



## ENERGY AT THE EDGE OF WAR AND PEACE

**Gabriel Collins, Andrew Erickson, Lyle Goldstein, William Murray. *China's Energy Strategy. The Impact on Beijing's Maritime Policies.* The China Maritime Studies Institute, the Naval Institute Press, 2008, 485 pp.**

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The importance of the energy factor in politics today can hardly be called into question. In the search of new sources of energy import the states use mechanisms of political dialogue and strategic partnership; energy issues are on the agenda of international organizations that have nothing to do with the energy policy at all. How much does the energy affect the military doctrine? How does the energy vulnerability of the state influence the modernization of the army?

As far as China is concerned, these questions are answered at the beginning of the complex research by Gabriel Collins, Andrew Erickson, Lyle Goldstein, and William Murray *China's Energy Strategy. The Impact on Beijing's Maritime Policies*. This approach makes the book an exciting reading and gives a lot of food for thought and discussion.

The authors are fellows of the U.S. Naval College and are famous for their studies on various aspects of China's energy strategy, including its impact on maritime strategy of the country.

In this book the authors try to provide for a qualitatively new level of analysis of the Chinese energy strategy, above all, by expanding the range of components that make the strategy. Most of the sources speak about the optimization of fuel and energy balance, development of energy saving and energy efficiency, creation of strategic oil reserves, and diversification of import of energy resources. At the same time, the set of external challenges and threats to China's energy security comprises territorial disputes (that impede the development of oil and gas fields), the lack of China's own fleet for transportation, and inadequate security of sea routes.

### **BY ALL MEANS**

The most vulnerable section of the transportation routes to and from China, including oil transfers, is the Strait of Malacca connecting the South China Sea with the Andaman Sea. It is a passage for over 80 percent of China's oil import (p. 307). The strait is only 40 km wide in its narrowest part and can easily get under control of the U.S. Navy, pirates, or even terrorists. China assumes that in the next five-ten years this may become a potentially serious danger for China's import and economy as such.

Therefore, much attention is drawn to the projects, which would help to avoid the strait. One of them is the construction of the Kra canal in Thailand, in order to connect directly the Andaman Sea and the Gulf of Siam. This would help to cut down the route by 700 miles and save two-five days. However, such project would require substantial investments – up to \$25 billion in the next 10–15 years. This is beyond the financial capacity of the Thai government. Besides, the very idea of building a canal is opposed in Thailand and abroad. The canal could become a water frontier between the central and southern parts of the country, which are under the pressure of Islamic secessionists. The project would also undermine the businesses of



Malaysia and Singapore that earn huge profits on the current transportation schemes. For China the participation in such project is difficult because of political problems with Thailand (which is traditionally a U.S.-oriented country) and other ASEAN nations.

Under these circumstances, the Thai government now prefers a different solution – to build an oil pipeline with the same mission as the canal, but less expensive and operational in short-term.<sup>1</sup> The construction of such pipeline capable of transferring no less than 1.5 million barrels per day may involve the investments of China, Japan, and Korea.

Another project of interest to China is the transportation of the Middle East oil to the sea port in Myanmar with further transfer by pipeline to Kunming in the Yunnan province. This route is much safer and shorter. The construction of such 900-km pipeline would require about \$2 billion. Then the oil can be sent by railroad to Guangzhou, or another pipeline can be built.

It is also important to study the possible blockade scenarios, as the book does. Based on historical experience, the authors conclude that there are ways to oppose the blockade by potential adversaries, including the United States.

Another reason for serious concern would be the fact that the major amount of imported oil is transported by sea and only small part of it by the Chinese vessels. In 2002, 64.5 million tons of oil imported to China (out of 69.4 million tons) were shipped by sea, and only 7 million – on Chinese tankers. The situation did not change much in 2003, when the import amounted to 100 million tons and 90 percent of it was by sea, while the share of Chinese fleet did not exceed 10 percent (and even less on the routes from the Middle East and West Africa).<sup>2</sup>

At present, the Chinese tankers can carry only 5.2 million tons (or 2.6 percent of cargo of the global tanker fleet) and most of them are old and small vessels. China has the task to increase the share of its fleet in sea transportation of oil to 50 percent. This mission seems to be impossible, taking into account the long term of building large ocean tankers, the lack of free capacity at China's shipbuilding yards, and high amount of investments. And it is not clear how reasonable such costs would be, since there is an excessive amount of large tankers in the world and it is quite cheap to rent or buy them.

The protection of sea communication lines cannot be imagined without strong Navy, so the general lagging behind of the Chinese naval forces is also a topical issue. The book analyzes three aspects of the problem – the objectives of modernization of the Chinese Navy, the comparison of the modernization attempts with the capabilities of the U.S. Navy; and finally, potential tensions due to this fact in the relations of China and the United States.

## **PIECE BY PIECE**

The second chapter of the book is an independent study of the regional aspects of China's energy policy and its unique. The authors focus on several sea basins – the Indian Ocean, the East China Sea, and the South China Sea. For instance, in the East China Sea there is a territorial dispute with Japan over the island of Diaoyutai, which has some oil fields nearby.<sup>3</sup> Beijing claims for 550,000 square km of the sea (out of 770,000), and Tokyo would like to possess 160,000 square km, which China is regarded as its own. In the South China Sea the Spratley Islands have substantial reserves of oil and gas – explored and partly under production. This area is a lucrative piece for Vietnam, the Philippines, Malaysia, Taiwan, and China. Here Beijing would like to claim for 1.2 million square km.<sup>4</sup> Due to the territorial disputes, the issue of naval development becomes even more urgent.

The book also provides analysis of China's relations with the Middle East (Saudi Arabia, Iran), Central Asia, Russia and Africa, as far as energy supplies are concerned. Here there is some flaw in research – the chapter on regional aspects of the energy policy is the strongest, meanwhile, the title of the book as such focuses on maritime strategy and security of China. Many areas here have no direct connection with the maritime strategy (e.g. interaction with Central Asia or Russia). But the complex approach of the research enables the authors to study even such indirect links – it is obvious that China's desire to forge energy partnerships with Russia and Central Asia is based on the desire of elimination of its dependence on the sea routes.

The authors neglect China's energy policy in Latin America (Venezuela, Argentina, Brazil, etc.). Meanwhile, Beijing's presence in this region is increasing. And it would also be significant to assess a number of difficulties that China faces in its supplies from Latin America. According to some Russian experts, to make the oil transportation from Venezuela to China profitable, it is necessary to use supertankers (with the displacement of 300,000 tons or 2.2 million barrels), which characteristics do not allow them to pass through the Panama Canal.<sup>5</sup>

The publication of this book indicates that the U.S. expert community is ready and willing to analyze China's energy strategy in general and its individual aspects in particular, as well as its impact on other spheres (e.g. maritime strategy and military planning). The book paves the way for more profound research of energy security issues not only in China, but in other countries that face the same problem of safety and security of energy supplies shipped by sea. 

## Notes

<sup>1</sup> Kim Beng Phar, "China mulls oil pipelines in Myanmar, Thailand," *Asia Times*, September 23, 2004, <http://www.uofaweb.ualberta.ca/chinainstitute/nav03.cfm?nav03=46778> (last visited on December 10, 2008).

<sup>2</sup> China: full report. Energy Information Administration, <http://www.eia.doe.gov/emeu/cabs/China/Full.html> (last visited on December 10, 2008).

<sup>3</sup> E. Stepanov, "China's Border Policy," in A. Voskresensky (ed.), *China in Global Affairs* (Moscow: ROSSPEN, 2001, pp. 144–171).

<sup>4</sup> Ya. Berger, "On China's Energy Strategy", *Problemy Dalnego Vostoka*, No. 3, 2004, p. 34.

<sup>5</sup> A. Koksharov, "Revolution and Oil", *Expert*, No. 31, 2006, [http://www.expert.ru/printissues/expert/2006/31/revoluciya\\_i\\_neft/](http://www.expert.ru/printissues/expert/2006/31/revoluciya_i_neft/) (last visited on December 10, 2008).

