HEGEMONIC RIVALRY: CHINA’S SCRAMBLE FOR OIL

by

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ABSTRACT

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Amanda Bertana

The ever-growing volatility in the Middle East is creating a need for countries to diversify their oil source. As the world’s dependency on oil grows, the competition for its diminishing supply becomes more aggressive. Nations that were once considered Third World, such as China and India, are joining the rest of the world in the race for oil in order to raise their international status. While the current superpowers are experiencing economic distress, some of these former Third World countries are experiencing economic success. China, for example, is attempting to stabilize its economy by monopolizing oil reserves. The final determining factor in restructuring the current global hierarchy and shifting hegemonic power matrix is the race for oil, in which Africa is the target.

The current monopolizing of oil in Africa by China is reaping criticism as being similar to “neocolonialist” practice. In this current era, Europe and the United States are not the colonizers, as it had been in the past, but it is primarily China that has a foothold on Africa’s oil. China has created a business relationship, but more importantly a “friendship” in order to access African oil. The leaders of China stress the fact that they can empathize with Africa because they were too victims of imperialism by the West.
Beyond empathy, China has a past with Africa, embedded in liberation movements during the 1970s to help build Africa’s infrastructure, so it could liberate itself from colonization. This common ground has created an instant camaraderie between the two nations, to the extent that the political leaders of China and Africa have created a Forum of China African Cooperation.

The leading oil suppliers in Africa are Angola, Nigeria, and Sudan, and unfortunately these countries have corrupt governments, and participate in genocide, and other crimes against humanity such as in the case of Sudan. China continues to support these governments and economies despite these conditions. It is part of its foreign policy not to discriminate against nations based on their internal situation. Yet, China is receiving criticism from other nations, NGOs, and others for supporting the corruption and genocide in Darfur.

This thesis is intended to look at the importance of oil and its role in the relationship between China and Africa. China argues that it is a nation’s right to economically flourish and build its infrastructure, but the case in Africa, specifically Sudan, Angola, and Nigeria is problematic due to its internal affairs. The question that arises is China exploiting the political instability in Africa so it can gain access to African oil in order to raise its international status?
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CHAPTER 1: INTRODUCTION

Nations around the world have become increasingly dependent on oil for agriculture, manufacturing, and transportation. According to Michael Klare and Daniel Volman (2006), “in 1960 the world produced and consumed some 21 million barrels of oil per day (mbd); in 2004 it produced and consumed 81 mbd- an increase of 285%” (p.610). Because of this rapid increase over the last 40 years, the global supply of oil is in grave danger of being depleted (Heinberg 2007; United States Congress 2005; United States Government Accountability Office 2007). Rather than decrease our use of oil for energy, by 2030, oil consumption is expected to increase to approximately 116.3 mbd (IEA 2007). This increase in demand is a consequence of former Third World countries such as India and China developing economically, and core countries such as the United States, attempting to keep their economies afloat.

As countries develop economically they increase oil consumption (Zou and Chou 2005; EIA 2010). Countries such as the United States, Japan, and Great Britain are some of the worlds’ leading fossil fuel consumers, and also some of the most industrialized, and prosperous nations in the world. As developing countries such as India and China build their economies through industrialization, they too will experience an increase in oil consumption (United States Congress 2005; IEA 2007; United States Government Accountability Office 2007).

China is a prime example of a former Third World country that is ascending the global hegemonic order and with its success comes more consumption of the world’s
resources. This increase can be seen at two levels; one is development on the national level and the other at the local level in terms of individual’s consumptive habits. At the national level, China’s rapid development of industries requires oil for intensive growth. For example, China is currently the second largest oil consumer in the world, after the United States (Vines 2009), and in 2005 it surpassed Japan to become the second largest oil importer in the world (Ghazvinian 2007; Zweig and Jinhai 2005). But while its demand increased, its economy did as well; according to the International Energy Agency (IEA), China has already contributed to about 30 percent of the global oil increase between 2003 and 2004, while during this time period, its economic growth reached nearly 10 percent (United States Government Accountability Office 2007). At the rate China is going, by 2030 it is expected to surpass the United States to become the world’s largest energy consumer (Zhao 2007).

At the local level, consumerism has lead to an increase in oil consumption due to a more materialistic lifestyle that was previously restricted to the elite. Automobile ownership, which was once a luxury for the elite, is now a possibility for those lower on the social hierarchy. Such changes can also be seen globally. As countries develop their economies citizens follow suit with lifestyle changes, primarily through vehicle ownership (OPEC 2008). The Organization of the Petroleum Exporting Countries (OPEC) (2008) has projected car ownership in developing countries to increase from 33 cars in 2006 to 87 cars per 1,000 people by 2030. With this change in personal lifestyles a growth in demand for oil follows, this is particularly crucial to the supply since most of
the demand for oil is in the transportation sector (IEA 2007; Deffeyes 2005; OPEC 2008). As the world economically expands, oil reserves will deplete faster and the threat of peak oil will occur earlier than what scholars have predicted.

The term peak oil refers to the period when oil will reach its maximum point of extraction from the Earth, and thus will begin to decline (Heinberg 2007; Deffeyes 2005; Bardi 2009; United States Government Accountability Office 2007). This does not mean that oil will be completely depleted, but the supply will plateau, and eventually decline to zero while the demand continues to rise.

The debate surrounding peak oil is when is it likely to occur, if at all. Scholars in the past theorized that it should have already happened. M. King Hubbert, an American geologist, in 1969 predicted the peak of world oil production. He projected, what came to be known as “Hubbert’s Peak” -a bell-shaped curve which outlined peak oil production in 2000 (Deffeyes 2005, 2001). Kenneth S. Deffeyes (2005, 2001), a geologist who worked with Hubbert, suggested peak oil was to occur in early 2006. Based on previous works from Meadows, Sing Chew (2007) placed the life expectancy of oil between 2054 and 2084. Others have referred to peak oil as nothing but government hysteria because in the past, anxiety over resource scarcity occurred when coal was widely utilized, but before the petroleum fields were found in the Middle East.

Therefore, similar to the past, hysteria over peak oil will subside because either alternative sources of energy will be developed or new fields of petroleum will be discovered (Klare 2008). Klare (2008) who supports the theory of peak oil indicates that
“not only is the consumption of, and demand for, energy and other vital resources reaching unprecedented heights, but many existing reserves are visibly being drained faster than new resources can be brought on line” (p.33). At this extent, according to the IEA we will need six Saudi Arabias to meet the projected demand of oil between now and 2030 (IEA 2009b).

Klare (2008) argues, that there has been a decline in existing reserves and the IEA (2009a) also acknowledges, “[There] has been a declining trend in oil production in some of the key non OPEC countries such as the US, the UK and Mexico” (p.103). Despite the evidence, scholars continue to contest peak oil projection because the amount of oil that still remains in reserves is unknown. According to the United States Government Accountability Office (2007),

The amount of oil remaining in the ground is highly uncertain, in part because OPEC controls most of the estimated oil reserves, but its estimate of reserves are not verified by independent auditors. In addition, many parts of the world have not yet been fully explored for oil (P.4).

Our lack of knowledge of how much oil is left does not imply that there is an abundant supply. It is plausible that we will eventually deplete oil reserves completely even though some scholars may disagree with the timing of peak oil, but all do agree that oil is a finite resource. Not knowing how much oil remains contributes to the ambiguity of the peak oil timeline.

Despite the variation in when peak oil is likely to occur, the underlying theme is that we are entering an era of energy scarcity, and easy access to low-cost oil is over (Williams 2003; Heinberg 2007). Nations will either change their consumption habits, or
be forced to change when oil becomes a scarce commodity. The world, either way, will have to address the theory of peak oil whether one views it is a hoax or not. Oil depletion will happen, but society has control over when. The faster nations bleed the reserves, the faster peak oil will occur. This can be detrimental to the world if depletion occurs sooner than later since, “no currently available alternative is anywhere near ready to replace oil in the volumes we use it today” (United States Congress 2005:9). This is especially true for the transportation sector, which accounts for most of the demand (Stevens 2008). The global economy’s reliance on oil needs to be addressed before scarcity disrupts the global economy and political relationships between nations (IEA 2007; Heinberg 2007).

The world’s reliance on oil has transformed energy security from a national issue to that of a global issue. The race for access to oil is linked not only to security for a nation, but national prosperity as well. As oil becomes scarce it becomes more valuable due to the world’s reliance on it. Countries are increasingly seeking future supply to ensure their own energy fate, but more importantly to gain economic dominance through monopolizing oil wells. For instance, “China’s rising economic gain is tied to conspicuously strategic goals, centered on access to energy and other scarce high-value commodities” (Gill, Huang, and Morrison 2007:5). As scholars and politicians around the world are debating whether or not peak oil is a hoax, “China has been making huge investments to secure oil for its own country doing this around the world and paying premium prices” (United States Congress 2005:43). Currently, its largest rival for access
to oil, particularly in Africa is India, but India’s tactic is much less aggressive, so it is not
deemed an important threat to China’s race for energy security (Ghazvinian 2007).

Access to oil is not just vital for a nation’s energy supply, but for China it is a
strategic plan to gain dominance over the global market by monopolizing natural
resources. It is not only used as a self serving mechanism to secure the future of a
nation’s lifestyle that relies heavily on the black gold, but will also be used as a control
mechanism to gain power. As Dag Harald Claes (2001) maintains, “To pursue the
fundamental interest of survival, states have to resort to power capabilities. These
capabilities can be physical (like oil reserves in the ground)” (p.99). According to Ian
Taylor (2006),

It is argued that Chinese oil diplomacy in Africa has two main goals: in
the short term, to secure oil supplies to help feed growing domestic
demand back in China; and in the long term, to position China as a global
player in the international oil market (P.38).

In this case it not only ensures survival as existence, but survival as a hegemon, or an
ascending hegemon. The monopolization of oil is relevant to enhancing China’s global
dominance.

The competition over oil is at an all time high due to fear for energy security as
well as monopolistic pricing by dominant oil suppliers (Mitchell 2007), primarily in the
Middle East and OPEC countries. This is causing countries seeking security to explore
other parts of the world. Currently “oil is being produced or explored for in nearly 100
countries” (Mitchell 2007:7). To put China’s interest over oil security in perspective,
Asian national oil companies are active or present in over 40 of these countries (Mitchell
2007). This becomes problematic when countries have authoritarian governments and/or are experiencing civil unrest and rely heavily on this single commodity for trade and export. Importing countries are heavily reliant on supplying countries to the point that there is limited incentive for producing nations to diversify their economy. Although “foreign equity crude cannot dissolve all insecurities-its production is not exempt from political disruption in the exporting country, war, piracy, terrorism, or UN sanctions, but diversification can help reduce the overall risk” (Mitchell 2007:2).

It would seem that given the world’s dependency on oil, these oil rich nations would prosper from trading with the world. Africa, especially, would be given the opportunity to build up its infrastructure. Unfortunately, this is not the case. The structure of the world does not allow for rewards to be distributed to the provider, but instead to the hegemonic power. For example, “Our [United States] economy and way of life is dependent on cheap oil. In many ways, cheap oil is responsible for our prosperity. Oil and natural gas literally transport heat and feed our country.” (United States Congress 2005:9). If the U.S. Congress is right, the United States has been the leading economic hegemony as a result of cheap oil. It has done so by exploiting the world’s dependency on oil. The United States, far from the world’s leading oil producer has prospered from cheap oil while some oil producing countries such as Libya, Nigeria, Iraq and Iran have not benefitted as much. This has been possible through its position as a hegemonic power, which it has used to impose its ideologies into all aspects of the system including policy making with regards to military, economics, politics, and even culture (Wallerstein
1984). The business of cheap oil has been manipulated by the US to favor its status as the global power.

As Williams (2003) and Heinberg (2007) predict, the era of cheap and easy access to oil is over, therefore the business that the US built its power on could be over as well. China’s race for energy in resource-rich countries is worrying diplomats and government officials in the West who fear that they are “losing” these areas to China, particularly countries in Africa (The Economist 2008; Mitchell 2007). What the West is losing is not only influence, but access to resources as well, which can be detrimental to the U.S. energy supply. Although, there is no substantial evidence, U.S. officials fear that China is attempting to secure oil supplies from African oil fields, only to send crude production directly to China, thereby, limiting the amount of oil that would be on the international market, which would inflate the global market price (Klare 2008; BMI 2010). This predicted fear will not only affect the U.S.’s energy security, but it will also challenge the influence it has over other countries, and thus its position as a hegemon.

The Middle East is still the primary supplier of oil for the major petroleum consumers such as the United States, and China, but due to increasing demand and volatility in some of these areas government’s are searching for new markets, particularly in Africa, whose reserves have increased by 56 percent between 1996 and 2006 (Downs 2010). This “Scramble for Africa” can be detrimental to the environment, the global hierarchical structure, as well as democracy and justice issues in oil rich countries.
Due to China’s large oil business deals with some African countries, Western threats and the sanctions of global institutions are being ignored by volatile countries such as Nigeria, Angola, and Sudan. It is important to note that the only countries that China has become business allies with are those that have been ostracized by the rest of the world because of human rights violations and authoritarian governments (The Economist 2008).

For example, Angola no longer needs to rely solely on IMF loans and the transparency and conditions attached to them because of relations with China. Doing business with China is more attractive to these countries than doing business with global institutions because there is no external monitoring of transactions and conditions adhering to human rights and democracy (Mitchell 2007).

Former President of Nigeria, Olusegun Obasanjo, was able to reap the benefits from a lack of transparency with oil deals he made with China during his presidency (1999-2007), in which he coined ‘oil-for-infrastructure.’ His successor, President Umaru Yar’Adua, spent the first part of his presidency attempting to undo these deals President Obasanjo made because of corruptions involving embezzlement and personal interest being favored over national interest. There also was and remains no visibility of a development of infrastructure made from these agreements (Vines, Wong, Weimer, and Campos 2009).

Regarding Sudan, the U.N., and others have ordered embargoes on the Khartoum regime run by Sudanese President Omar Ahmed al-Bashir as a consequence of the
government led genocide in southern Sudan and Darfur (The Economist 2008; Klare 2008). These sanctions have made it nearly economically impossible to obtain arms to wage war and genocide. Rather oil revenue obtained from China’s imports has made its continuation possible.

This thesis is a world-systemic historical analysis of the world’s relationship to oil. Various countries dependency on oil continues to rise as economic growth leads to an increase in demand. The fear behind peak oil is creating global competition for resources so these nations can meet demands that allow for economic development through industrialization, and its citizens can maintain their lifestyles, or further develop their lifestyles.

This thesis will trace how the world became overwhelmingly dependent on oil as a source of energy. It will also explore China’s attempt to gain access to oil reserves in some African countries, specifically Angola, Nigeria, and Sudan, and how these business relations affect issues of justice in these areas.

Since China’s oil companies are state-owned, its business contracts have to be evaluated synonymously with China’s foreign policy. For China, and other nations energy security and monopolization of resources is not only for commercial gain, but is also a political tactic to secure its position as a global power. Its rise to the top can be attained through creating political relations with oil rich countries in order to gain access to resources, but this becomes problematic when these are authoritarian and corrupt regimes.
China is receiving international criticism for its exploitative tactics in business dealings with some African countries. These issues of human rights violations need to be addressed however a hidden political agenda behind criticisms also needs to be explored. Although there is genuine concern for the state of the well-being of some of these African nations, it is important to acknowledge a broader agenda as well. As we have seen from the past and we still see, the US is not exempt from the practice of trading arms for commodities, or making unfair deals with underdeveloped nations. For some the concern is with human rights issues, but for others a political agenda as to how access to and monopolization of oil reserves by China threatens United States’ hegemony needs to be addressed.
CHAPTER 2: THEORETICAL HISTORICAL FRAMEWORK

According to the United States Congress (2005), “over the last 100 years, fueled by cheap oil, the United States has led the revolution in the way the world operates” (p.9). In some ways access to cheap oil has contributed to the economic prosperity the US has achieved throughout the years. Its industrialization fueled by access to oil has paved the way for it to become the economic hegemony, leading to various global agencies such as the International Monetary Fund (IMF), the World Bank (WB), and the World Trade Organization (WTO) to rule on decisions that favor the United States’ agenda, which in turn reinforces its status as hegemonic power. This prosperity is coming to an end as global oil production begins to decline, allowing for the hierarchical structure to shift, whereby China is competing with the US for global dominance. China’s economy and aggressive politics in securing oil reserves overseas is rapidly leading to a shift in the power matrix. Where the US once sat so comfortably, China is creating a threat by utilizing the one commodity the world depends so heavily on: oil.

The economic value of oil has made it a primary component in a nation raising its economic status, contributing to its position as a hegemon or ascending hegemon. If a nation can monopolize energy security through control over the global oil supply it would manage a commodity that every nation relies on in order to sustain industrialization and the lifestyle of its people. Wallerstein emphasizes (1984), “A state is stronger than another state to the extent that it can maximize its conditions for profit making by its
enterprises within the world-economy” (p.5). Meaning, a hegemonic power is measured by its ability to control quasi-monopolies in which it maximizes the efficiency of production and profit for itself. The US’s quasi monopoly over cheap oil has been a main contributor to its position as the leading economic hegemonic power.

The United States has manipulated the market to create a global demand for oil, but has also created an ideology that has rationalized unequal distribution of profit, or unequal exchange. This ideology derives from the political process of imperialism, which has deemed certain “people” not superior enough to control a state structure (Wallerstein 1984). These “people” who Wallerstein notes become labeled as “minorities” or “ethnic groups”, are viewed by more developed countries as incapable of managing their state in which it is implied that they are not managing their natural resources as well. Resources of value during colonization, and currently continue to be extracted from these areas that have been imperialized and transferred to the collective entities that control the state structure, creating the practice of unequal exchange. This process is due to the assumption that, “those who have been economically and politically oppressed are ‘culturally’ inferior” (Wallerstein 1998:82). The assumption of inferiority justified the actions of disproportionate distribution of wealth. This has led to the cycle of oppression based on a means of social control.

The constant economic dependence of peripheral countries on core countries reinforces the myth of inferiority as well as reinforces the US’s status as hegemonic power. The US, due to its overwhelming weight over global institutions which structure loans and trade, such as the IMF, WB, and WTO, has been able to reduce its trade costs
by forcing the producer to appropriate the value of the commodity being sold. One such means of appropriation is petty proprietorship, in which the producer is forced through debt mechanisms to sell their product at a below market value cost (Wallerstein 1984). The practice of petty proprietorship has been used on various poor countries through WTO agreements, whereby nations heavily indebted to the US were forced to reduce their tariff imports.

The United States has set a precedent of unequal exchange from less developed countries, which tend to be the producers of oil. The ideology regarding the global oil business is already created, so China monopolizing oil reserves will contribute to raising its economic status, which will in turn advance its status on the global power matrix leading to its succession as the next hegemonic power.

Hegemony

Hegemony is not a fixed position, but hegemonic power constantly defends its status. It is what nations strive to achieve. According, to Wallerstein (1984),

Hegemony in the interstate system refers to that situation in which the ongoing rivalry between the ‘great powers’ is so unbalanced that one power is truly primus inter pares; that is one power can largely impose its rules and wishes in the economic, political, military, diplomatic, and even cultural arenas (P.38).

According to Gramsci, hegemony “is the additional power that accrues to a dominant group by virtue of its capacity to lead society in a direction that not only serves the dominant group’s interest but is also perceived by subordinate groups as serving a more general interest” (Arrighi 2008:149). Both Wallerstein and Gramsci emphasize that the hegemonic power is able to manipulate the structure in a way that favors its power by
ideology. Gramsci goes on to argue that the hegemonic power not only dominates all arenas of politics, but also gives the illusion to the rest of the world that their primary interest is to benefit all structures involved.

According to Gramsci’s definition of hegemony, the dominant group rules by imposing its interest, but at the same time, the subordinate groups comply with its status as subordinates. Therefore, hegemonic rule could only exist if there was acceptance of a hierarchical structure since “once created, all social institutions, including the states, have lives of their own in the sense that many different groups will use them, support them, exploit them for various motives” (Wallerstein 1984:30). The compliance of the exploited states exists because the ideology of liberalism and democracy provides hope that one can eventually ascend its status. Ikenberry (2008) maintains that for the US the liberal institutions it has created are based on and thus reinforce democracy and capitalism. These institutions such as the WTO and WB provide the illusion that they foster policies of nondiscrimination and open markets, which allow room for states to advance their own economic agenda and political goals within the institution. The reality is that those with critical say in the policy making of these institutions, which also tend to be the hegemonic power, or global powers, are those that have the ability to advance their political agenda, thus reinforcing their status as the hegemonic power.

In analyses of hegemony it is usually not addressed that the mobility of one state implies the decline of another state unless it is a bipolar or multipolar world. But what we are currently living in is an era of unipolar distribution of power, whereby the US is the sole hegemonic power controlling global economics, politics, and military, therefore
the ascension of another nation directly threatens the US. In the current hierarchical structure of a unipolar world for one nation to ascend another has to descend leading to ongoing competition among all nation states (Wallerstein 1984). The struggles are two-fold according to Wallerstein. He states, “there are two kinds of politics in the modern world system: the class struggle between the bourgeoisie and proletariat, and the political struggle among different bourgeoisie” (Wallerstein 1984:4). All states despite their positions on the global hierarchical structure are struggling to either ascend or defend their position. Wallerstein (1984) emphasizes that there is not only a hierarchical struggle between the rich and the poor or the exploiters and the exploited, but also amongst the global elite.

Throughout history once powerful nations have declined over what Wallerstein calls Kondratieff Cycles. The Kondratieff Cycle consists of two phases; the A phase and the B phase. Phase A is a time whereby the nation experience increased prosperity and acceleration, the system reaches a phase of stagnation, which can be interpreted as a period of temporary stability and finally phase B occurs, which is exhaustion or deceleration (Wallerstein 1984; Frank 1998). Phase B tends to breakdown political and economic units signifying a need for restructuring of the system (Frank 1998). The current crisis of US hegemony is seen as a failure for the US, but its decline allows room for China to become the hegemonic successor. These cycles of prosperity and crisis have occurred throughout history, and Wallerstein (1984) maintains, “at no moment has there been any one state whose hegemony was totally unchallenged” (p.30). No nation, how powerful it may seem is exempt from global competition.
Core, Semi-Periphery, Periphery

The global hierarchical structure shifts, but countries tend to stay in the same zone of the exploited and the exploiters. During times of decline the successor is most likely another core country, a semi-peripheral country, or multiples of each, but it is highly unlikely that it would ever be a peripheral country. To better understand why the successor of hegemony is most likely a semi-peripheral, or core country, a description of what defines these types of countries is needed.

The core zone has a diversified market economy, has a higher wage labor, strong military and state structure and are basically overall more privileged, whereas; the peripheral zone has a less diversified market economy, lower wage labor, weak military and state structure and tend to be poorer. The world-system theory used to be limited to these two zones, but an additional zone was incorporated for states that did not fall under one of these categories. The semi-peripheral zone was added and these are countries that lie somewhere in between. They are wealthier than peripheral countries, but poorer than core countries, so they hold certain qualities of both zones (Kwon, Reese, Anantram 2008).

The hierarchical global structure is subject to fluctuation, so core countries do not stay in core zone status, but can be demoted. Similarly, semi-peripheral countries have the ability to ascend to core country status. Peripheral countries, on the other hand, are usually subject to remain peripheral countries. The underlying reason for their lack of
mobility is not accredited to the country’s state of being. To better understand why peripheral nations remain immobile while others have the ability to ascend and descend, an analysis of the relationship between core and peripheral nations needs to be addressed.

The relationship between the core and periphery zones is one based on exploitation. The peripheral zone is exploited in order for the core zone to achieve its goal of accumulating capital (Straussfogel 1997; Robinson 2004). If a peripheral country does not have capital, what can it possibly have that is of equal value? Wallerstein and other scholars argue that peripheral countries offer cheap labor as well natural resources. According to Wallerstein (1996),

A core-periphery relation is the relation between the more monopolized sectors of production on the one hand and the more competitive on the other hand, and therefore the relationship between the high profit and low profit production activities (P.88).

Capitalism is defined as the ceaseless accumulation of capital, and that everybody has an equal chance to “pull yourself up by your bootstraps”. The reality of the situation is that there are different starting points for the core country and the peripheral country. The peripheral country is always behind the core, and therefore, the practices of exploitation based on policy, resources, and unequal distribution of profit keeps peripheral states within the peripheral zone.

Core countries exploit countries that are politically weak, which are located in the peripheral zone. If a country is pre-occupied with its own internal affairs it does not have the capacity to challenge a foreign business or presence. Countries rich in natural resources seem to be more politically distressed, for example, “Four countries- Iran, Iraq,
Nigeria, and Venezuela - that possess proven oil reserves greater than 10 billion barrels (high reserves) also face high levels of political risks” (United States Government Accountability Office 2007:21). Core countries prey on the political distress of these states because it is concerned with keeping its power, economically and politically, which happen to be intertwined since the economic power tends to be the political power as well.

Crisis of US Hegemony

Giovanni Arrighi’s work (2008) provides reasons for the current crisis of US hegemony, and the rise of China. He argues that China was never on the decline, but has always been a powerful nation on the outskirts of the system. Arrighi (2008) also argues the crisis the US is currently facing is not new, but has been slowly occurring.

Arrighi (2008) offers a historical timeline of US hegemony explaining its rise and gradual decline. Franklin Roosevelt’s, New Deal, after the Second World War helped the United States overcome the Great Depression. With the implementation of the United Nations in 1942 Roosevelt was able to “globalize” the New Deal selling it to the rest of the world as a means to solve global economic problems. Furthermore according to Arrighi (2008), “containment of Soviet power became the main organizing principle of US hegemony, and US control over world money and military power became the primary means of that containment” (p.152). It was through US “protection” of Democratic
Principles that lead to its status as global police, which contributed to its ascension as hegemonic power.

A crisis of legitimacy throughout the decades has contributed to the decline of the US. Wallerstein (1984) states, “hegemonic powers during the period of their hegemony tended to be advocates of global ‘liberalism’” (p. 41). Ideally, the US advocated this to gain recognition and support from peripheral and semi-peripheral nations. In 1949, Truman promised the “Fair Deal” to the poorer countries which promised to narrow the income gap between the rich and the poor (Arrighi 2008). He failed to do this during his presidency, which led to the lack of credibility for the United States.

Following this was the depreciation of the dollar crisis. The devaluation of the dollar symbolized a loss of confidence in the US currency, symbolizing a loss of confidence in the US economy. Inflation caused by rising prices of imports, expenses from the Vietnam War, and gold outweighing the cost of the dollar all contributed to the lack of credibility in the US currency in the 1970s. This lead to Third World countries negotiating more heavily the price of their exports, specifically oil (Arrighi 2008). With the depreciation of the dollar, and the defeat of the US in Vietnam, OPEC protected its members by increasing the price of crude oil leading to the first oil crisis (Arrighi 2008). The Vietnam War specifically was a ‘signal crisis’ of US hegemony (Arrighi 2008) because it challenged the rest of the world’s faith in the competence of US leaders. There was a brief period of confidence in the US after the War, but it disintegrated with a resurrection of the “Vietnam Syndrome” when Bill Clinton chose to intervene with “humanitarian” efforts in Somalia and Bosnia (Arrighi 2008).
Still, Somalia and Bosnia were not the breaking points for US hegemony, but instead the US invasion of Iraq, has been deemed the terminal crisis of US hegemony (Arrighi 2008). The credibility of the US military efforts are being jeopardized due to the insignificance of the invasion of Iraq, whereby the rest of the world as well as many US civilians view it as an unnecessary invasion, much like it was in Vietnam. According to Arrighi (2008), “the invasion of Iraq was meant to be such a confrontation a first tactical move in a longer term strategy aimed at using military might to establish US control over the global oil spigot, and thus over the global economy for another fifty years or more” (p.190). The reason the US invaded Iraq in 2003 is a crisis of legitimacy for the US government. It was the point in which the US manipulated the structure in its favor through military might. Wallerstein (1984) has emphasized that nations can manipulate through bribery, ideology, or force; the US invasion of Iraq was a clear indication of using force to obtain what it wanted; further control over the oil spigot.

Previous to the crisis of US hegemony, the US military was deemed a “protector”, which according to sociologist, Charles Tilly denotes two images; one being that of a friend who provides protection against danger, and the other being a bully, which forces others to pay homage in order to resist harm (Arrighi 2008). The terminal crisis of the Iraqi invasion led the US military to be seen as the latter of the two images. This means that the use of violence is practiced to maintain control. The US has replaced its image of “global police” to that of a “global bully”.

The invasion in Iraq has not only led to the US’s lack of legitimacy, but has also shifted the economic power to the East, primarily China. A major complaint by the
Democrats at the start of the Iraq invasion was that it distracted the United States from dealing with the rise of China (Arrighi 2008). While the US has been preoccupied with its “War” abroad, East Asian governments have purchased US treasuries and built up foreign exchange reserves of the dollar, which is the first time ever that financiers of the US deficit have been East Asian governments (Arrighi 2008). Treasury bills purchased by China’s central bank, the People’s Bank of China, that the US uses to finance its trade deficit puts decision making power further in the hands of China (Arrighi 2008). This has lead to a depletion of leverage over China as was shown when the US Treasury Secretary went to China in the hopes of a revaluation of the yuan. Unfortunately, it was unsuccessful.

China’s threat over US hegemony is seen through its ever-increasing relations with some of the US’s major trading partners, resulting in China being the fastest growing major economy. For example, in 2003 China became a major trading partner with two of the US’s allies, Japan and South Korea. In 2000 Beijing forgave $1.2 billion in African debt, which lead to an increase in trade between China and Africa (Arrighi 2008). Specifically in the case of Africa, many African countries are at more liberty to negotiate prices and standards for its major importing commodities because Europe and the US are no longer its sole outlets. China National Offshore Oil Company’s (CNOOC) bid for Unocal in 2005 was blocked by the US Government House of Representatives on the basis of it “threat[ening] to impair the national security of the United States” (Arrighi 2008:278), however the threat was not with national security, but that China was becoming a major economic competitor.
China’s foreign relation diplomacy is embedded in building positive and stable international relations. In 2004 President Hu Jintao made a proclamation of what he referred to as the “four no’s” being; 1) no to hegemony, 2) no to force, 3) no to blocs, and 4) no to the arms race, but he emphasized “four yes’s” as being; 1) yes to confidence building, 2) yes to reducing difficulties, 3) yes to developing cooperation, and 4) yes to avoiding confrontation (Arrighi 2008). Where the US has failed in retaining hegemony through legitimate means, but instead has been viewed as using violence to retain power; China has been able to take advantage of the US decline by proclaiming the importance of positive relations over violent tactics. This has made it an attractive alternative for many nations which no longer want to subject themselves to the West, or Western demands.

The West and the Rest

Andre Gunder Frank (1998), similar to Arrighi (2008) argues that most social theorists fail to recognize China’s past, but instead have adopted a Eurocentric history based on capitalism in the “West”. Furthermore, historians who do discuss the “East” have a distortion of its economic relations with the West, creating a misinterpretation of Eastern society in regards to economics and politics (Frank 1998). Frank (1998) theorizes that Asia has always had a strong economy, but due to its lack of a capitalist mode of production it was not deemed a threat.
According to Marx, Asia’s lack of capitalist production kept the society divided into small villages keeping it “a world to itself” (Frank 1998). The rise of Europe for Marx, and eventually the rise of the United States was the capitalist mode of production. Weber further added that this transition was only plausible through religion, more specifically Protestantism, which emphasized a Protestant work ethic embedded in the idea that people are morally awarded through accumulation of wealth (Frank 1998). This religious factor was seen as making the “West” rise. Weber maintained, “without it, the Asians could not possibly develop capitalism and therefore could not really ‘develop’ at all, or even use their cities, production, and commerce” (Frank 1998:17).

Asia’s institutions have been ignored, but have long been needed to be recognized as being mutually related on a world-economic level (Frank 1998). Due to a Eurocentric history people have been misled into thinking that the world has recently entered an era of globalization, whereby socio-historians maintain that there has been a qualitative break around 1500 because of the rise of capitalism in Europe. Although, the 15th-18th centuries have been prominent centuries for European success, there still remained no hegemonic power during these eras. European states compared to the Ming and Qing Dynasties, Mughals, and Ottomans remained minimal economic and political powers (Frank 1998). The rise of the “West” is therefore not denoted to the rise of capitalism, but instead the West’s ability to engage in import substitution and export promotion strategies (Frank 1998). Essentially meaning, Europe was able to encourage its citizens to promote local industrial goods and agricultural products for local consumption, rather than create goods for the export market, as well as create incentives for other markets to
export goods to Europe by offering development or financing projects. This allowed Europe to be able to climb up the ladder by using Asian economies, but now the roles are reversed, and the hegemonic decline of the West is allowing for China to rise.

According to Frank (2005) we need to rethink the 19th century. Wallerstein’s world-system embedded in capitalism needs to be re-theorized on the basis of what Frank (2005) refers to as a GLOBAL WORLD political economy, in which Great Britain achieved its status as a super power, but quickly declined. It was during the 19th century, which the “West” and the “East” essentially switched positions. This era has gone unrecognized by scholars, but is important because it gave rise to Great Britain’s status, which eventually gave rise to capitalism, and thus the United State’s status. It is through our lack of knowledge of important eras throughout history that makes it possible for China’s ascension to come as a “surprise”.

A Eurocentric history has taught the “West” that Asia has always been an inadequate player in the world-economic system, but this “theory” is becoming evidently less factual. Lack of recognition of China’s economy predominantly comes from historians failing to take a holistic approach to the study of the globe. Frank (1998) argues that we need to, “fashion a new social theory to which the empirical evidence is more suited” (p.322). In order to do this we need to essentially “re-teach” history because what we have learned is nothing more than Eurocentric ideology, which has been used “to ‘legitimate’ and support colonialism and imperialism” (Frank 1998:322).

China has gone unrecognized as an important part of the world-system. Instead capitalism has been deemed the only way to “develop”. This is a common fallacy
accepted by theorists, historians, and scholars, but it is rooted in a Eurocentric ideology in which Frank argues against. For Frank (1998) only by understanding the factual trends of the world economy will scholars be able to better understand the current hierarchical structure, and thus China’s “recent rise”.
CHAPTER 3: THE HISTORY OF OIL

Oil was discovered in the United States in 1859, by 1900 it provided 5 percent of the world’s commercial energy supply (Podobnik 2006; Maugeri 2006). Currently it supplies more than half of all global energy and over 90 percent of all transportation fuel (McCage 2007; Maugeri 2006). It quickly became vital to the operations of the world, and is still the dominant source of energy, to the point that if reserves were to suddenly be depleted there would be no alternative that would replace it (United States Congress 2005).

Although there is renewable energy sources such as wind, solar, geothermal, and modern biomass it provides only a minimal amount of the world’s energy contributing to 8 percent of total world energy in 2009 (EIA 2010). This is due to the commercialization and prosperity of the oil industry. Unfortunately, this may soon come to an end because of the depletion of existing reserves. What we may soon experience is an absolute shift, whereby our consumptive habits will be forced to change (Podobnik 2006).

The initial shift to oil as a major source of energy was not absolute, but relative (Podobnik 2006). It was manipulated by the United States in order to create a global demand for the resource. By controlling the actual supply of oil was only one way for the US to profit, but there was more to the equation because “profit can be realized only if there is effective demand for the global product” (Wallerstein 1984:16). The US was successful in creating a global demand where nations and individuals within those nations
wanted, but more importantly “needed” oil to industrialize and achieve a lifestyle resembling the “American” dream. As oil reserves get depleted the global culture of consumption created by capitalism will also be endangered.

Although the primary demand for oil was in Europe, Colonel Drake discovered it in Pennsylvania in 1859 (Yeomas 2004; Podobnik 2006; Yergin 1991; Economides and Oligney 2000). It became a business overnight, and by the beginning of 1861 the price was as high as $10 a barrel, but due to the overwhelming surplus and competition between drillers, the price dropped to $.10 a barrel by the end of the year (Yeomas 2004; Economides and Oligney 2000).

A businessman by the name of Rockefeller took advantage of the influx of drillers, and started a practice in the industry that is still utilized today. The influx of drillers, contributed to an abundance of oil, but people would extract more than they could store. Rockefeller then built storage facilities around areas people were drilling, and would buy when it flooded the market, meaning that it was depreciated in value. He made his profit by controlling the oil supply, and by buying out other oil companies that were failing, he was able to expand his company and limit his competition. By 1877, Rockefeller controlled one-tenth of the U.S. oil industry, and dominated the U.S. and European markets (Yeomas 2004; Yergin 1991). His Standard Oil Company is acknowledged as laying the groundwork for the first multinational corporation.

Seeing how successful Rockefeller was, others were eager to prosper, so the search for oil flourished everywhere. A French family by the name of Rothschild struck oil in the Caspian Sea, but needed a market to sell it in. They employed a man named
Samuel Jacobs from London to find a way to compete with Standard Oil. Since the U.S. and European markets were already flooded, he had to look for a new market, which would be in Asia. Standard Oil had not dominated Asia yet because of geographic distance, but Jacobs was able to overcome this feat, and gained access to Asian markets by inventing a new way to transport oil, through tankers. He received permission from the British allowing his tankers to pass through the Suez Canal, cutting the distance from the US to Asia in half (Yeomas 2004). By 1890, his company Shell (which still exists) was able to control 90 percent of the oil that went through the Suez Canal (Yeomas 2004; Podobnik 2006). Jacobs became an international competitor when he merged his business with the Netherlands Royal Dutch Company, which had already established markets and facilities in China, Malaysia, and India (Podobnik 2006; Yeomas 2004). Still they remained minimal because Asia had an abundance of oil reserves, remaining self-sufficient and it also relied more heavily on coal than oil for energy.

Another pivotal moment in terms of the development of the oil industry was the US lawsuit against Standard Oil in 1890. The government accused the company of monopolizing the industry through the Sherman Anti-Trust Act. By 1911, the Supreme Court ruled that Rockefeller part with its subsidiaries (Yeomas 2004; Yergin 1991). Once the market opened for competition, new oil companies started to operate, some of which were able to become international by expanding national borders, and continue to serve as major multinationals such as Chevron, Shell, BP and Exxon (Yeomas 2004; Yergin 1991).
The Shift from Coal to Oil

The international oil industry was not built on an absolute need to replace coal as the primary source of energy, instead, an array of commercial, social, and political situations catapulted oil to becoming the dominant source of global energy. Preceding the boom of the oil industry, Great Britain was considered to be the hegemonic power, and coincidentally the primary supplier of coal, which was also the main source of energy. The reason being that, the only other alternative to coal was wood, which was inefficient and expensive (Clark 1991). As coal became less vital to energy supplies due to the introduction of oil, and the coal industry itself came under siege in the form of union protests, Great Britain’s status of hegemony was challenged, along with the status of coal as the primary energy supplier (Podobnik 2006).

Similar to the current situation with oil, coal intensified the imbalance between the core and non-core nations as being the nations with access to energy and those without (Podobnik 2006). By having a surplus of coal, Great Britain was able to have access to energy, contributing to a growth in industrialization. It’s through industrialization that nations such as Great Britain in the early 20th century, the United States in the latter of the 20th century, and China in the 21st century have been able to flourish economically.

When the international oil industry came about, and flourished in the late 19th and early 20th century there was an abundance of coal reserves (Yeomas 2004; Parra 2005; Economides and Oaligney 2000; Podobnik 2006; Yergin 1991; Clark 1991). With the
onset of oil as a form of energy, countries such as Great Britain abandoned its coal based energy system, despite the fact that it had an abundance of the resource (Podobnik 2006; Yergin 1991). When Great Britain deserted coal it became reliant on foreign oil for energy, as did many other countries that lacked reserves.

Oil infiltrated the coal industry, at first contributing to its effectiveness, but eventually took its place as the dominant supplier of energy. In 1880, the major US oil export to Europe was kerosene, which the coal miners were using to light their lamps in the coal mines (Yeomas 2004; Yergin 1991; Podobnik 2006). Oil based lubricants were also used in coal powered trains and ships (Podobnik 2006). For a brief period it complemented the coal industry, but eventually it became an opponent rather than a partner.

After 1893, the world-economy prospered, allowing governments to invest more money in science and engineering experiments for new forms of energy technology (Podobnik 2006). Also during this time the commercial patent law became widespread, which meant that new inventions could make a profit for an individual (Podobnik 2006). This gave people the opportunity as well as the drive to create new inventions in the hopes of becoming rich.

Politics and economics allowed for the industry to prosper, while world fairs and international exhibitions provided the social context in which people and businesses could market their new inventions to the rest of the world, thus creating a new way to advertise. All these factors allowed for oil driven inventions to not only be developed, but to become publicized to the rest of the world leading to a complete shift, in the United
States to a oil based energy system (Podobnik 2006). The invention that shaped and contributed the most to the success of the oil industry was the automobile.

By the end of the 19th century, with the creation of the internal combustion engine the demand for oil heightened (Podobnik 2006; Economides and O ligney 2000). At this time most countries were using steam or coal powered trains and ships, businesses were even introducing steam engines in personal cars, which were not only more efficient, but also released fewer pollutants into the environment (Podobnik 2006). Essentially, there was no need for the new engine because steam and coal powered engines proved to be just as capable and more environmentally friendly. Still, the internal combustion engine flourished because of the status of the world economy.

The Automobile

By 1910 the United States was the leading producer and promoter of vehicles run on oil (Podobnik 2006; Yergin 1991; Yeomas 2004). This was accomplished through the commercial transformation of society with the creation of the Model T, but more importantly the production of the assembly line (Yeomas 2004; Podobnik 2006). Prior to the Model T, automobiles were reserved for the elite, and were a symbol of luxury. In 1908, Henry Ford was able to change this image, introducing the assembly line, which made cars affordable to more people. By mass-producing the Model T, Ford was able to make cars faster and cheaper. He also paid his workers double as to what they would make at any other company. His rationale behind this was that he wanted to pay his
workers enough, so they would be able to buy his cars (Yeomas 2004). This created an influx of automobiles and by 1910 there were 469,000 registered vehicles (Yeomas 2004).

At the same time Ford invented the Model T with his group of engineers, the Stanley brothers developed the steam engine in personal cars. The steam engine was more efficient than the internal combustible engine, and proved to be faster than oil run vehicles (Podobnik 2006; Yeomas 2004). The underlying reason that the steam engine did not take off was because the Stanley brothers refused to mass produce the external combustion engine (a steam driven engine). Therefore, the brothers were not flooding the market with automobiles the way Ford was, causing their cars to be more costly (Podobnik 2006; Yeomas 2004). This eventually led to the demise of the steam powered automobile.

Following the development of the oil run automobile, the government started to invest in highway projects. “Throughout the 1920s, new highway investment reached a billion dollars a year and provided the foundation for the automobile and ‘domestic oil industry’” (Yeomas 2004:42). Similar to the oil industry complementing the coal industry, government projects complemented the automobile industries, simultaneously benefitting the oil industry. Without the development of infrastructure the car would be more or less meaningless. It was only due to these projects that both these businesses were able to flourish.

The development of infrastructure and the automobile created a worldwide image that still exists and is contributing to the growth in demand for oil in the transportation
sector. Along with the idea of travel, automobile ownership symbolized freedom, whereby it allowed people to go wherever they wanted, whenever they wanted. This “added legitimacy to the image of an oil-based system based on an American model” (Podobnik 2006:96). The US was able to build legitimacy by fostering an image of consumption based on an “American lifestyle”, which became the basis that other nations strive for. Consequently, the basis for an “American lifestyle” is car ownership, industrialization, and economic prosperity which only lead to a growth in the demand for oil.

Transportation contributed to the rise in demand and consumption of oil, but World War I and II confirmed oil’s superiority over coal.

World War I and II

Military rivalries allowed oil companies to thrive by stimulating a shift from coal to oil powered military tankers, and planes (Podobnik 2006; Economides and Oaligney 2000). At the onset of World War I geopolitical rivalries, such as the naval race between Great Britain and Germany, was building (Yeomas 2004; Podobnik 2006). International oil companies were able to commercialize the effectiveness of oil powered vehicles to the leaders of some major players in the war, specifically Great Britain by arguing that oil fueled engines accelerated faster than coal, oil took up less room than coal, and was easier and cheaper to transport (Podobnik 2006; Yeomas 2004; Economides and Oaligney 2000; Clark 1991).
In 1913, Winston Churchill ordered a new set of battleships that would be dependent on oil (Podobnik 2006; Yeomas 2004; Economides and Oligney 2000). In order to keep up, the axis powers as well had to convert their navies, airplanes, and tankers. Therefore nations, which lacked oil reserves, became dependent on foreign oil. Ultimately, the switch to oil by some of the largest navies during World War I, heightened demand, and during the World War I era (1914-1920), “the world tonnage of oil-powered vessels more than tripled” (Podobnik 2006:69). Since oil became vital to the war effort, access to reserves became an issue of national security, resulting in state sponsored support for oil-based systems, and international oil companies (Podobnik 2006; Yeomas 2004).

Eventually, oil became the deciding factor in the defeat of Germany. On November 11, 1918 Germany was faced with an oil shortage, and therefore unprepared for the winter, forcing them to surrender (Yeomas 2004). This situation exemplified the importance of the resource, and furthermore the dichotomy between those with and those without access to oil, showing how energy resources are not only vital, but can be used strategically as a tool to exert power over other nations.

During the period between the two World Wars, Germany, Italy, and Japan were blocked from the international oil industry, primarily due to their position in the First World War. International oil companies were able to monopolize domestic oil sectors over these countries. Having virtually no international oil industry, these three nations became completely dependent on foreign companies for energy (Podobnik 2006). During the 1930s as these nations were attempting to build up their militaries, they were seeking
oil reserves, since World War I proved the importance of fuel to a strong military. Because these nations were being blocked off from the industry, their only other option was to invade oil rich territories, and seize control over their oil supply (Podobnik 2006; Yasuba 1996). The resentment from these nations that were blocked from the industry created tensions between nations that contributed to the enormity World War II.

As the First World War showed, access to oil was vital to the outcome of the war, so during World War II access to energy became the central issue. In order to ensure access to energy, President Franklin Roosevelt approached some of the major international oil companies, asking for compliance with the war effort (Miller 2001). Without the cooperation of dominant international oil companies to the war effort, as well as Germany’s deficiency in oil, specifically in the form of fuel for tankers, the global war would have never been won by the Allied powers (Miller 2001).

Post War Growth of the International Oil System

Similar to the naval race between Germany and Great Britain during World War I, the geopolitical rivalry between the Soviet Union and the United States during the Cold War contributed to another expansion in the industry. Oil was needed in order to strengthen both militaries in the case that a war breaks out. It was also needed to fuel the economic and scientific battle for superiority between the two nations, specifically the “Race for Space”. Consequently, state-sponsored support for an oil based energy system, showed up once again (as it had during the World Wars) in government policies favoring
international oil companies. These major multinational oil companies “were given the central responsibility of constructing and operating the international oil system” (Podobnik 2006:94), whereby oil companies were able to shape the industry with minimal government intervention.

Because oil companies were faced with financial challenges such as the need to develop refineries, market oil based products, and expand geographically to gain access to overseas reserves (Podobnik 2006; Yeomas 2004); the companies were assisted by global institutions such as the World Bank (Podobnik 2006). The IMF and the General Agreement on Tariffs and Trade (GATT) protected these World Bank investments, and furthermore put pressure on peripheral countries to allow for foreign direct investment in their oil industry (Podobnik 2006). The World Bank, IMF, and GATT are partly responsible for lending the money that developed the infrastructure, which allowed for oil resources to be extracted from the periphery to the core countries (Podobnik 2006).

Extracting resources from the global South was a necessary tactic for the US and many developed countries. Prior to World War II developed countries were self-sufficient on energy, but due to a burgeoning demand from economic prosperity, and more importantly to support the two global wars, most of the reserves became depleted. Peripheral nations were then needed to supply the global North with energy, resulting in what Podobnik (2006) refers to as “inequality in the global energy system” (p.112). Although the peripheral nations have the oil, it is exported to industrialized or industrializing nations, which often monopolize the profit.
Energy inequality created a major shift in the oil industry during the 1960s. As the US was experiencing a hegemonic crisis from the Tet offensive during the Vietnam War, as well as a recession from the costs of war, anti-imperialist movements flourished (Podobnik 2006), countries in Africa, Latin America, and the Middle East took advantage of this initial crisis, and demanded nationalization over their oil supply, rather than have prices be determined by foreign companies (Podobnik 2006; Yeomas 2004; Yergin 1991; Clark 1991). This event of global turbulence symbolized a shift in the world-system showing the vulnerability of a nation’s position on the hierarchical structure. For the developed nations, resource nationalization threatened their supply, while the lesser-developed countries were able to combat the unequal distribution of wealth resulting from resource extraction to the global North (Clark 1991). For these lesser-developed countries it was a symbolism of taking back integrity by combating resource exploitation, and using the redistribution of wealth to accelerate economic growth within their own country (Clark 1991), rather than the countries in the global North.

China

China’s lack of participation in the international oil industry, until now, is a result of two factors. China’s primary source of energy has been coal and biomass, although it has oil reserves, they remain modest in comparison to its coal (Levine, Liu, and Stinton 1992; Johnson 1999). Biomass in the form of fuel wood provided a portion of energy production, but deforestation from this process created environmental degradation that
lead to a reevaluation of fuel wood for energy (Johnson 1999). Secondly, China had access to oil and coal, within its own territory, thus it had no incentive to engage in global trade for natural resources. This was only up until 1993 when it became an oil importer because its reserves started to deplete.

Unlike countries that had an abundance of coal reserves, but still shifted to an oil based energy system, China had kept its coal system in place. Its dominant energy source has always been coal. Up until, 1960 coal was close to being the only source of energy, comprising 96 percent of China’s primary energy production (Levine, Liu, and Stinton 1992). Unlike, the oil industry in the United States and Europe, the shift from coal to oil in China was absolute rather than relative. Whereby, coal once provided 96 percent of energy in 1960, the following year it was down nearly 28 percent, and by 1963 it was 42 percent lower than it had been in 1960 (Levine, Liu, and Stinton 1992). While coal use was fading, oil was being discovered in several regions in China; first in Daqing in 1959, Shengli in 1963, and Dagang in 1964 (Levine, Liu, and Stinton 1992). The discovery of these new reserves contributed to the rise of oil as a source of energy, and by 1968 oil comprised 13.5 percent of total energy, up 12 percent from 1960. After the “depression” of the coal industry (Levine, Liu, and Stinton 1992), oil continued to be used as a source of energy.

From 1960 onward was the start of an ongoing trend with oil being a major source of energy in general. Although China has not yet passed the United States as being the number one consumer of oil, it is a strong competitor, and is expected to be the leading fossil fuel consumer by 2030 (Zhao 2007).
China has always been self-sufficient in energy resources. However in 1993, it was forced to venture into the international oil industry because its domestic oil production started to peak (Economides and Oligney 2000; Johnson 1999; Jiang and Sinton 2011). The rapid industrialization of the economy, led to an economic growth, whereby domestic demand specifically for gasoline and fuel oil, started to outstrip the indigenous supply of oil and coal for energy (Levine, Liu, and Stinton 1992). Domestically, it has to meet the needs of its growing consumers; internationally it has to meet the needs of the rest of the world’s demand for Chinese manufactured products (Jiang and Sinton 2011). Both these demands require large amounts of raw materials including oil. Therefore, China has to start looking abroad for oil to fuel its growing economy.

Due to the volatility of the Middle East, China, much like the rest of the world's energy-deficient countries continue to seek to diversify sources in its oil supply. The shift from coal to oil and self-sufficiency to foreign dependency has not only shifted China’s status as an oil importer, but has also altered its foreign relations.

Conclusion

The oil industry continues to be the largest and most international of all trade industries in the world (Parra 2005). It has been since the beginning and continues to be the most profitable and powerful international business. Reason being, “Oil is governed by one global price. Essentially, it’s like pouring all the oil in the world into one big pool
and then pricing it according to how full the pool is at anytime” (Yeomas 2004:96-97). Therefore, it does not matter where a country physically gets its oil from since price is determined by a communal supply and demand.

As newly industrialized nations such as China and India enter the global race for oil, the diminishing supply becomes that much more valuable not only to the domestic wealth of a nation, but to a nations’ international status. The scarcity of the resource is inevitably crucial to the future of the industry because “estimates of the medium-term prospects for oil suggest that the world will become steadily more reliant on oil reserves held by a few countries, and that these reserves will grow more expensive” (Podobnik 2006:146). As has been shown, the country, government, or corporation running the supply is then able to make a profit, rather than the country that provides the oil. Since the United States has acted as the middleman, controlling the global supply it has controlled the primary source of energy, as well as the prices, and profit contributing to its status as the economic hegemon (United States Congress 2005; Podobnik 2006; Economides and Oligney 2000; McCage 2007). Once again, as history repeats itself, the United States weakening hegemonic status is being threatened by China through its search to secure oil resources on a global basis and perhaps a future monopolization of the dominant global energy system.
CHAPTER 4: ASIAN NATIONAL OIL COMPANIES

China’s national oil companies are fairly new players in the international oil industry. When China became a net oil importer in 1993, it started to venture abroad in an effort to obtain new reserves and new business deals with oil producing countries. Its recent arrival has been particularly disadvantageous for new business relations since it entered an already established industry, whereby some major global players such as the United States and Great Britain have had business dealings with oil producing countries for the last 100 years. Since the Asian national oil companies (ANOCs) are state owned and lack an advantage with global competition based on precedence, Beijing offers financial assistance to its oil companies in an effort to level the playing field (Downs 2007; Davies-Webb 2007; Evans and Downs 2006; Zweig and Jinhai 2005; Downs 2010; Arruda and Li 2004). In China, the oil companies receive tax breaks, and low-interest loans from state-owned banks helping them secure exploration rights abroad, contributing to its domestic and international success (The Economist 2005).

In 1993, the government encouraged ANOCs to ‘Go Abroad’ and invest in new reserves in countries that are rich in oil, minerals, and natural resources to secure energy (Zweig and Jinhai 2005; Lahn 2007; Xu 2007; Guo 2007; Robertson 2010; Arruda and Li 2004). Since 1996, the government had planned to acquire a third of its energy needs abroad (Jaffe and Lewis 2002), so it offered state-finances to support and promote international exploration and acquisition projects. Reason being, “they [China] regard
state finances as a tool commonly employed by other governments to benefit their oil companies” (Evans and Downs 2006: 3), therefore China was and is willing to support its national oil company’s foreign investments.

The ‘Going Abroad’ tactic has not discontinued, but has only flourished due to China’s high oil demand resulting from its recent economic prosperity. “In 2009, at a time when most international oil companies cut back their investment spending, Chinese NOCs, along with other Chinese companies invested in 10 overseas acquisitions for a total of USD $18.2 billion” (Jiang and Sinton 2011:9). Between January of 2009 and December of 2010 the ANOCs spent approximately USD $47.59 billion to acquire oil and gas assets abroad (Jiang and Sinton 2011). By 2010, Chinese oil companies were present in over 200 projects in about 50 different countries, particularly in regions in Russia, Central Asia, and Africa (Robertson 2010; Paik, Marcel, Lahn, et al. 2007).

As these NOCs become more successful in gaining access to foreign reserves and developing relations with oil rich nations, the state and banks are more eager to invest in and align themselves with them (Jiang and Sinton 2011), this in turn allows these companies to broaden their deals abroad and invest in more countries. Similar to other countries, China believes that good business deserves political support (Xu 2007). This is especially true when the business contributes to the well-being of the nation, and these state-owned oil companies are regarded as essential to the security of China’s oil supply (Guo 2007; Paik, Marcel, Lahn, et al. 2007; Mitchell and Lahn 2007).
Financial support from China Eximbank, which is China’s export-import bank provides ANOCs with a competitive advantage (Downs 2007; Davies-Webb 2007; Evans and Downs 2006; Zweig and Jinhai 2005; Downs 2010; Arruda and Li 2004). China Eximbank is one of China’s three policy banks. It was created in 1994 in an effort to manage state directed loans and “implement state policies in industry, foreign trade and economy, finance and foreign affairs” (Downs 2007: 52). Although other countries such as the United States, Canada, and Japan also have export-import banks which provide loans for foreign affairs, China is unique in that it does not adhere to the Organization for Economic Co-operation and Development (OECD) Export Credit Arrangement restrictions, and restrictions put in place by other global institutions that oversee public finances (Evans and Downs 2006). The goal of the OECD arrangement in particular is to, “encourage competition among exporters based on quality and price of goods and services exported rather than on the most favorable officially supported financial terms and conditions” (OECD 2011: 5). The limitations that OECD participating countries must comply to are in regards to minimum interest rates, repayment fees, and the arrangements around tied aid (OECD 2011). Since China Eximbank is not a participating member of the OECD it does need to follow these restrictions, giving it the opportunity to provide more favorable deals to oil rich countries, particularly in Africa, resulting in cutting competition.

China Eximbank provides support in a number of ways. One way is through providing the NOCs with general loans that are not tied to any specific acquisition, or
project. For example, it has provided up to USD $1.2 billion to China National Petroleum Corporation (CNPC) and PetroChina for nothing in particular (Evans and Downs 2006). Secondly, it provides loans for specific investments. In 2005, China National Offshore Oil Company (CNOOC) attempted to purchase Unocal, a US oil company. CNOOC was provided with a $4.5 billion loan with a low interest rate of 3.5 percent, along with a $2.5 billion loan short-term loan with no interest (Evans and Downs 2006). This bid failed, not because CNOOC did not have the funds, but because the United States claimed that the purchase threatened US security and energy supply.

Lastly, Eximbank provides loans to oil companies that are able to connect infrastructure to energy deals (Davies-Webb 2007; Downs 2007; Paik, Marcel, Lahn, et al.; Lahn 2007; Mitchell and Lahn 2007; Ghazvinian 2007). This tactic is particularly appealing to countries in Africa, which are often reliant on foreign investments for technology and infrastructure such as pipelines, dams, power plants, and refineries. For example, China signed a USD $2 billion loan with Angola in 2004 to sponsor infrastructure projects in return for oil (Evans and Downs 2006). In 2006, Hu Jintao signed a Memorandum of Understanding (MOU) with Nigeria investing billions in infrastructure. Also in this MOU there was a deal for CNPC to have a stake in Nigeria’s Kadune refinery (Evans and Downs 2006; Paik, Marcel, Lahn, et al. 2007). Refineries are also of great importance to many African nations that have oil, but still have to import petroleum products because they lack appropriate technology, although this benefits African host countries it also benefits ANOCs by allowing them to sell their products on
international markets, creating further competition for international oil companies (IOCs) (Mitchell and Lahn 2007). China’s loans also come with the right of first refusal in oil blocks in many areas, meaning that China has dibs on the oil block before it is offered to a third party, and only if China refuses it can it then be offered to another party. Although some Chinese diplomats argue that these projects are not always for the sole purpose of gaining access to oil, they do not argue that it does not contribute to this main goal of attaining oil overseas (Downs and Evans 2006).

Because China itself lacks advancements in technology in comparison to some western IOCs, it is more compliant in making “package deals” that will appease the government it is doing business with (Downs 2010). In order to compensate for its lack of technology, it provides sizable loans since it does not lack the capital (Paik, Marcel, Lahn, et al. 2007). As a result of these trade agreements, and “package deals” China has been successful in creating positive relations with some of these resource-rich nations (Zweig and Jinhai 2005; Evans and Downs 2006).

ANOCs, to limit competition, not only offer package deals, but also do business with countries that are often barred because of US sanctions (Jaffe and Lewis 2002; Zweig and Jinhai 2005). In 1997, President Bill Clinton banned US oil companies from doing business in Sudan due to the Civil War between the Muslims and Christians in the North. Since the US oil companies had to abandon their investments in the area because of the Foreign Corrupt Practices Act, ANOCs were able to expand in the area and not have to face competition (Zweig and Jinhai 2005; Ghazvnian 2007). It’s these oil-
producing countries under US oil sanctions that are China’s main investments (Jaffe and Lewis 2002).

State Owned Oil Companies

All the above-mentioned characteristics are unique to China’s national oil companies, but one of the most contributing factors to how they are run are based on the fact that they are state owned. From 1949 to 1958 during the “socialist transformation of capital” the Central Party Leaders, Mao Zedong, Liu Shaoqi, and Zhou Enlai nationalized all property, private and public, and redistributed large zones that were previously owned by individuals, or clans of people. The nationalization of land is pivotal to China’s history because “It created a new set of laws and regulations by which the new Socialist state shared ownership with China’s private entrepreneurs” (Lewis 1999:16). Subsequent to nationalization, circa 1959, new oil reserves started to appear in China, which motivated the state to transfer these fields from local/regional control to a central petroleum ministry (Lewis 1999). It was the newly established State Planning Commission that became responsible for developing the oil and gas sector for energy, and the State Economic Commission was responsible for managing investments between the central ministries and their projects (Lewis 1999).

In the early 1980’s, the Chinese government converted the profitable assets of the Ministry of Petroleum Industry, the Ministry of Chemical Industry, along with other industries into state owned ventures (Jiang and Sinton 2011; Downs 2010; Guo 2007).
From this came the three main state-controlled energy agencies; China National Petroleum Company (CNPC), China National Petroleum and Chemical Corporation (SINOPEC), and China National Offshore Oil Company (CNOOC) (Jiang and Sinton 2011; Downs 2010; Paik, Marcel, Lahn, et al. 2007). The policies and state laws implemented during this reformation allowed for the energy sector’s government administration to supervise the industry itself as well as its business investments (Guo 2007).

Again, in 1998, the energy sector faced more restructuring in order to reflect the state’s need to compete with the international oil companies (Paik, Marcel, Lahn, et al. 2007; Guo 2007). From this various government bodies developed, although there is not just one government agency that has exclusive control over the oil industry, there are numerous agencies that exert control over the whole industry (Arruda and Li 2004). Amongst them are; The National Development and Reform Commission (NDRC), Ministry of Commerce (MOC), Ministry of Land and Resources (MOLAR), and State Asset Supervisory Commission and Administration Commission (SASCAC).

NDRC is considered to be China’s most important agency, “It is responsible for long-term energy planning, energy pricing and approval of domestic and foreign energy investments” (Paik, Marcel, Lahn, et al. 2007: 9; Arruda and Li 2004). Any foreign investment over $30 million needs to be approved by the NDRC, and anything over $200 million needs to be reviewed by the NDRC and then approved by the state council (Downs 2010).
MOC was formed in 2003, subsequent to China joining the World Trade Organization (WTO) in 2001. Its functions are to manage the international trade regulations to check that they are in compliance with WTO regulations, as well as regulate foreign investments in China (Arruda and Li 2004; Paik, Marcel, Lahn, et al. 2007). It also approves production sharing contracts, which are agreements between the two participating parties, regarding a reserve, which acknowledges the percentage of production that each will receive after costs and expense (Arruda and Li 2004).

MOLAR is responsible for the planning, protection, and use of China’s natural resources. It assigns blocks for exploration, approves reserve reports, which are reports that place a value on a specific reserve, and it grants and registers licenses for oil exploration and production (Arruda and Li 2004).

SASAC has official power over China’s state-owned projects including the NOCs. This entails the privilege of appointing and dismissing general managers of China’s enterprises (Downs 2010; Arruda and Li 2004; Paik, Marcel, Lahn, et al. 2007). Accordingly, these general managers are often members of major political parties. For example, the current general managers of CNPC, Ji Jiemin, and SINOPEC, Su Shulin, are also “Alternate members of the 17th Chinese Communist Party Central Committee, which consists of the 321 most politically powerful individuals in China” (Downs 2010:75). This means that Jiemin and Shulin are responsible for serving as a member of the 17th Chinese Communist Party Central Committee in the absence of a permanent member. Because of the tight relationship between the NOCs and political parties, many of the
general managers of the NOCs must adhere to the ruling party’s interest if they hope to further their political careers (Downs 2010).

Amongst the most powerful state-owned oil companies run by the government’s energy sector are SINOPEC, CNOOC, and CNPC (Paik, Marcel, Lahn, et al. 2007). All of these have one thing in common; they were born from the Ministry of Petroleum Industry (Paik, Marcel, Lahn, et al. 2007; Downs 2010; Jiang and Sinton 2011). Of the three, two of these companies, CNPC and SINOPEC rank on the top ten of the Fortune 500 list (The Economist 2005), and all three rank amongst the world’s top 50 oil exploration and production companies (Mitchell and Lahn 2007). Although all three of the industries participate in the international oil acquisitions of the energy industry, they still remain specialized in one area.

SINOPEC

SINOPEC was established in 1983 from the Ministry of Petroleum Industry (Jaffe and Lewis 2002; Downs 2010; Xu 2007; Arruda and Li 2004; Jiang and Sinton 2011; Guo 2007). It’s involved in China’s domestic onshore production as well as the downstream sector (refining and marketing) of the petroleum industry (Jaffe and Lewis 2002; Downs 2010; Xu 2007; Arruda and Li 2004). It is the second largest national oil company after CNPC, but still dominates the refinery sector of the energy industry (Jaffe and Lewis 2002, Jiang and Sinton 2011; Arruda and Li 2004). In 1998 it became an integrated oil company becoming involved in the upstream (exploration, development, and production) sector because it received assets from CNPC (Xu 2007; Jaffe and Lewis
In 2000, in an effort to increase revenue, SINOPEC created its subsidiary SINOPEC Limited, and listed it on the New York, Hong Kong, London and Shanghai Stock Exchanges. Still 77 percent of it remains owned by the People’s Republic of China. In another effort, to expand the upstream sector of its company in 2006, and broaden its profits, SINOPEC raised its target for international acquisitions by 50 percent (Ling and Lumpur 2006). This is because although it is the largest refinery, it still has to import most of its oil.

When it raised its target abroad it ventured into Africa to gain access to reserves particularly in Angola and Nigeria (Mitchell and Lahn 2007). Although, it still has a large presence in Angola, the relationship felt a rift in 2007. While Angola urged SINOPEC to build a refinery, and have the products be sold in Africa, SINOPEC had wanted the products made from the refinery to be sold in China, due to this disagreement the contract never went through (Rotberg 2008). Despite this disagreement, SINOPEC still has substantial investments in Angolan crude oil. By 2005, SINOPEC Limited, SINOPEC’s subsidiary, had over $8 billion invested abroad (Paik, Marcel, Lahn, et al. 2007), and this number only continues to rise contributing to its number 7 ranking on the Global Fortune 500 ranking (Jiang and Sinton 2011).

CNPC

CNPC also grew out of the Ministry of Petroleum Industry in 1988 (Jaffé and Lewis 2002; Downs 2010; Xu 2007; Arruda and Li 2004; Jiang and Sinton 2011; Guo 2007). It is the largest of the three ANOCs, and is ranked in the top ten Fortune 500 list
Along with SINOPEC it is involved in domestic onshore production, but works primarily in the upstream sector of the industry (Jaffe and Lewis 2002; Downs 2010; Xu 2007; Arruda and Li 2004; Paik, Marcel, Lahn et al. 2007; Mitchell and Lahn 2007).

When China’s ‘Going Abroad’ tactic gained attention by the government in 1996, CNPC took this opportunity to invest abroad, and ventured to Sudan (Jaffe and Lewis 2002). Due to the embargo on the Khartoum regime, it was able to make these investments with virtually no competition in the country (Rotberg 2008). In order to purchase the blocks in Sudan CNPC received financial assistance China Eximbank (Evans and Downs 2006). Despite the controversy surrounding its investments in the oil sector, CNPC still has the largest production presence in Sudan (Rotberg 2008; Raine 2009), and is present in over twenty-three other countries (Lewis 2007).

Prior to SINOPEC Limited, being created CNPC created its own subsidiary in 1999, PetroChina Company Limited (Lewis 2007; Xu 2007). It offers only about 12 percent of its shares on the Hong Kong and New York stock exchanges, and the other 88 percent is owned by CNPC, thus the People’s Republic of China (Paik, Marcel, Lahn et al. 2007; Downs 2010). In 2006, PetroChina Company Limited held over $15 billion in overseas assets, and currently ranks 10 on the Global Fortune 500 (Jiang and Sinton 2011).

CNOOC
Similar to the other two ANOCs, CNOOC rose out of the Ministry of Petroleum Industry in 1982 (Jaffé and Lewis 2002; Downs 2010; Xu 2007; Arruda and Li 2004; Jiang and Sinton 2011). Unique from the other two, it was not completely restructured out of the MPI, but was formed as a corporation under its supervision. While the other two companies develop domestic production, CNOOC comes close to monopolizing the development of offshore reserves (Jaffé and Lewis 2002), reason being it was modeled after Western oil companies, which are more international in nature, making investments abroad (Downs 2010). It was also intended to collaborate with other foreign oil companies in reserves and ventures, so it differs in that it is more integrated into the international petroleum industry.

CNOOC is the smallest of the three state-owned companies, but is the most profitable. Since its focus is China’s offshore exploration it primarily develops crude oil. Therefore, CNOOC has not entered the realm “of the highly controlled domestic market for refined products” (Jiang and Sinton 2011: 9). Because of this it is able to focus and specialize on the production of crude oil, without facing any internal competition rather the only competition it experiences is from the international oil companies.

In 2001, it followed the trend of the other two companies and created a subsidiary, CNOOC Limited, and listed stock on the New York and Hong Kong stock exchange (Xu 2007). This was in an effort to increase revenue. Another tactic with the same intention was in 2002 when it took advantage of the same government funding to acquire overseas assets that CNPC took advantage of in 1997, and invested vast amounts in Nigeria (Jaffe
and Lewis 2002; Mitchell and Lahn 2007). Due to resource diplomacy, CNOOC along with the other state-owned companies have created positive political relationships (Guo 2007). This has led to some major investments, one of them being CNOOC’s 2006 agreement with the Nigerian National Petroleum Corporation, “To purchase a 45% stake in a deepwater oil and gas block in the Niger Delta region that contains the giant Akpo field for $2.3 billion” (Lewis 2007:23).

Although the intention for CNOOC is to work with foreign oil firms, it has only gone so far. The Unocal bid in 2005 was a prime example of the relationship between politics, and energy security. “The CNOOC/Unocal bid was the first attempt of a merger between a Chinese national oil company and an American oil firm, and the deal became the target of United States public scrutiny” (Xu 2007:13). China’s initiation to drop the bid exemplifies its threat to western hegemony through monopolization of oil and energy security.

Conclusion

China’s national oil companies have a distinct advantage since they receive government support and engage in resource diplomacy. Although western oil companies also receive various economic perks such as tax subsidies, they still remain fairly independent from the government (Ghazvinian 2007). For China, energy security is a political goal for the nation, therefore, the petroleum industry and China’s foreign policy
cannot be regarded as separate entities, rather each has to be acknowledged in light of the other.

The extent of the relationship between the two is prevalent in the diplomatic as well as energy seeking trips to oil producing countries taken by political figures. For example, in 2003 Prime Minister Wen Jiabao and President Hu Jintao visited several oil-producing countries with some major Chinese petroleum businessmen (Ghazvinian 2007; Zweig and Jinhai 2005; Rotberg 2008). Many of these resource diplomacy trips lead to exploration and production agreements between China and the host country (Guo 2007). Reason being, positive long-term political relationships are necessary for the production and exploration of oil, due to the substantial capital and time invested in reserves (Ibeanu and Luckham 2007).

The link between the government and the industry becomes problematic when finding available data for the major petroleum companies. Since these are state-owned enterprises, much of the actual figures and vastness of their investments remain unavailable to the public. When discussing actual figures and investments only the publicly listed subsidiaries of the three main ANOC’s are mentioned because they are made available in public documents (Paik, Marcel, Lahn, et al. 2007). Due to the lack of information, but strong ties between industry and government, the relationship between the oil companies and the host country can also be analyzed through looking at China’s foreign policy.
CHAPTER 5: CHINA’S FOREIGN POLICY

Since China’s oil companies are state-owned and some of the general managers such as CNPC’s, Ji Jiemin and SINOPEC’s, Su Shulin, are also major politicians belonging to the Chinese Communist Party, the ANOCs stay in compliance with China’s foreign policy. The state-owned companies usually conduct government to government business deals that follow the path of the Communist Party’s political leaders (The Economist 2006; Anonymous 2009). It is nearly impossible to understand the rationale and motivations behind China’s energy acquisitions and relationship with oil-rich nations without understanding its political relationship with these countries as well. Therefore, the ANOCs cannot be thoroughly understood without examining its diplomatic relations.

China’s foreign policy can be broken up into three different eras; the revolutionary era starting in 1949, the strategic triangle starting in the 1970s, and the open-door era starting in approximately the 1980s (Roy 1998). The revolutionary era exemplifies the establishment of the People’s Republic of China, and the ideology in which it was founded. The Communist Party held a Marxist vision seeing a stark disparity between the haves and the have-nots, and a global struggle against imperialism by capitalist nations (Roy 1998; Bailey 2001). During the reign of Mao Zedong, the People’s Republic of China remained largely self-sufficient. Mao emphasized the importance of China relying on its own resources for development (Roy 1998; Bailey 2001).
The *strategic triangle* was the initial move away from being completely isolated from the Western World. During this time an influential politician who eventually became the leader of the People’s Republic of China, Deng Xiaoping, developed the *Three Worlds Theory*, in which he broke the world up into three genres. The first world was the two hegemonic powers, the Soviet Union and United States, the second world was the industrialized allies of the US and Soviet Union, and the third world was the less developed countries. Under this theory, he proposed a unification of the second and third world to create a more democratic international order (Roy 1998; Bailey 2001).

Although Xiaoping’s *Three Worlds Theory* was seldom used after the start of the *open door* era (Bailey 2001), the concept of collaboration is still present in China’s foreign policy. It has been reformed under the concept of multipolarity, which was adopted by Beijing. It calls for a forging of alliances to counter U.S. hegemony, creating a more just global order where developing countries are more active in international relations (Tull 2008; Shelton and Paruk 2008). Thus, it holds the same principle of Xiaping’s theory, essentially being if you’re not with them, you’re with us.

The *open door* era was the start of strengthening ties between the US and China, and more importantly the international community and China. Despite the desire to combat U.S. hegemony through a unification of the periphery, and semi-periphery, China still remained cordial with the ‘superpower’, and the capitalist imperialist, which it earlier despised. This was all done after Mao’s death with his successor Xiaoping who rather than encouraging self-reliance, opened the doors for foreign trade and investment with
Still as China becomes more influential and gains greater power in the international community, it alters its policy in order to please all nations. Therefore it has adopted a ‘principled’ foreign policy. It remains inconsistent, and bases its actions in foreign affairs on the country that it is working with, and the people involved in the diplomatic ties (Brown and Chun 2009). Following the open door era, and a global scrutinizing for how it handled the protestors in Tiananmen Square, China has become a more international player developing new relationships across the globe, and thus utilizing this notion of ‘principled’ foreign policy.

Human Rights

A key point of dispute between China and other nations is the way in which China handles human rights violations when conducting business with rogue nations. The US and other European nations have an idea of human rights that also include freedom of speech and religion, as some other nations have an alternative perspective when it comes to individual’s basic rights. Many Chinese officials maintain that the term “human rights” is a Western ideology, which does not account for non-democratic countries that do not hold the same needs and values as the US or Europe (Taylor 2009; Raine 2009; The Brethurst Foundation 2007). China’s Foreign Minister, Li Zhaoxing, when asked about China’s dealing with rogue countries that disregard human rights, he responded
with, “the basic meaning of human rights is survival and development” (Quoted in Taylor 2009:94). As it becomes a more powerful global player, its position, or lack thereof on these issues reaps even more criticism (Bass 2011). As China continues to support rogue governments its actions and business deals do not go unnoticed. Still China defends its position and actions on business arrangements with rogue countries and other issues that the international community is critical of. In response to human rights violations China has a developed position, which Roy (1998) highlights as:

1. Human rights are an internal affair.
2. It is hypocritical of the United States to criticize China over human rights given America’s failure to protect so many of its own citizens from crime, poverty and racial injustice.
3. Despite challenging circumstances, China has made great strides in extending many human rights, including basic socioeconomic considerations such as access to food, education, and employment, while under CCP rule. These kinds of rights are at least as important as the political rights Americans emphasize.
4. China has no political prisoners. People are imprisoned in China only for criminal acts.
5. Economic relations between China and other countries should not be linked to the human rights issue. (P. 154-155).

When referring to China’s state-owned oil companies, the first and fifth point exemplifies most critically the relationship between China and oil-rich African countries such as Angola, Sudan and Nigeria.

The “basic tenet of China’s economic relations is that business is business, and what a partner nation’s people think about it is not China’s or the world’s preoccupation” (Wines 2007: 3). While US corporations must adhere to the Foreign Corrupt Practices Act making it illegal to conduct business with rogue governments, China’s state-owned
firms are not under the same constraints (Lee and Shalmon 2008). Government and business are kept separate from that of public opinion. Where US foreign relations and policymaking is somewhat influenced by lobbyists, public opinion, and activists, China’s are not (Wines 2007). It does not view the internal affairs of another nation as a valid reason to break diplomatic ties with a country rather it engages in ‘soft power’ where it uses a non-military foreign policy based foreign affairs on investments, financial assistance, and humanitarian aid (Isenberg 2008; 110th Congress 2008; Wenzhao 2006). The primary goal of ‘soft power’ is to influence others by example and make others want to engage in diplomatic relations with you, rather than ‘force’ them to do what you want (Shelton and Paruk 2008).

Sovereignty

The issue between human rights and sovereignty remain directly linked in China’s foreign policy. In a 2000 speech to the United Nations, former Chinese President Jiang Zemin (1993-2003) stated, “dialogue and cooperation in the field of human rights must be conducted on the basis of respect for state sovereignty.” He goes on to say, “So long as there are boundaries between states and people live in their respective countries, to maintain national independence and safeguard sovereignty will remain the supreme interests of each government and people. Without sovereignty, there will be no human rights to speak of.” (Quoted in Bates 2007:110). China’s foreign policy emphasizes that it is not up to outside nations to influence or intervene in others internal affairs.
China defends its position on national sovereignty through its experience in 1949 with the establishment of the People’s Republic of China (Bass 2011). During this time it had to fight against hopeful colonizers and imperialist Japan. As it takes a strong stance on respecting national sovereignty it does so through empathy of its own colonial struggles and experience of oppression by another nation because it too sees itself as a former victim of imperialism. Therefore, it does not push its personal will on nations (Roy 1998; 110th Congress 2008; Brown and Chun 2009). Since the beginning of the People’s Republic of China, this issue has remained its primary concern. The notion of sovereignty was first expressed in China’s 5 Principles of Peaceful Coexistence at the Bandung Conference in 1955 (Bates 2001). The principles are: mutual respect for territorial integrity, nonaggression, reciprocal noninterference in internal affairs, equality and mutual benefit and peaceful coexistence (Taylor 2009; Herman 2010). Over fifty-five years later, although slightly modified, they remain the main governing principles.

In regards to diplomatic relations with Africa, and its internal crises, the Ministry of Foreign Affairs (MOFA) (2006) maintains its support for the African Union (AU) to settle any of its regional conflicts. Although China is not opposed to offering assistance to the AU, it will only do so with the will of the AU or any other African organization. This notion of sovereignty rationalizes China’s approach to business with African authoritarian governments. In a speech at the opening ceremony of the first Forum on China-Africa Cooperation (FOCAC) in 2000, President Jiang Zemin said,
In the new international order, the right of all countries to sovereign equality and to freedom from outside interference in their internal affairs must be ensured to them. All countries big or small, strong or weak, rich or poor, should respect each other’s sovereignty and independence (http://www.focac.org/eng/ltda/dyjbzjhy/SP12009/t606804.htm).

This respect for sovereignty at any cost is in direct opposition to the UN’s principle of national sovereignty. In 2005 the UN modified its principle of national sovereignty maintaining that it will not be respected when a sovereign government fails to protect its citizens, not only does the UN then have the right to interfere, but an obligation to do so (Raine 2009), but still China refuses to abide by this notion.

China has slightly changed its policy on sovereignty because of the backlash it received with its involvement in Sudan. It still respects a nation’s right to solve its own issues, but does not use the same language. At the first FOCAC in 2000, President Zemin strictly reinforced the doctrine of no interference in internal affairs. By the most recent FOCAC in 2009 Premier Wen Jibao said, “We firmly believe that Africa is fully capable of solving its own problems in an African way” (http://www.focac.org/eng/dsjbzjhy/zyjh/t627391.htm). Although he still acknowledges that African organizations are capable of settling its own regional conflicts, he does not take as strong a stance on sovereignty as had leaders in the past. This may be due to China’s changing foreign policy to accommodate the international community.

China’s Changing Foreign Policy
As the human rights issue surrounding China’s relationships with rogue
governments reaps criticism, it shows how China’s foreign policy is being forced to
change in order to appease all nations (Bates 2007; Jianmin 2005). China is rapidly
developing and in order to do so it needs a positive social climate in not only its
periphery, but also with the United States who has substantial clout over the international
community and essentially governs multilateral global organizations. In order for China
to achieve hegemonic status it must avoid confrontation with all nations therefore, it
realizes that it must comply with international norms to promote a sense of commonality
with global development (Bates 2007; Jianmin 2005).

Unlike other countries its position is unique in which it is an influential
participant in multilateral institutions, but remains a comrade to developing nations (110th
Congress; Bates 2007). In December of 2001 it joined the WTO. By doing so it also
made itself submissive to an outside authority, and essentially agreed to adhere to the
demands and restrictions of trade that are governed by the WTO (Bates 2001). This was
pivotal to China’s changing global position, whereby prior to the 1970s it would never
have thought to participate in a global bureaucracy such as the WTO. As the political
climate changes China becomes more involved in these institutions attempting to create
peaceful relationships with developed nations.

As China attempts to create peaceful relations with nations worldwide, it also
wants to keep a positive environment in its surrounding territories (110th Congress 2008;
Roy 2001; PRC Information Office of State Council 2002; Shelton and Paruk 2008;
China fears the overthrow of the CCP by opponents of the communist party, which it sees as being equally threatening to the sustainability of the government just like a foreign invader. Therefore, the connection between its foreign policy and internal issues are similar, whereby it needs a positive atmosphere in its surrounding areas and with the people that inhabit these areas. Within its territory it has 55 different minority groups; however, they only comprise 8 percent of the People’s Republic population. More importantly, these different ethnic groups have concentrated in areas that hold most of China’s natural resources, although these regions are “autonomous”, Beijing has control over major issues in the areas, and thus has control over the natural resources in these areas (Roy 1998).

Peaceful relations are important, but its economic development seems to be the underlying motivator behind these relationships. China’s primary concern is with developing its economy (PRC Information Office of State Council 2002; 110th Congress 2008; Shelton and Paruk 2008). In order to do so it needs energy security, in the form of guaranteed access to oil this is dictating its foreign policy with some African countries (Shelton and Paruk 2008).

China and Africa

Africa and China have a long history with each other based on anti-colonial sentiment, post-colonial solidarity, and a struggle against hegemony (Sautman and Hairong 2008; 110th Congress 2008; The Economist 2006; Brown and Chun 2009; Wen
Jibao 2009). Although during liberation movements, China intervened in sovereign affairs it rationalized doing so by arguing good intention, and a common “anti-imperialist” movement (Bates 2007). From the beginning of the People’s Republic until the early 1990s, China provided military aid to over 29 liberation movements not only in Africa, but worldwide (Bates 2007). During this time its motive was political, but its recurring interest is motivated by a need for resources and economic relations (110th Congress 2008; The Economist 2006; Brown and Chun 2009; Herman 2010). It was this former solidarity that was able to cultivate these new economic ties. From 2000 to 2007 trade between China and Africa went from $10 to $70 billion (Michel 2008), and as of 2009 China became Africa’s third largest trading partner (Brown and Chun 2009). This was mainly in the realm of energy resources (Isenberg 2008; 110th Congress).

Many European nations and the United States viewed Africa as a charity case rather than an equal player in investment and business dealings (Michel 2008), but China provides a real business outlet for some African countries, and a new source of aid and investment. However the agreements between China and oil-rich countries in Africa is that the debts be repaid in oil and extraction of other minerals that are needed to fuel economic growth in China (The Economist 2006; Herman 2010). Still, this partnership is described as “win-win”; China receives natural resources that fuel its economic development, and Africa receives infrastructure deals such as the construction of roads (Michel 2008).
The main objective China has with Africa is to further South-South cooperation in order to create a more egalitarian global structure (Brown and Chun 2009; Zemin 2000; Jintao 2006). It does so by encouraging visits between Chinese and African diplomats, ministries, and presidents in order to show the importance of Africa-China relations (Xinhua’s China Economic Information Service 2005; Jintao 2006; Herman 2010). In 1982 Chinese Premier Zhao Ziyang toured Africa endorsing its 4 Principles on the continent. They were, “equality and mutual benefit, stress on practical results, diversification in form, and economic development” (Brown and Chun 2009: 5). This same sentiment is reformulated in its current foreign policy in Africa which it outlines as:

1. Sincerity, friendship, and equality (the political aspect)
2. Mutual benefit, reciprocity, and common prosperity (the economic aspect)
3. Mutual support and close coordination (the international aspect)
4. Learning from each other and seeking common development (the social and cultural aspect (Brown and Chun 2009: 6; MOFA 2006)

Although its intentions on the continent have shifted from being that of political to economic, its policy remains the same.

China strengthens its diplomatic ties and trade agreements through dialogue and cooperation between countries. This was shown through the establishment of the Forum on China-Africa Cooperation (FOCAC) in 2000, which currently governs diplomatic relations between the China and Africa (PRC Information Office of State Council 2002; 110th Congress 2008; Brown and Chun 2009; Shelton and Paruk; Herman 2010). 49 out of Africa’s 54 countries belong to the FOCAC, including Sudan, Angola, and Nigeria.
(Brown and Chun 2009; FOCAC 2004). The premise behind its establishment is to conduct economic and political relations, trade arrangements, and mutual development through promoting dialogue and friendship (MOFA 2006; FOCAC 2004).

Since China has developed so rapidly it has plenty of capital to provide aid and investments in African countries (Wenzhao 2006). The FOCAC is a forum that meets every three years to discuss these investments. A topic of equal importance is how African countries can reduce the debts they owe to China (MOFA 2006). The only catch with the FOCAC is that African nations acknowledge the “One-China Policy” (The Economist 2006; Brown and Chun 2009). The countries belonging to the FOCAC must acknowledge that the People’s Republic of China is the legitimate government of China, and Taiwan. China asks countries that it is engaging in diplomatic relations with to not recognize Taiwan and its government as a separate nation, but as a territory of China. Therefore, all African countries in the FOCAC have not engaged in diplomatic relations with Taiwan.

In return for the acknowledgment of the One-China Policy, African countries receive diplomatic ties with China. This is of great importance, especially in light of the recent economic crisis, which is affecting nations globally. In the most recent FOCAC in 2009 Premier Wen Jiabo at the opening ceremony acknowledged the crisis and mentioned that despite financial hardships China has remained committed to its investments in Africa (http://www.focac.org/eng/dsjbjjhy/zyjh/t627391.htm). He also went on to emphasize that no political strings have ever been attached to this aid, and it
never plans to do so. This has been one of the main points of disagreements between China and the global community in regards to authoritarian regimes in Africa.

China’s *White Paper* in 2000 reemphasized its foreign policy to the rest of the world. Similar to the *5 Principles of Peaceful Coexistence*, its policy paper reinforced the need for mutual trust, benefit, equality and cooperation. In order to ease the minds of the developing and developed world it went on to elaborate that it has no intention of becoming a hegemon, using war, aggression, or imperialism, but rather supports a peaceful environment (Bates 2007; PRC Information Office of State Council 2002). This is of great importance to China’s rise, which diplomats emphasize as being peaceful.

The situation in many oil-rich countries in Africa and ANOC’s relationship with them is anything but peaceful. The race for natural resources in Africa by China is disregarding human rights abuses in some African countries. These African regimes continue to be supported through the country’s oil revenue. Despite being rich in oil, Sudan, Angola, and Nigeria continue to be impoverished. What is then reaping criticism is not only the ANOCs engaging in business deals, but as well China’s foreign policy which governs the actions of the ANOCs.
CHAPTER 6: CHINA IN AFRICA: SUDAN, ANGOLA, NIGERIA

China supported many African country’s liberation movements in the 1970s by providing funds, aid, and labor for the development of infrastructure in areas such as Tanzania, Zambia, and other African countries seeking independence (Alden 2007; Obiorah, Kew, and Tanko 2008; Sautman and Hairong 2008). Because of a need to diversify oil resources, China has become a major investor in some African countries. Due to past positive relationships, African oil-producing countries are eager to engage in business deals with China.

China has already made investments in Congo, Algeria, Nigeria, Zambia, and other countries rich in oil and minerals. In October 2009, Chinese companies signed a $6 billion infrastructure and loan deal with Democratic Republic of Congo. In July 2009 CNOOC and Sinopec purchased a stake in an oil block offshore Angola for $1.3 billion. In June 2006 Sinopec also acquired some offshore blocks in Angola for close to $1 billion. In April 2006 CNOOC bought a stake in a Nigerian deepwater oil field for $2.7 billion. Sometime before CNPC held 40 percent interest in Sudan's 300,000 bpd (barrels per day) in the oil producing Unity fields (Reuters News 2010). These investments keep growing, and become problematic when the oil revenue is not used to raise the standard of living for the people of the country, but instead goes to the pockets of the corrupt African government officials.
For some African countries China provides an outlet for new investments and business relations that are no longer reliant exclusively on Western interests providing African nations the opportunity to negotiate (Rotberg 2008; Tull 2006; Bass 2011). In addition, resentment of a past relationship of colonialism between Africa and the West is still prevalent, which leads to African oil-producing countries hesitance in engaging in business deals with the West. This makes China a more favorable option because it carries less ‘imperialist baggage’ than some former colonizing nations (Brown and Chun 2009).

China has benefited from this complicated history of colonial involvement (Brown and Chun 2009). The US and Europe have always been considered core countries, imperialist nations and exploiters, but China has never been labeled a “core” country nor practiced colonization. Despite its recent economic boom it is still deemed a “developing nation.” Therefore, it is exempt from being considered an imperialist nation because its lack of categorization does not give it the same transparent relationship that it does between core and peripheral nations. Instead of being a foe, China is viewed as a friend to Africa as a result of being considered also as a developing nation.

China’s current involvement in oil-producing countries in Africa is receiving criticism as being similar to neocolonialism. Their policies in various African regions are pursued primarily through economic benefits without concern for human rights violations. Furthermore, critics accuse China of taking Africa’s oil through deals that benefit China rather than the African country, and contribute to the authority of repressive regimes by supporting them financially with loans (Jiang 2008; Lee and
Shalmon 2008). For example, loans distributed by the IMF, WB and US, come with democracy and human rights demands, however, China’s loans do not. As a result, countries such as, Sudan, Angola, and Nigeria accept loans from China because China does not require them to follow democratic terms or conditions making them a more appealing alternative than global institutions such as the IMF and WB (Goldstein, Pinaud, and Reisen 2008; 110th Congress 2008). The terms for these loans are also scrutinized by some leaders for being condescending, or too paternalistic. For this reason many African countries have become heavily indebted to China. This is problematic in regards to internal affairs such as authoritarianism, and a disregard for human rights, which is affecting some countries in Africa.

It’s important to keep in mind that the nations, which are criticizing Chinese business tactics with pariah states are not exempt from the practice of trading arms for commodities, or making unfair deals with underdeveloped nations. Transfer of arms for access to resources has been a strategy utilized by most powerful countries including France, United States, and Great Britain (Klare 2008; Hanson 2008). What makes China’s practice so different than that of the United States? Answer, “for the first time since the end of the Cold War, a major non-Western government is competing for geopolitical advantage on roughly equal terms with the United States” (Klare 2008:212-213). With the label of a non-Western government also come the implications of a non-colonizing nation.

China maintains that it can empathize with Africa because it was oppressed by Western imperialism and ideology, but it is adhering to the same oppressive business
tactics of past colonizers. Chinese oil companies partner up with African countries that are ostracized by the West (Hanson 2008; Lee and Shalmon 2008; The Economist 2008), and have little if no affiliation with American businesses. For example, President Bill Clinton banned US investors from conducting business in Sudan, with the hopes that if the Khartoum regime did not receive oil revenue they would be financially immobilized to fund the Civil War (Taylor 2009). Instead of being boycotted completely, China was able to take the place of the US as a main business provider to Sudanese oil.

China’s business deals with African oil-producing countries with authoritarian regimes may lead to adverse long term consequences by enticing leaders to not adhere to transparency and anti-corruption policies, but to instead siphon off oil revenues (Taylor 2009). Instead of promoting transparency, human rights, and safe environmental practices, China is utilizing a purely “business as usual approach”, whereby business deals made by China with authoritarian African regimes turn a blind eye to violations of people’s rights, destruction of the environment, and corrupt officials who embezzle revenues (Soares de Oliveira 2008; Brown and Sriram 2008). This is especially problematic in certain African countries such as Sudan, Angola, and Nigeria which suffer from volatile internal affairs.

Sudan

The most prominent and criticized case of China in Africa with regards to the situation in Darfur. Sudan, the largest country and China’s second most important
supplier of oil (Lee and Shalmon 2008; Taylor 2009; Raine 2009) has a history of civil unrest. Sudan was originally colonized by Egypt, and Ethiopia, which was Christian, until they were colonized by Muslims in the 15th century. In 1899 the British colonized Sudan alongside the Egyptian Empire and because of the Muslim and Christian disparity, the nation was split by religion, whereby the North was encouraged to practice Islam while the South remained primarily Christian. The main reason it was not split in two countries was because the Nile River runs through the whole region, which was and still is a major trade route. In 1956 Sudan was liberated, but was plagued by a Civil War between the North and the South. The war exacerbated in the 1970s when the predominantly Islamic North attempted to convert all of Sudan to Islam (Lee and Shalmon 2008). In 1989, current Sudanese President Omar al-Bashir took control in a coup. Not until 2005, was a Comprehensive Peace Agreement signed, officially ending the Civil War in Sudan (Lee and Shalmon 2008; Raine 2009; Taylor 2009).

In spite of the Comprehensive Peace Agreement, the government led genocide in Sudan’s Darfur region is still taking place, and has displaced more than 3 million people (Taylor 2009). In response to the ongoing Civil War, and the genocide in Darfur the international community has applied sanctions to Sudan through embargoes, and a refusal to engage in business deals with the country. China, however, is the largest oil importer of Sudan, and has overwhelming interest in Sudan’s energy ever since Western oil companies abandoned their deals in the mid 90s (Lee and Shalmon 2008). Since Sudan was abandoned by Western oil companies and having been drained from the Civil War by approximately $1 million a day by 1997, it was reliant on oil revenues to ease its state of
financial distress, so it was willing to engage in generous business deals with China (Lee and Shalmon 2008). This has not only gained critical attention from the international community, but also African civil-society leaders (Taylor 2009).

A main question arises as to where the connection is between Darfur and Chinese oil companies because there is no oil in Darfur. The Janjaweed militia is accused of the atrocities in Darfur, and they are funded and provided with arms by the Khartoum regime, which is supported by oil revenues from state owned Chinese oil companies (Lee and Shalmon 2008; Raine 2009), so without the oil revenue, the Khartoum government would be unable to fund the Janjaweed militia (Lee and Shalmon 2008). A Sudanese refugee from Darfur by the name of Daoub Ibrahim Hari who was a translator for journalists from other countries, and who wanted to inform the world about what was going on in Darfur testified in front of the United States 110th Congress (2008) stating, “it is obvious that Chinese support for the government in Khartoum, military, economic, and political has made it possible for the army to continue to fight in Darfur” (31).

China has also assisted Sudan in building an arms manufacturing industry (Lee and Shalmon 2008; Raine 2009; Taylor 2009), provided arms, as well as supplied funds and engineering to make a major pipeline possible, in which the revenue was/is used for arms for the genocide (Lee and Shalmon 2008).

In 2006 the UN investigated the issue of arms being used in Darfur and found that they were Chinese manufactured despite the ban on arms sales to Sudan (Lee and Shalmon 2008; Raine 2009; Taylor 2009; Tull 2008). China responded saying that the arms were sold to the Khartoum regime during the Civil War (Lee and Shalmon 2008).
A major pipeline allowed for further control of the oil fields by the North by connecting the oil refinery in Khartoum to the oil fields in Abyei. The Sudanese government built its oil refinery about 620 miles away from the oil fields (Lee and Shalmon 2008). Reason being, Sudan’s oil reserves are located on the North/South border provinces of Unity and Abyei, but Khartoum is Sudan’s capital located in the North so this pipeline allowed the North to assert control over the oil fields (Lee and Shalmon 2008).

Abyei continues to be a contested region because the 2005 Comprehensive Peace Agreement (CPA) that gave the South autonomous rule, but the oil resides on these border provinces. These areas remain neither part of the North or South, but are sovereign regions. Although South Sudan has voted to secede, these regions still remain contested and have yet to be decided whether they will belong to the North or South. If they go to the South there is still discrepancy as to the distributing of oil revenue. Until these decisions are made there is still conflict as to which state these border provinces belong to (Lee and Shalmon 2008). But China holds considerable investments in Abyei. In spite of the 2005 CPA, China was assumed that its oil investments would be honored, so despite the dispute surrounding this region, it continues to be explored for oil by Chinese national oil companies (Raine 2009; United States 109th Congress 2006).

Given the fact that it was oil revenues from the North that allowed the Khartoum regime to fight the war, Southern Sudanese rebels attacked oil facilities (Lee and Shalmon 2008). China having an obligation to protect its workers and infrastructure chose instead of abandoning its investments to send security and provide arms to the Sudanese army to protect the oil fields (Lee and Shalmon 2008). If China chose to leave
Sudan completely Sudan would lose its principle source of revenue (Lee and Shalmon 2008). However, China refuses to leave because Sudan is a major oil producing supplier to China, and China maintains a respect for a nation’s sovereignty.

China has maintained that the issue in Darfur is an internal issue up to the AU to resolve (Raine 2009). According to the UN’s modification principle of national sovereignty in 2005 the government of Sudan surrendered its sovereignty as well as its territorial rights by failing to protect its citizens and commit genocide. Therefore, to the international community, despite China’s foreign policy on sovereignty, it has a right and an obligation to interfere (United States 109th Congress 2006). Unfortunately, the UN could not send peacekeeping troops without the vote of China to do so, thus the situation worsened. Critics accused China of not utilizing its leverage to end the genocide in Darfur, thus making China complicit with the atrocity (Lee and Shalmon 2008; United States 109th Congress 2006).

In order to not involve itself with the situation in Darfur, China argued that Darfur did not meet the definition of genocide. This argument is even more problematic because China belongs to the UN’s Genocide Convention, which is obligated to prevent and punish those involved with genocide (Bass 2011). Under the UN, the definition of genocide is as follows:

The Convention defines genocide as any of a number of acts committed with the intent to destroy, in whole or in part, a national, ethnic, racial or religious group: killing members of the group; causing serious bodily or mental harm to members of the group; deliberately inflicting on the group conditions of life calculated to bring about its physical destruction in whole or in part; imposing measures intended to prevent births within the
group, and forcibly transferring children of the group to another group (http://www.un.org/millennium/law/iv-1.htm).

China did not feel that the situation in Darfur met this definition therefore, it refused to intervene. Instead, China’s elites and political figures argued that China’s business dealings with the Khartoum regime were being criticized because other countries, specifically the United States, were threatened by the oil deals made between China and Sudan. The international community was not worried about innocent victims in Darfur rather it was concerned with China’s strategic political relationship that gave it access to Sudan’s vast oil reserves (Bass 2011).

Finally, in the beginning of 2007, China began to apply more pressure on the Sudanese government (Lee and Shalmon 2008; Raine 2009; Taylor 2009), as a result of international criticism. China has considerable leverage with President Omar al-Bashir of Sudan (United States 109th Congress 2006; United States 110th Congress 2008).

President Omar al-Bashir has responded more cooperatively with China than it has to Western governments. In 2007, President Hu Jintao met with President Omar al-Bashir. He pressured him to accept the peacekeeping troops in Sudan, and to take a more active role in alleviating the conflict in Sudan (Lee and Shalmon 2008). In the past, China refused to vote during UN conferences, that made it impossible for the UN to send troops into Darfur (Brown and Sriram 2008; Raine 2009). As a result of this meeting President al-Bashir accepted UN peace-keeping convoys for Darfur (Lee and Shalmon 2008). Although China has utilized its position as a developing nation to engage in business deals with pariah states, it has also used this same position to pressure the Sudanese
government in accepting UN conditions in Darfur. This is a prime example as to how China can use its leverage as a “friend” rather than a “foe” to implement social change in other countries that are hesitant in working with Western governments.

Angola

Angola is China’s 2nd largest crude oil supplier (Rotberg 2008; Ferreira 2008; United States 109th Congress 2006). Most oil companies seek a relationship with the Angolan government to gain access to its increasing oil supply. For example, in 1986 Angola produced 280,000 billion barrels per day (bbl/d), by 2005 it rose to 1.25 million bbl/d, and by 2011, it is predicted to double to 2.6 million bbl/d (Lee and Shalmon 2008). The rise in oil production in Angola is gaining increased attention because other existing reserves are being depleted.

Much like Sudan it has suffered from an ongoing Civil War that left it financially, politically, and socially in disarray. Angola was colonized by Portugal until 1975. When it received independence there was no government set in place, which initiated a Civil War over control of Angola. The war finally ended in 2002, and resulted in the Movimento Popular de Liberatacao de Angola (MPLA) becoming Angola’s ruling party (United States 109th Congress 2006).

Similar to Sudan, it has been penniless since all of its capital were devoted to the war. Angola was forced to ask the IMF for a loan. The IMF agreed to provide a considerable loan if the Angolan government would adhere to transparent conditions (Lee
and Shalmon 2008). This was requested because Angola is positioned near the bottom of the Transparency International’s Corruption Perception Index (Lee and Shalmon 2008; The Brenthurst Foundation 2007). The IMF requested that Angola join the Extractive Industries Transparency Initiative (EITI), which is a multi-stakeholder international process that focuses on developing nations that are rich in natural resources, in order to ensure that the revenue from the resources goes to social needs, infrastructure, and the country rather than to the pockets of an elite few (The Brenthurst Foundation 2007). Angola was reluctant to accept the terms because it was seen as an insult, but considering it had no other options, it accepted the IMF conditionality.

In 2004, Angola ended its loans with the IMF. The MPLA made a deal with China’s Eximbank which agreed to provide Angola with a $2 billion loan that would be repaid in oil (Lee and Shalmon 2008; Taylor 2009; Ferreira 2008). Angolan President Eduardo dos Santos said it best when he stated, “China needs natural resources and Angola needs to develop its economy. That is why the two countries have engaged in cooperation” (as quoted in Ferreira 2008:299). Unfortunately, as I stated before, China’s loan had no terms or conditions, therefore no transparency conditions were applied.

Although, the IMF and WB are known to provide structural adjustment loans, which in many cases, cause countries to abandon social programs primarily in the areas of health and education in order to pay the loan, this was not the case for Angola. Since it was near the bottom of the Transparency International Corruption Perception Index, it was not considered an unreasonable request to join the EITI. Because these transparency
regulations have not been met, Angola continues to address reports that the political elites are embezzling oil revenues (Ferreira 2008).

Despite the oil revenue flooding in and Angola being one of Africa’s countries rich in oil, Angola’s citizens have not seen an improvement in their livelihoods (United States 109th Congress 2006). There is a stark disparity between the lives of the everyday people, and those of the government officials. Because of this polarization, there is resentment on the part of the Angolan people with the government, the Angolan elites, and Chinese expatriates (Ferreira 2008).

A major contributing factor to Angola’s a low GNP is its unemployment level. Chinese expatriates living in Angola have a higher standard of living. This is due to the fact that the Chinese state companies that bid for the infrastructure projects, limit their local hiring, and instead, import labor from China (Faucon and Swartz 2009). This practice combined with a lack of transparency in oil revenue contributed to the stagnant nature of the standard of living for the people of Angola.

China’s relation with Angola is not criticized by the international community as much in comparison to its engagement with the Khartoum regime. However, there is still a call for China to encourage Angola to follow transparency reforms, such as publishing the oil revenue and the budget (United States 109th Congress 2006). Instead, the amount of overall aid China provides to Angola is unknown, which makes it challenging to account for funds that may be siphoned into the pockets of a few elites.
Nigeria is the 12th largest oil producer in the world (Asuni 2009). Much like Angola, its oil production is expected to double in the near future leading it to being sought after by oil companies (Lee and Shalmon 2008). Like other oil-rich countries it is almost solely dependent on its oil revenue, which contributes to about 80 percent of Nigeria’s total revenue (Ibeanu and Luckham 2007). Lack of diversification, along with corruption in the country’s oil industry is seen as the root of Nigeria’s economic troubles, which are its high poverty (Ibeanu and Luckham 2007).

During the Olusegun Obasanjo’s presidency in 2001, trade between Nigeria and China rose to $1.14 billion (USD). President Obasanjo also agreed to sell China 50,000 bbl/d (Rotberg 2008). This was mostly in the form of oil for infrastructure deals but the infrastructure was never built because President Obasanjo and other corrupt officials were known to embezzle the oil revenue. Despite infrastructure deals not being fulfilled, China continued to do business with President Obasanjo (Taylor 2009; Asuni 2009). “In December 2004 Sinopec and the Nigerian National Petroleum Corporation signed an agreement to develop oil mining leases in the Niger Delta” (Taylor 2009: 47). Again in 2006, President Hu Jintao and President Obasanjo signed a $4 billion infrastructure for oil deal (Taylor 2009). This oil rich region continues to be exploited by its own government and China, which continues to engage in business with corrupt officials.

Nigeria is more willing to carry out business with China because the Nigerian military officials accuse Western businesses and governments of reluctance to provide them with arms in order to fight the ongoing insurgency in the Niger Delta. In response,
Nigeria following the Khartoum regime in Sudan turned to China because China continues to sell arms to the Nigerian military (Obiorah, Kew, Tanko 2008; Taylor 2009). The Niger Delta remains an area ridden with conflict due to its impoverished. Fossil fuels have supposedly brought more than $280 billion into Nigeria, but most of the money has been siphoned away, like in Angola (Thielke 2008). Others project that 100,000 barrels per day are stolen by insiders, which amounts to a loss of $1.5 billion a year (Taylor 2009).

Despite the Niger Delta’s mineral wealth it remains one of the most impoverished regions in Nigeria (Asuni 2009; Ibeanu and Luckham 2007). “In 2000, average per capita incomes were less in constant dollar terms than in 1970” (Ibeanu and Luckham 2007:59) because of the continuing isolation of the Delta community by the oil industries, domestic and foreign, as well as the government. Because of its economic deprivation, there is retaliation against the oil companies, which are seen as responsible for the corruption and perpetuation of poverty in the Niger Delta. Rebels in the Delta issued threats against Chinese nationals after the signing of an oil deal in 2006 when President Hu Jintao went to Nigeria (Obiorah, Kew, Tanko 2008; Thompson 2008; Taylor 2009). The situation in the Delta has only got worse since then. A spokesman for the Movement for the Emancipation of the Niger Delta (MEND), when interviewed by BBC News said, “The Chinese government by investing in stolen crude places its citizens in our line of fire” (Obiorah, Kew, Tanko 2008:281; Taylor 2009:48). Another MEND leader maintained that his organization was fighting for “total control” of the Niger Delta because the oil profits have not benefitted the local people, but instead other parts of
Nigeria and foreign companies have gained from this revenue (Taylor 2009; Asuni 2009). Due to this rising animosity against China, Chinese oil workers have increasingly been victims of kidnappings, and murders.

Conclusion

As is shown in China’s involvement in Sudan, its status as a fellow developing nation can contribute to positive social change. This is primarily due to the same sentiment of anti-colonial solidarity that has been present since the 1970s.

China’s position as a comrade to Africa can be beneficial to Africa’s development. It is a prime example of a developing nation that has been able to take itself out of poverty, and raise its global hierarchical standing. This can serve as a realistic model for other developing nations. Also China’s relationship with Africa has not been completely one-sided. As a result of its affiliation with China, Africa has had a stronger voice in global decisions (Jiang 2008). This has provided some African countries a more active role in the global political process, as a result of Beijing’s development of multipolarity. If followed through with the concept of multipolarity, China and Africa can forge an interdependent cooperative relationship that can create a more social democratic process in international relations.

Many Chinese diplomats have responded to accusations of neocolonialism on the continent of Africa. In response to being accused of only having interest in natural resources, China’s diplomat for Africa, Du Xiaocong (2010) said, “We don’t want to be
bullied or bully anyone. The illusion that China would do bad things as others did before is out of ignorance in Chinese politics, history and culture.” He goes on to argue, “if anyone wanted to treat Africa as the former colonial countries did several years ago, the African people will never accept it” (http://www.focac.org/eng/zfgx/dfzc/t689653.htm). Although some view China’s actions as neocolonialist, some officials maintain that this view is only maintained through a lack of knowledge of China’s culture. China has been relatively isolated from Western relations, and has not been thoroughly studied by scholars, so this argument might have some substance. The resurgence of the interest in China comes not from a motive to collaborate with the rising power, but rather to understand it as a threat to US hegemony.

China’s monopolization of oil reserves in African countries threatens the US status because this was the same tactic used by the US in the Middle East. The US has maintained global economic hegemony through monopolizing the oil industry, and the reserves in oil-rich nations that have also been criticized for corruption. China attempts to elevate its economic status through the same tactic, especially when energy security and peak oil are becoming more of a global concern.

As China continues to develop it needs resources, and will go to great lengths to gain access. Still, the intentions of other nations to criticize China’s tactics need to be looked at through a critical lens. Yes, China is violating human rights by global standards, but these accusations are rationalized through China’s foreign policy, state-owned corporations, and means of governing. By which standards is China violating
human rights is the dilemma behind the accusations. China’s business investments need to be acknowledged for its humanitarian as well as its political aspects.
As Wallerstein (1984) emphasizes, hegemons have two needs in order to maintain, or ascend their status. These are a strong economy and a strong military (Dittmer 2010). With these two entities, nations are able to control global institutions, politics, policy making, and culture. Since nations are reliant on each other for trade and investment, a strong economy is crucial in coercing others to comply with the demands of the economically strong for fear of reprisal through sanctions and embargoes. When economic coercion fails a strong military is needed to force other nations to comply. The United States is a prime example of a nation that has used both these tactics.

Initially, the US created a global ideology of democracy and capitalism. Democracy provided it legitimacy by alluding to liberalism, which coerced other nations to think that its interest was to benefit all nations involved. For example, the establishment of NAFTA, the IMF, and the WB were established to “help” other nations economically, but these institutions are essentially led by the US, and the US as the sole hegemon is only interested in maintaining its power. Therefore, any loan, or policy given through these institutions favors the US economically. As the US is losing leverage and weight because of its failing economy, it is turning to military force to pursue its interest.

The “War on Terror” and invasion of Iraq were the critical breaking points for US hegemony (Arrighi 2008). No longer does the US represent a “global savior”, but rather a “global bully”. It went into these regions “to establish US control over the global oil
spigot, and thus over the global economy for another fifty years or more” (p.190). This made many US citizens, and the global community question the true intentions, and the integrity of the United States government. More importantly as the US was seeking funds to support the war, East Asian governments were purchasing US treasuries, which eventually led to East Asian governments becoming the financiers of the US deficit (Arrighi 2008). This was critical to policy making regarding the US economy because East Asia was now financing the US debt, so that the US lacked any economic influence that it would have used in the past.

As the US economy struggles, and its liberalist image vanishes, it faces a hegemonic crisis when its moment as unipolar power comes to an end (Ikenberry 2008; Gu, Humphrey and Messner 2008). Through globalization China has been able to access Western technology and an open market assisting in its military and economic growth (Guo and Guo 2010). China is building up its global economy and military in order to succeed the United States as the hegemonic power (Guo and Guo 2010). It is already reaching a level playing field economically speaking, gaining political influence in Latin America, the Middle East, and Africa through resource diplomacy as I have shown in the previous chapters, (Ikenberry 2008), and is attempting to build up its military.

Power Transitions

The question that arises from the ascension of China, is will it be a peaceful rise, or will the US and China engage in World War III? It is a common conception that
power transitions result in conflict, but this is not always the case. There are a number of situations in which power transitions may occur non-violently. According to Ikenberry (2008) there are various types of power transitions,

Some states have seen their economic and geopolitical power grow dramatically and have still accommodated to the existing order. Others have risen up and sought to change it. Some power transitions have led to the breakdown of the old order and the establishment of a new international hierarchy. Others have brought about only limited adjustments in the regional and global system (P.27).

Through this model the case of China has a number of possibilities: it can adhere to the current international political structure created by the United States, it can change it, or it can establish a new structure.

Ikenberry (2008) and Gu and Messner (2008) maintain that the current international structure can accommodate a peaceful power transition due to global interdependencies, organizations, and networks. Since nations rely on each other to survive they are forced to work together rather than against each other. Nations need each other economically, politically, and militarily, so although nations are considered separate entities they are interdependent, whereby a nation would not be able be in this world with no allies.

Scholars also argue that war is highly unlikely because the nature of power in itself has changed (Gu and Messner 2008). Power was once synonymous with territory, but as territorial conquest became less effective in solving problems caused by globalization, militaries also become unnecessary. In the past militaries were used to
conquer land, but now they are used only to destroy enemies. Instead Gu and Messner (2008) maintain that technological innovation, communication, and soft power are more efficient than military force. This argument implies that militaries and territorial conquests are no longer necessary, but this is not completely accurate. Areas rich in oil such as Nigeria, Angola, Sudan, Xinjiang, and Iraq are volatile regions due to groups domestically and/or internationally fighting over control of the resources within that territory. Therefore, territory is important when the land holds a valuable commodity, and when one state wants those resources, but is denied access thus the use of military force is necessary. As we have seen numerous times in the past when something is not peacefully given, it is violently taken.

Military force is then a plausible scenario for China’s rise. When a nation does not have peaceful access what it wants whether global energy, or hegemonic power it can be detrimental to the state of the world because what a nation cannot have it peacefully, it will have no choice but to take aggressively. Consequently, the US and other countries opposed to China’s aggressive tactics could retaliate (Glaser 2011). This would result in tensions that may result in war.

In order to understand the probability of each situation, the current political climate allowing for China to become a hegemonic power need to be looked at more in depth. It is also important to note that China’s leaders make a point to acknowledge that China is attempting to rise peacefully, and is not seeking hegemony (Bijian 2005). This argument is largely contested because China is actively expanding its economy and
military, the two necessities for becoming a hegemonic power. More importantly building military power is in direct opposition to an attempt to rise peacefully.

Sino-African Relations

As China practices resource diplomacy the US faces resource and political competition in energy-exporting countries (Herberg and Ferguson 2004). Although it’s current presence in some African states is fueled by access to oil and minerals, its economic and political agendas cannot be ignored (Yu 2010; Zweig 2010). Economically, Africa has provided a market for Chinese goods, and as the oil-for-infrastructure deals in Angola show it can provide jobs for Chinese workers and companies (Zweig 2010). Politically, China is using the FOCAC to ensure the One China Policy, and is also attempting to raise its international status through cooperation with the continent (Yu 2010). Prior to the FOCAC there were deep political values that have benefitted China in the past. For example, some African nations supported China’s membership into the UN in 1971. Without the support of these countries, China may have never gained membership (Teng 2010) in the Security Council, and come to be recognized as one of the elite in the global community (Dellios 2005).

In the past China’s relationship based on camaraderie with a fellow developing country was widely accepted. Now, China’s relationship with Africa based on this same premise is problematic because China considered a developing country. There is a camaraderie based on a history of past exploitation and a conflict with the developed
world, but China has now entered the realm of the developed world. Although it may self identify, and have certain characteristics of a developing world it has already “been able to loom as one of the world’s largest economies within one generation” (Dittmer 2010:1). Through economic growth, and participation in elite international organizations such as the UN Security Council and the WTO, China has surpassed the periphery and is now considered a developed country (Dittmer 2010).

When it entered international organizations it placed itself in a strategic position by maintaining positive relations with the developed and developing world (Zweig 2010), but it also gained a voice in global decision-making. By emphasizing that it’s a developing nation to the developing world it gains support from countries that are still resentful of colonialism and weary of Western intentions (Liang 2008). It is also able to exploit this relationship to enhance its deals with oil rich African nations. Using the formula of respect for state sovereignty (Teng 2010) and an anti-hegemony stance, China is exemplifying a similar liberalist ideology that contributed to US hegemony. Its ideology is rooted in that its intentions will benefit all structures involved, unlike the Western ideology that benefitted only those in the West, but “no state has benefitted more than China from trade liberalization and globalization” (Zweig 2010:38; Guo and Guo 2010). The same ideals it is fighting against are the ones that have assisted its growth.

China has divided the world into three categories, those that are friends, enemies, and neutrals (Guriov 2010). Africa and other oil rich nations fall under the category of “friend” since “China’s need for resources, particularly energy and a variety of raw
materials sent Chinese firms on a whirlwind shopping spree, buying companies, mines, and oil fields around the world. These purchases affect China’s selection of partners and allies” (Zweig 2010:38) showing that there is only permanent interest, not permanent allies (Men 2008). China’s demand for oil is not only shifting economic, but political relations (Meredith 2007). Its need for resources dictates its political relationships, but it also realizes that its political relationships are crucial in gaining access to foreign reserves (Men 2010). Its presence in Africa will be as long as it needs natural resources.

Economy

Similar to other countries China is attempting to secure its energy needs, so it can continue its growth (Kiss and Zhou 2010). It has already been putting bids on promising reserves around the globe (Klare 2008) to achieve this feat. The benefits in doing this can be seen in two ways. First, China’s national oil companies are succeeding US oil companies in global rankings according to production and total reserves. Secondly, China’s increase in fossil fuel consumption is synonymous with its economic growth. China’s rapid economic growth has already surpassed many countries, and is expected to surpass the US economy in the near future perhaps by 2020.

Although Chinese national oil companies have been active in the international oil industry for a minimal amount of time compared to the US oil companies, it has already gained an equal footing in the business. Its aggressive tactics in oil rich regions around the world have contributed to some of its NOCs surpassing US oil companies in total
reserves. For example, PetroChina is the largest Asian NOC, and is ranked 13, amongst the world’s largest oil and gas companies with a total of 21,469 reserves (in million barrels) (http://www.petrostrategies.org). This ranking is higher than any US oil company with ExxonMobil being the closest ranked at 17 with 13,318 total reserves (in million barrels) (http://www.petrostrategies.org). Regarding production PetroChina is ranked 7th globally with 838.8 (million bbl) (Radler and Kootungal 2008).

Through the growth of China’s GDP we are witnessing a shift in power in the global economy (Gu, Humphrey and Messner 2008). According to Klare (2008) “In 2004, with a GDP estimated at $1.9 trillion, China moved into sixth place among the world’s largest economies; in 2005, it jumped ahead of Britain and France to become the fourth largest” (p.67). According to Deutsche Bank's Chief Economist for Greater China, Jun Ma, China will overtake the U.S. as the world’s largest economy in 2020 (Oliver 2009). The Economist (2010) argues a similar timeline in 2019, while others argue as soon as 2012 if it is taken into account that prices are cheaper in China (The Economist 2010).

Most recently, the IMF projected China’s GDP would surpass the United States in 2016. Between now and 2016 China’s economy is expected to jump from $11.2 trillion to $19 trillion while the United States is expected to see a minimal increase in comparison from $15.2 trillion to $18.8 trillion (Arends 2011). Its projection is sooner than others because other economists compare the two country’s GDP at the current exchange rate. This is problematic because exchange rates fluctuate quickly and China
currently undervalues the renminbi (Arends 2011). As it raises its international status it will be held to certain standards that apply to hegemonic nations. One being a revaluation of its currency making it more competitive on the global market.

China’s Peaceful Rise

China is utilizing cultural diplomacy in various areas of the world including Latin America, and most importantly Africa. It is doing so in order to appease nations on the “China Threat”, and create a positive international climate that will assist in its rise (Yu 2010; Guo and Guo 2010; He 2008). Although it emphasizes a “peaceful rise” China has been building up its military.

The contradiction between what Chinese leaders say, and what it does is primarily shown through its military spending. For example Zheng Bijian, advisor to China’s leadership stated, “We are not seeking to become a big military power contending for hegemon around the world, but a big market, a major civilization, and a responsible big power playing a constructive role in the international community” (Bijian 2005:6-7), but China’s military spending has been gradually increasing at a rate of 18 percent a year since the late 1990s (Ikenberry 2008; Meredith 2007). In March 2011, after its spending slowed down due to the global recession, China announced it would increase military spending 12.7 percent to $91.7 billion (USD) (Agence France Presse 2011). This is fairly minimal compared to the $600 billion a year that the US spends (Bilmes 2011), but China’s spending is being done primarily during times of peace (Meredith 2007). “By
2025, China should have defense resources comparable to those in use today by the U.S. military” (Meredith 2007:170).

It is important to acknowledge that China will be a strong military power in the near future despite what its’ leaders say. Although it denies attempting to become a hegemon its military spending shows otherwise. Hegemonic powers or those seeking hegemony need a strong military, and they need the will to use it (Dellios 2010). China if not prepared to use its military would not be investing as much as it is. Who knows where the US will be if it continues its military spending at the rate it is, but one thing is for certain, China will have a sophisticated defense. More importantly it will have the economy to back it up.

China is already seen as a global power. Through its participation in international institutions, its growing economy and military strength it is only a matter of time before it becomes a hegemonic power. Although it denies attempting to do so, its actions speak louder than its leader’s words. Its military spending is increasing, and it is doing so during times of peace. If a peaceful rise is really its intentions there is little need for a military, or to further build a military.

China’s race to secure oil around the world is no different than any other country, but its large investments show the importance of oil to China’s industrialization. China’s rapid industrialization and growing economy can in a lot of ways be attributed to the United States. The scramble for African oil is largely driven by Western consumerism because oil fuels the industrialization that is necessary for economic growth (Herberg and
Ferguson 2004; Zweig and Jinhai 2005), but China’s demand for oil is due to “Western firms that go to China for its lower production costs” (Zweig 2010:47). There is also a demand for cheap Chinese goods that are sold on global markets, but without demand there would be no market. Thus, without Western nations seeking Chinese goods, China would not have the economic growth that it is experiencing. This economic growth is one of the key reasons it will become the next hegemonic power. As the US economy faces crisis, so does its status because a nation cannot be powerful if its economy is not robust.
CHAPTER 8: CONCLUSION

A need for resources is dictating China’s foreign policy. Through access to and monopolization of the global energy system China will be able to further its industrialization that is contributing to its economic growth. It is currently the second largest fossil fuel consumer, and it is also the second largest economy. As it attempts to surpass the US as the largest economy, its consumption is projected to rise as much as 144 percent between 2004 and 2030 (Klare 2008). Its growing GDP alongside its growing military will likely make it rise as the next hegemonic power, but not without consequences.

China’s growing consumption can have negative effects. As peak oil is likely to come sooner than expected due to growing economies in former Third World countries such as China it affects the environment, it impacts on the issue of justice as well as geopolitical relations. Burning fossil fuels is known to deplete the ozone layer and cause pollution that contributes to global warming, and drilling for oil offshore has shown to be dangerous to the ecosystem, as we have seen with the BP oil spill in April 2010.

Also, China’s business tactics in resource rich nations such as Sudan, Angola, and Nigeria have ignored issues of justice in these areas. These nations are considered rogue entities by the global community, and without the constraints and human ties conditions applied to loans their authoritarian governments can continue to oppress its people. Without China, these nations would be forced to comply with conditions that require
respect for democracy and human rights. The UN definition of human rights is directly opposed to China’s definition of human rights that only stipulate that the basic rights are survival and economic growth. This ideal of human rights benefits the elite of these nations with complete disregard for the masses. It is shown by the stark disparity between the rich and poor in the Niger Delta. The disregard of human rights in oil-rich African nations needs to be brought to light. On the other hand, China’s accusations of being criticized for neglecting human rights as a strategic political motivation by the US to slow its economic growth has some validation. This can further exacerbate geopolitical relations between China and the US.

As the two nations compete for scarce resources vital to economic growth, they also compete for hegemonic status. This will be the end of a unipolar American moment, but will be the start of a multipolar world. The US may not completely lose its status, but it will have to share it. If unwilling to do so there may be growing tension between the two nations that can easily result in violence.

China maintains that it is not seeking hegemony in order to appease the US as well as the rest of the world. But scholars argue that Chinese leaders emphasizing a “Peaceful Rise” is a strategic way in which it is able to create a positive global climate that will allow it to rise. By saying no to hegemony it is able to gain cooperation from nations opposed to Western hegemony. Still, its GDP continues to grow and China actively, undervalues its renminbi. More importantly it is building up its military. As long as it is able to use its political influence to gain access to resource, it will not have to
use its military. When this no longer works it will use military power to take what it wants.

Before resource wars break out we must find alternatives to oil. The only way to lessen the importance of oil, and thus our dependency on the resource is to expand renewable energy. Now is the time to reinvest in technology and expand our use of renewable energy sources in order to limit our consumption of fossil fuels. Our only other option is to regress, and live more modestly as people did before the world consumed 75 million barrels of oil per day. This is the only way we can save the environment, and maintain peaceful relations between nations.
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