghai Cooperation Organization gained an institutional structure in accordance with the international law. In 2004 a permanent secretariat started operating in Beijing and unit for antiterrorism in Tashkent, the capital of Uzbekistan. (FMPRC, 'SCO', 2004)

According to the official website the SCO has following main goals: "The main goals of the SCO are strengthening mutual confidence and good neighbourly relations among the member countries; promoting their effective cooperation in politics, trade and economy, science and technology, culture as well as education, energy, transportation, tourism, environmental protection and other fields; making joint efforts to maintain and ensure peace, security and stability in the region, to move towards the establishment of a new, democratic, just and rational political and economic international order."

According to resources the cooperation has managed to promote the trust between the neighbours and the possibilities for further cooperation in the fields of trade and international questions (CIEP 2004). The problem of this relationship is not only due to the authoritarian character of the government in all of the SCO countries, but also the last sentence stating that one of the main goals of the organisation is to move towards "a new, democratic, just and rational political and economic order", a statement which is in line with the IFPP in its quest for a change in current international order.

The stability brought to Central Asia by SCO has been celebrated by both Russia and China. Regarding revisionism - integration dilemma the development of SCO is two folded. The organisation celebrates and is based on intergovernmental principles of the international law, but at the same time the major powers of the organisation question the US hegemony in international affairs. In practice this has already started in the region. The 'colour revolutions' in Georgia 2003 and Ukraine in 2005 were followed by a violent suppression of uprisings in authoritarian SCO country Uzbekistan. The US and European Union strongly condemned the suppression, which was followed by a demand from Uzbekistan for US to leave an airbase used for the war in Afghanistan (Wolfe, Asian Times, 6.8.2005). Later SCO issued a joint statement demanding US to set a time-table for the withdrawal of its troops from the Central Asia. The enthusiasm to such actions is partly due to Russian participation to the organization. Russia is still suffering from having lost its empire and its face, and is seeking a new coming equipped with a vast arsenal of natural resources, including natural gas and oil.

The use of the joint statements is a proof of working cooperation to maintain the authoritarian capitalist system in the region, but another thing is to hold joint military exercises. The joint military exercises against separatist movements by China and Russia are of course a concern of Taiwan, but also should provoke interest in Japan, US and ASEAN countries. Together with Chinese demands in the South China Sea,

which contains vast energy reserves and where the Japanese shipments pass through, these developments are raising concerns in Japan and the ASEAN states.

In 2005 India, Pakistan and Iran were included to SCO as observers. In the case that the evolution continues to the direction of deepening integration, the organisation will later cover over 3 billion people. An organisation covering half of Earth's population would be a powerful block. Whatever it does has to be taken into account (Pravda, 'The USA will have to take account of the new international center, the Asian monster', 6.7.2005). The further engagement of these states or a development into a military organisation led by the two major authoritarian states would make SCO the greatest rival that the liberal democratic regime has ever had on global level.

5 Global Energy Relations

The relations between China and the countries inside the international system have practical relations focusing primarily on the trade relations. The growing economic interdependence covers the most important discussions. One part of those discussions is energy trade.

Global energy security is constructed on relations between the importing and the exporting states. There are two distinct types of importing and exporting states: Those countries which operate within the international system and those which are acting against it or outside it. The liberal democratic IEA-consumer countries form the block of supporters of the current international regime, while the authoritarian China is the major importing country outside it. The aim of this chapter is to examine Chinese relations to exporting countries both inside and outside the international society.

The Chinese energy trade with the democratic zone has mainly focused to Canada and Australia. Producers within the democratic market economy zone include such countries as Canada, Australia, Norway and to lesser extend the friendly OPEC countries under US protection. From this group Canada and Australia are good examples for examination due their highly developed economic and political systems. China also imports energy from the Rogue states listed by the US as enemies of the international society. What unites these countries is that they challenge institutional setup or principles which maintain the international order. They are the most important group for examination since Chinese energy trade with these countries has effectively

blocked every effort by the West to introduce principles of international society to these countries. Several examples from this category will clarify the issue. Good examples in this category are Iran, Venezuela and Sudan since they share the common status as a rogue state, but for different reasons.

5.1 Towards integration – Trade with the West

China and Canada established their diplomatic relations in the year 1970 and the cooperation between the countries has been deepening ever since. Energy plays a role in their relations, but the cooperation does not rely on it. Cooperation is multidimensional based on practical trade relations without political package.

Already in the first summit in 1973 between the heads of the states the countries made a trade contract. By 1984 and 1986 the growing mutual trust led to new contracts concerning security of investments and taxes. On the new millennium the relations have been shifted to the diverse cooperation between the governmental institutions. (FMPRC, China-Canada relations, 2003.) The economic-technical issues have continued being the most important part of the relations between the countries. In 2003 Canada scored the all-time highest on exports to China when the value of exports hit 4.8 billion dollars. Chinese exports to Canada during the same year counted for 18.6 billion dollars doing well especially in industrial materials and products (CBC, 'Milestones in Chinese-Canadian relations', 13.1.2005). The trade with Canada does not rely on the trade of energy resources. Instead, the attempt to modernise China has played dominant role in the relations. According to Chinese governmental resources the cooperation has deeply involved economic, technological, juridical, educational, cultural and political goals (FMPRC, 'China-Canada relations', 2003).

On the other hand, Canada is the on 8th largest oil producer in the world (see Table 1) and its energy exports have been strongly rising during the last five years. In 2001 Canada and China established a common organisation to develop the energy trade between the two nations. In 2005 this Canada-China Joint Working Group on Energy Co-operation led to a deal on deepening cooperation in production of natural gas and oil, and the enrichment of uranium (CBC, 'Milestones in Chinese-Canadian relations', 13.1.2005). Later in 2005 Sinopec bought 40 percent share in the Canadian Northern Lights-oil-project.

For the US, Canada is a trusted oil-reserve located just across the border and safe from naval threats. Consequently, Canada has strong ties with US in energy security. As China attempts to reach for Canadian energy, US officials watch the development of the relations closely (Zweig – Jianhai 2005, 28). China has also approached the US energy markets when CNOOC set an offer to buy the Californian oil-giant Unocal in 2005 (Washington Post, 'Chinese Drop Bid to Buy U.S. Oil Firm', 3.8.2005). Offer was withdrawn after pressure from Washington.

The partnership with Canada is a typical Western relationship. When compared with Australia, the second Western oil-producing country with Chinese contacts the differences are minimal. Also Austro-Chinese relations have been active after the establishment of diplomatic relations and China being the third most important trading partner of Australia (FMPRC, 'China-Australia relations', 15.1.2006). The trade is not only established on energy trade with good political relations reaching further to the society. However, Chinese oil-companies have also signed large oil exploration deals with their Australian counterparts (China Daily, 'China, Australia Sign Ethane, Oil Exploration Deals', 4.4.2006).

Dependency on Western oil seems to increase the cooperation between the countries no matter the difference between the political systems. These relations are also not only pushed forward by the Chinese energy security considerations. Instead, the complicated and increasing cooperation with the developed energy producer states in many socio-economic fields can be seen as a part of Chinese integration to the international economic system. However, the minimal share of both Canadian and Australian energy exported to Chinese markets makes the integrationist relations almost irrelevant in the big picture, unless there is significant increase in the exports in Canada and Australia.

5.2 The Rogue States

"...because this is what is needed in the world in order to break with unilateralism."
Hugo Chavez, President of Venezuela
December 2004
Beijing

The relationships China is developing to the states whose leaders give such statements as Hugo Chavez could possibly bring problems for US led international

society. In its pursuit for energy security China gets depended on oil-imports from producer countries whose politics for some reason is judged by other members of the international system. The easiest way to energy is to establish trade relations with countries which are under some sort of embargo by international political society or avoided by multinational companies for reasons of investment security. Countries with rich energy resources for example Venezuela, Sudan and Iran are the only contemporary challengers of international system and the winners if they manage to tie China to their camp.

Venezuela

Even if the US does not consider Venezuela as a true Rogue state, as far as the quote from President Chavez lets us to understand, his aim is a multipolar world described in the Chinese IFPP. Since his victory in 1999 elections this left-wing, or populist, president has been trying to decrease Venezuela's dependency on US hegemony and dollar-diplomacy by seeking other partners. It is not clear if his goals are truly socialist, but his speeches are truly revisionist and against the current international order. The reason why the country is discussed here is that Venezuela is not just any third world country, but the a fifth largest oil-exporting country in the whole world (See Table 1). With the excuse of socialism, Chavez also nationalized the oil-companies under his control. These moves were strongly opposed by the rich upper class which before 1999 owned these companies exporting most of the oil to the US.

During the 1980s the Chinese relationships with Venezuela were minimal, not least because of the distance and US presence in South America. However, in 1996 Venezuela started to sell oil to China at the same time increasing the imports from China. After the political problems with US on nationalising the oil-companies, Chavez started high level diplomacy with China to promote good relations with the socialist partner and to find a new buyer for country's energy resources. The political dimension has been strongly present also on Chinese side to guarantee the oil imports from Venezuela. In April 2001 the presidents Jiang Zemin and Chavez established a "strategic partnership for common development" (FMPRC, 'Zeng Qinghong Holds Talks with President Hugo Chavez of Venezuela', 30.1.2005). After these talks the bilateral cooperation boosted between the countries.

To decrease the dependency from US, Venezuela has almost doubled the oil production and redirected most of added production to China. At the same time Venezuela is moving towards diversifying the exports by building a natural gas pipeline to the South America (Herald Tribune, 'Chávez moves to diversify Venezuela's energy exports', 1.12.2006). As the energy trade has been increasing, the government has at the same time stopped free competition on the national energy markets and by doing so prevented the international energy companies operating in Venezuela. The multinational oil-companies have also been unwilling to invest to exploration and production in Venezuela because of political instability and safety of their investments. This has suited the Chinese energy targets. In 2004, during Chavez's third visit in China since 1999, China and Venezuela agreed on massive energy-deals. In accordance with the deal, the Chinese oil-companies expanded their operations in, promised to finance a new oil-refinery to Venezuela and committed to further development of countries energy resources. In exchange China has invested several billions to energy industry of Venezuela.

Cooperation was said to be deepened also in agriculture, security, high technology and communication, but these security aspects have not yet been seen in practice. It is still highly unlikely that any large scale commitments on Chinese part would develop with Venezuela simply because it is too lonely and too politically unreliable in its foreign policies towards US, even for China.

Sudan

"When we started there they were an oil importer, and now they are an oil exporter. We've built refineries, pipelines and production."
Mr. Li, Chinese trade official about Sudan
According to New York Times
4.8.2004

10 percent of imported oil comes to China from Sudan. According to Chinese governmental resources China established diplomatic relations with Sudan, the largest country in Africa already in 1959. The energy cooperation between the states started after three years of ministry level negotiations in 1995 when CNOOC was given a permission to explore Sudanese deserts for oil. The relations have stayed excellent with almost annual political meetings (Downs 2004) and with the representatives of the oil companies in high position in CPC (ibid) and so in close contact with the Sudanese political decision-makers. Following the permission for oil explorations and the

beginning of the oil-production, the Sudanese energy exports have increased steadily. In 2005 an oil pipe constructed by the Chinese was opened to bring oil from inland to the harbour of Port Sudan at the Red Sea. There the CNPC had built an oil-refinery and a warehouse, from which the tankers could take their cargo through Malacca Straits to China. It can be said that Sudan is the largest Chinese project outside its own borders.

During the years 2004 and 2005 China had its chance to use its permanent seat in UNSC to support the interests of Sudanese government. The resolutions on the table were due the situation in Darfur region in Sudan, which was described as genocide by some members of the US government. The draft resolution from US included economic sanctions towards Sudanese oil-industry. China watered this draft. The long –term commitment on the development of Sudanese energy sector and growing domestic energy demand were obviously considered more important than joining the members of the international community to condemn the humanitarian situation in Sudan. To the question about how the approved resolution would affect the operations of Chinese oil Companies in Sudan, the permanent representative of China Wang Guangya answered:

"No. It is an important task of our diplomatic work to safeguard our national interests, including the interests of Chinese enterprises in foreign countries. In the process of consultations on the draft resolution, we have always borne in mind our national interests in Sudan, according to the instructions of the central leadership. It is our bottom line not to jeopardize our national interests. Actually the submitter of the draft was very clear about this. It can be said that the wordings of the adopted resolution can ensure that the interests of Chinese enterprises in Sudan will not be harmed."

*Wang Guangya, Permanent Representative of
China to the UN Ambassador
20 September 2006*

This watering was not against Chinese interests, its IFPP or international law, but it was interesting, since it was active Chinese diplomacy far outside of its borders in Africa. However, Chinese behaviour triggered discussions about the problems to integrate China to international system and harmed the image of China as a trustworthy country in the West. China showed that it is capable and also willing to support its allies in energy trade against the Western ambitions. In IFPP China states that countries should not "...interfere in others' internal affairs under any pretext".

"Business is business. We try to separate politics from business. Secondly, I think the internal situation in the Sudan is an internal affair, and we are not in a position to impose upon them."

*Whou Wenzhong, deputy foreign minister
New York Times
22 August 2005*

However, China is playing a game, where in its other hand China has its international prestige and in the other the problems in its energy security. The regional crisis, civil war or genocide which is going on in Darfur is a kind of process, which China has never taken part before. The diplomatic problems facing the immature Chinese diplomacy are new and there is a great need to avoid this kind of situations in the future. Saving face of China in international society is huge part of another energy relation with some similar characteristics as Sudan. It is the Islamic Republic of Iran.

Iran

With its 13 percent share in 2003, Iran was the second largest importer of oil to the Chinese markets right after Saudi-Arabia. If this includes the huge, yet undeveloped resources of natural gas, China is and will stay highly depended on energy imported from Iran. China should be blessed to have a strong strategic partnership with this kind of country with vast energy resources. Diplomatic cooperation would bring mutual respect and secure energy deliveries to the distant future. With this kind of prospects in 2004 China and Iran made a contract to on oil and gas deliveries for the next 25 years (Al-Jazeera, 'China, Iran sign oil and gas deal', 30.10.2004).

However, Iran is an exception in the group of oil-producer countries, because it has every once in a while dedicated to seek a technology to build a nuclear weapons. Iran has had wide problems with the inspections of the International Atomic Energy Agency (IAEA) working directly under the UNSC. IAEA is the institutional watchdog of the Nuclear Non-Proliferation Treaty (NPT), with a task to observe nuclear materials and limit the proliferation of atomic weapons. Iran as a big oil-producing country is not in need of energy and so the states of international system are concerned about the possibility that Iran is secretly developing a nuclear weapon. This has continuously made Iran the centre of international politics. During the 2005 the problems with IAEA led to discussions with the EU troika, Germany, France and Britain.

China is under enormous pressure if the situation goes to the security council and is worked towards a resolution. A huge energy dependency makes the situation of China extremely unsatisfying. First of all, to work against Iran in an improper way, would cost China its investments to Iranese industry and endanger its energy imports from Iran. Secondly, China has lately become a strong supporter of NPT. Last time China voted in favour of the weapon inspections in the resolutions about Iraq in 2001. China is therefore keen to active diplomacy in finding a diplomatic solution to the question of Iran. Both the sanctions or military solution and the continuance of the discussions about Iran developing nuclear weapons, would harm the Chinese national interest.

6 Conclusions

The inadequate energy imports are a threat to the national security of China. It is imperative for China to guarantee adequate imports for it's the development back to the Central Kingdom. Therefore China has activated its diplomacy and by doing so signed crucial energy contracts. Activated diplomacy has turned China into a global actor and intensified the regional cooperation. This has made China dependent on the energy exporting countries. The dependence is evidently in contrast with the idea to integrate China to the current international system.

On the regional level Chinese energy dependency has created stability to the whole Central Asia. Even as a great power China would be dependent on the stability in its neighbouring areas, so it has to keep functioning relations with these countries. Long and valuable energy deals are an excellent ground to establish trustworthy relations. Military presence has already decreased on the Chinese boundaries, and the politico-economic cooperation has deepened in Shanghai Cooperation Organization.

The SCO has aspects of security and defence policy, for example in fight against terrorism and military exercises. The IFPP suggests that China is not building military alliances, but meanwhile Russia and China have released joint statements about the US presence in the Central Asia and kept military exercises. What makes the issue most striking is that we are now seeing a rise of successful capitalistic states with authoritarian political systems for the first time after the fall of Germany and Japan in the World War II. The development of SCO into a military block of undemocratic states would be a real challenger to the current international system.

On the global level the Chinese energy interests and the interests of the international society are least conflicting when China is doing energy trade with the Western, democratic energy producer states. There is suspicion towards the Chinese state-owned companies, especially in the US but the lack of trust towards them does not make Chinese foreign policy more revisionist. On the contrary, the trade and diplomatic cooperation with the industrialised countries like Australia and Canada has promoted trust between the countries, especially since there has not been any difficulty in the cooperation with the Chinese energy companies. It has opened options for further integration to the international energy regime and the international system. China seeks to increase the cooperation of its own energy companies and the Western companies, by promoting bilateral energy organisations and establishing long-term trade relations. US is closely observing the development of Sino-Canadian energy relations, because of its strategy to keep Canada as its own energy reserve. There is no sign of greater conflicts because of this, but also the relevance of the Western relations is not great. This is due the low volume of energy trade from the exporting countries to China.

While diversifying its exporting countries China is forced to become part the regional and domestic problems, and foreign policy calculations of these countries. Because of this, China has to further expand its diplomatic presence and expertise on these countries. The negative effects because of the lack of expertise and too strong energy dependence are seen in cases like Venezuela, Sudan and Iran. Instead of being forced to obey the policies by liberal democratic powers, they now have an authoritarian capitalistic alternative to turn to. In the case of Venezuela and Sudan the problems for the international society have been limited. China promotes cooperation because of its need for easy energy. Venezuelan president instead seeks to decrease dependency from United States and its allies for domestic purposes. Chavez has used the energy to pressure the US, but cooperation with China has still remained economic. Venezuela and China both promote multilateral world in their rhetoric and the relations between the heads of the states are well established, but the relationship has not, at least yet, caused international crisis.

In Sudan, China was maybe for the first time in its modern history, drawn into a conflict far away from East Asia. China was part of a crisis in which its needs in energy security were in conflict with the Western countries in the UNSC and its moral stand was repeatedly questioned by the international media. The consequences of Chinese moral

stand are now seen in Chad with enormous refugee camps and huge humanitarian crises. The norms of the Western states in international society have been questioned by Chinese behaviour, but the actual challenge to the unipolar international system has been minimal.

The problematic Iran is an observer in SCO and a power in the Caspian Sea Region. Also the challenges Iran pose to the international system, the possible development of nuclear technology and disobedience of UN rules, are true challenges to the stability to the current regime. Therefore the relationship between Iran and China is both about energy-policy and security policy concerning not only Sino-Iranian relations, but the stability of the whole Caspian region and is considered as a great challenge to the current international system. The contrast between the Chinese energy security necessities and the threat nuclear proliferation is evident unless the dependency leads to strengthening of their relations. Direct support from SCO would give Iran a window of opportunity to continue its nuclear programme. The "Asian monster", as Pravda calls the SCO after Iran, India and Pakistan joined the organisation as observers, would change the balance of the global power dramatically and give an alternative to the current international system.

China itself challenges the legitimacy of the current international system in the Independent Foreign Policy of Peace. It says that it respects the United Nations, but through its rhetoric, it challenges the unipolar system led by the US. To avoid situations and a possible lose of face as a member of international society which was followed by the Sudan relations, the Chinese foreign policy needs clearer principles in the energy security issues. While the Western states are tempted to use economic sanctions and political pressure towards the countries they trade with and the rogue countries like Venezuela, Sudan and Iran, to achieve changes in their political system, human right situation or economic structure, Chinese energy dependence and non-intervention policy gives these countries an option. It gives them internal freedom and like in case of Iran, an option to try to change the balance in international system with quiet Chinese support. The importing country without a political burden gives them a chance to ignore for instance the US pressure.

Because of the long-term nature of the energy contracts, the rogue states will remain as a challenge to Chinese relations with the US led society. Unless China is included to the developing energy regime, takes a firmer stand in its energy relations towards

rogue states and the growth of global energy consumption is tackled, the topic of Chinese energy security and the conflicts it is causing will remain on the diplomatic agenda.

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Appendix 1

China's Independent Foreign Policy of Peace 2003/08/18

China unswervingly pursues an independent foreign policy of peace. The fundamental goals of this policy are to preserve China's independence, sovereignty and territorial integrity, create a favourable international environment for China's reform and opening up and modernization construction, maintain world peace and propel common development. The main content of this policy includes:

1. China has all along adhered to the principle of independence. With regard to all the international affairs, China will, proceeding from the fundamental interests of the Chinese people and the people of the world, determine its stand and policy in the light of the merits and demerits of the matter, without yielding to any outside pressure. China does not form an alliance with any big power or group of big powers. Nor does China establish military groups with other countries, or engage in arms race and military expansion.

2. China opposes hegemonism and preserves world peace. China believes that all countries, big or small, strong or weak, rich or poor, are equal members of the international community. Countries should resolve their disputes and conflicts peacefully through consultations and not resort to the use or threat of force. Nor should they interfere in others' internal affairs under any pretext. China never imposes its social system and ideology on others, nor allows other countries to impose theirs on it.

3. China actively facilitates the establishment of a new international political and economic order that is fair and rational. China holds that the new order should give expression to the demands of the development of history and progress of the times and reflect the universal aspirations and common interests of the peoples of all the countries in the world. The Five Principles of Peaceful Coexistence and the universally recognized norms governing international relations should serve as the basis for setting up the new international political and economic order.

4. China is ready to establish and develop friendly relations of cooperation with all the countries on the basis of mutual respect for sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

It is an important component of China's foreign policy to actively develop good-neighborly relations of friendship with the surrounding countries. China has resolved problems left over by history with the overwhelming majority of neighboring countries. And China's mutually beneficial cooperation with its neighbors has witnessed a vigorous development.

It is the fundamental standing point of China's foreign policy to strengthen its solidarity and cooperation with numerous developing countries. China and these countries share common historic experiences and are faced with the common tasks of preserving national independence and achieving economic development. Therefore, their cooperation has a solid foundation and a broad prospect.

China sets store by improving and developing its relations with developed countries. It

advocates that countries should surmount their differences in social system and ideology, respect one another, seek common ground and shelve differences and enhance their mutually beneficial cooperation. Their disputes should be appropriately solved through dialogue on the basis of equality and mutual respect.

5. China pursues a policy of all-dimensional opening up to the outside. It is ready to develop, on the basis of equality and mutual benefit, extensive trade relations, economic and technological cooperation and scientific and cultural exchanges with countries and regions of the world so as to promote common prosperity. At the end of 2001, China approved 390,000 overseas-funded enterprises with 745.9 billion dollars of contractual capital and 395.5 billion dollars of used capital. In 2001, China's import and export volume amounted to 509.8 billion dollars, ranking the sixth in the world.

After 15 years' talks, China finally acceded to the World Trade Organization on December 11, 2001. While enjoying the relevant rights, China has begun earnestly honoring its obligations within the framework of the WTO and its commitments. China remains ready to play a positive role, together with other countries, in improving world multilateral trade system and promoting prosperity and progress in the world.

The world economy is an inter-connected and inter-dependent whole. Economic globalization has brought both opportunities and big risks for the economies of various countries. It is a common challenge confronting the governments of all the countries to preserve financial stability, prevent financial crisis and ensure economic security.

6. China takes an active part in multilateral diplomatic activities and is a staunch force in preserving world peace and facilitating common development.

As a permanent member of the Security Council of the United Nations, China actively participates in the political solution of the problems of regional hot spots. China's peace-keepers have joined United Nations peace-keeping operations. China supports the reform of the United Nations and a continued important role of the United Nations and other multilateral organs in international affairs. China is firmly opposed to all forms of terrorism and has made important contributions to international anti-terrorism cooperation.

China devotes itself actively to pushing forward the cause of international arms control, disarmament and non-proliferation. To date, China has joined all the treaties related to international arms control and non-proliferation. With regard to non-proliferation, China has all along scrupulously abided by its international obligations and, thanks to its active efforts in enacting laws on non-proliferation, set up a relatively perfect export control system for non-proliferation.

The Chinese government has attached importance to human rights and made unremitting efforts in this regard. China has joined 18 human rights conventions, including the International Covenant on Economic, Social and Cultural Rights, and signed the International Covenant on Civil and Political Rights.

China remains ready, together with the international community, to enhance cooperation to address the global problems facing mankind including worsening environment, resources scarcity, unemployment, population explosion, narcotics spreading, AIDS and rampant transnational crimes.

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