China’s Growing Interests in the Persian Gulf

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As China’s economy grows and it imports increasing amounts of oil and gas, its interests in the Persian Gulf will also grow. Already China supports the easing of sanctions against Iraq and sells cruise missiles to Iran that jeopardize U.S. forces. Over time, China may also have a greater incentive to develop a “blue-water” navy to protect its Gulf interests. At the same time, changing energy consumption patterns will not only increase China’s dependence on the Gulf but also decrease the West’s. Because of new oil discoveries in West Africa and cheap transportation costs from the Western Hemisphere, the United States’s share of imports from the Middle East, presently down to 25 percent, will continue to decline. Similarly, Europe will import nearly all its energy from the North Sea, Russia, and Africa. Asia, and particularly China, will be the key factor in the Gulf oil market.

Some have also argued that economic interest may combine with geopolitical cultural rivalry to result in an alliance between China and the Islamic world. In his article “The Clash of Civilizations,” Samuel Huntington argues that cooperation between the two regions will grow: “With the end of the Cold War, international politics moves out of its Western phase, and its center-piece becomes the interaction between the West and non-Western civilizations... Those countries that for reasons of culture and power do not wish to, or cannot, join the West compete with the West... by cooperating with other non-Western countries. The most prominent form of this cooperation is the Confucian-Islamic connection.
that has emerged to challenge Western interests, values, and power." The challenge for the United States, therefore, will be not only to maintain its commitments in the Gulf, but to minimize those differences with China that pertain to the region and emphasize common Middle East interests that exist between China, the United States and Gulf moderates, as opposed to China and the radical states.

**Growing Dependency on the Gulf’s Energy Exports**

No one disputes that China’s dependence on Gulf energy imports will increase dramatically during the coming decades, thereby strengthening its ties to the region. Today China imports about 1 million barrels per day (m/b/d) from Asia and the Gulf and produces about 3.25 m/b/d. Over the next twenty years, however, China’s energy consumption will probably double, while its own oil production will remain essentially flat. Thus, China’s oil imports will probably have to increase from today’s 1 m/b/d to as much as 6–9 m/b/d, thereby making it the second largest oil importer in the world after the United States.

Most of the imports will have to come from the Middle East. Resource-poor Asia offers few prospects for relief; China’s current modest level of oil imports from Indonesia and Vietnam will probably decline or end, due to resource depletion. Nor does there appear to be much oil elsewhere in Asia, including under the Spratly Islands. Thus, according to U.S. Government and industry sources, if current trends continue, China will have to import about 80–90 percent of its crude oil from the Middle East and mainly from the Gulf.

China will also have to import more natural gas from the Middle East if it raises its consumption from 2 percent to 10 percent, as its government currently plans. United States industry believes that China will be able to increase its do-

**Table 1. Chinese Oil Consumption**
Reference Case, 1990–2020, in Million Barrels per Day

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil Consumption</th>
<th>Average Annual Percent Change, 1996-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>History</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>2.3</td>
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<tr>
<td>1995</td>
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<td></td>
</tr>
<tr>
<td>1996</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Projections</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>6.4</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>8.1</td>
<td>3.8</td>
</tr>
<tr>
<td>2020</td>
<td>8.8</td>
<td></td>
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</tbody>
</table>

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Domestic natural gas production, from about twenty billion cubic meters (bcm) to about one hundred bcm. Nonetheless, China would still probably have to import about sixty bcm annually.4

Increased Military Capabilities 5

China's growing economic dependency might not be a major problem in itself—except that it may coincide with advances in military capabilities, which over time could change the balance of military forces in the Gulf. China will develop or purchase increasingly sophisticated intelligence and missiles over the next several decades, which it will be able to use itself or sell to Iran or Iraq. China is already developing a new generation of photoreconnaissance satellites, the FSW-3 series, which will provide one-meter resolution; the Chinese National Remote Sensing Center already can purchase militarily useful imagery from U.S. LANDSAT, French SPOT, Israeli EROS, and Russian remote-sensing satellites.6 Moreover, accuracy of Chinese missiles will improve up to 70 percent because of the integration of global positioning system (GPS) receivers into their inertial guidance systems.7 China has also already purchased modern surface ships and aircraft from Russia that are armed with cruise missiles.8 Thus, the diffusion of advanced technology could eventually result in a tense, even claustrophobic operating environment for U.S. surface ships and large military bases in the Gulf.

Moderate Middle East Forces and China

Diversified Energy Supplies

Fortunately, there are countervailing factors that will weigh against a more radical orientation for China in the Middle East. While China will become a major importer of energy from the Middle East over the next twenty years, its energy import patterns will not necessarily make it heavily dependent on radical states. China currently imports most of its Middle East oil from Yemen and Oman because their sweet crude oil can be more easily processed by China's oil refineries, as opposed to the sour crude of other countries in the Middle East. Increased Middle East oil imports will probably come from Iraq and the moderate United Arab Emirates; they probably will not come from Iran, whose oil production will probably rise only modestly—assuming that Iran breaks its taboo against foreign firms operating on its territory rather than offshore. Overall, Iran and Iraq currently produce about seven m/b/d out of twenty-four m/b/d in Gulf production. Their production is projected to decline to about 25 percent of the Gulf's oil by 2020, even assuming that Iraqi production is no longer limited by international sanctions, according to the USG's Energy Information Administration.9

As for gas imports, China will not be particularly dependent on Iran, which
### Table 2. World Oil Production Capacity by Region and Country
Reference Case, 1990–2020, in Million Barrels per Day

<table>
<thead>
<tr>
<th>Region/ Country</th>
<th>History (Est.)</th>
<th>Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPEC</strong></td>
<td></td>
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<tr>
<td>Persian Gulf</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iran</td>
<td>3.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Iraq</td>
<td>2.2</td>
<td>1.6</td>
</tr>
<tr>
<td>Kuwait</td>
<td>1.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Qatar</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>8.6</td>
<td>11.4</td>
</tr>
<tr>
<td>U.A.E.</td>
<td>2.5</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Total Persian Gulf</strong></td>
<td>18.7</td>
<td>22.8</td>
</tr>
<tr>
<td><strong>Other OPEC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Algeria</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Libya</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Non-OPEC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>9.7</td>
<td>9.5</td>
</tr>
<tr>
<td>China</td>
<td>2.8</td>
<td>3.2</td>
</tr>
</tbody>
</table>


owns about 15 percent of the world’s gas reserves, or Iraq, which controls 2.4 percent. According to U.S. industry sources, China’s selection in the near future of a liquefied natural gas (LNG) terminal partner will probably determine its near-term LNG sourcing. If it selects Shell to build LNG plants, the source will be Australia’s northwest shelf, which is owned by Shell, along with other companies. Mobil would probably source from Qatar and Arco from Indonesia. Moreover, LNG facilities will probably be limited to southern China, the only part of China with the deep ports required by LNG carriers. Over the longer term, Russia, which owns 40 percent of the world’s reserves, may become its major natural gas source, not the Middle East.  

China will also have to take into account the interests of moderate Gulf states when dealing with Iran and Iraq. When Chinese President Jiang Zemin, for example, visited Saudi Arabia in 1999, Saudi officials reportedly raised the issue of Chinese arm sales to Iran. (Chinese-Saudi trade was about $1.7 billion in 1998 and Chinese-Iranian trade was about $1.2 billion.) When Kuwaiti Deputy Prime Minister Shaykh al-Salem al-Sabah visited Beijing in September 1999, he praised “Chinese agreement in principle to hold in Beijing a week of solidarity for the Kuwaiti detainees” allegedly held by Iraq. Though a cost-free gesture, it shows
that Beijing must balance competing interests. Finally, China would like to increase its export of cheap labor to the Middle East, where it presently has about 20,000 laborers, mainly in the Gulf sheikdoms and Israel. Every work unit of 5,000 Chinese represents a net income to the Chinese of $50 million, a major contribution to their foreign exchange coffers.  

Wariness toward Political Islam

A second major constraint on China's radical option in the Gulf is its own wariness of political Islam. China views the Uighurs, its own Turkic Muslim population of about 18 million in Xinjiang Province, a huge area which constitutes one-sixth of mainland China, as a national security problem. Separatist tendencies there have grown since the retreat of Russian troops from Afghanistan and Central Asia and the subsequent takeover in Afghanistan by the radical Taliban. As a result, Chinese authorities allow the construction of new mosques only to replace existing ones and forbid males under eighteen to attend Koran schools. President Jiang denounced "national separatism" in the province in a major speech in 1998. A classified circular issued in December 1999 by the Ministry of State Security believes the problems will not go away. The circular also ordered security agents to report on attempts to infiltrate China by militants from Iran and the Gulf. Chinese officials regularly raise their concerns about separatist movements operating from foreign territory with their Central Asian and Middle East counterparts.  

The Islamic movement has turned violent. Bombs have targeted Chinese buildings on a number of occasions in Xinjiang. In the first terrorist bombing in Beijing since the Communist takeover, a bomb killed two people and injured eight in 1997. After the blast, an Istanbul-based group called the Eastern Turkestan Freedom Organization, consisting of exiled Uighurs, claimed responsibility for the attack. In the most recent incident, in January 2000, armed Uighurs kidnapped Chinese police officers before being killed by security forces in helicopters, leaving five activists dead.  

Among China's concerns are the activities of Iran, including Tehran's proclivity to offer scholarships in the region without always going through the state-sponsored China Islamic Association. China has also been alienated by Iran's practice of approaching Muslim students individually instead of generally inviting students to apply for scholarships. To be sure, the similar concerns of Russia about Iran have not prevented Moscow from cooperating with it on a range of issues and may even create an incentive to cultivate Tehran up to a point. Yet China is unlikely to establish a close, intimate relationship with Iran. Beijing did agree, for example, to end its nuclear relationship with Iran as part of its agreement in 1998 with Washington to buy U.S. nuclear reactors. (Doubts about Iran's ability to pay for the project and Russia's domination of the Iranian nuclear market may have
also played a role.) While the decision could always be reversed, it does show that there are limits to the Chinese-Iranian relationship, particularly if the United States uses its influence skillfully.14

Relations with Israel
A third factor that could act as a check on China’s ties with Iran and Iraq is its growing relationship with Israel. While Beijing goes through the motions of siding with the Islamic world on UN resolutions condemning Israel, it has developed a significant security relationship with Jerusalem. Since fall 1999, for example, China’s parliamentary speaker Li Peng, Defense Minister Chi Haotian, and President Jiang have paid separate visits to Israel to discuss Israel installing an AWACS radar system and the co-production of the F-10 fighter. Israel has helped China in a wide range of counterterrorism activities, including analyzing explosives used in the Beijing bombing in 1997. China has also asked Israeli experts to help perform research on space medicine for its first manned space launch. Despite these ties, Chinese officials are still somewhat coy when pressed by Israelis about their ties with Iran. But at least the Israeli concerns communicate to Beijing that Jerusalem would probably cut back on its ties if relations got too close to the radical states.15

Policy Recommendations
These countervailing moderate forces provide a basis on which to build a Persian Gulf strategy towards China, in conjunction with friendly Gulf states. Such a policy would emphasize those common interests that do exist and limit those differences that could have an adverse impact in the Gulf. Elements of such a strategy are the following:

Common Interests

I. Energy
Unlike OPEC price hawks, China, the United States, and the Gulf moderates want relatively low energy prices. Saudi Arabia, for example, is most comfortable with energy prices between $20 and $25 a barrel. Department of Energy Secretary Richardson discussed the need for moderate energy prices during his trip to the Gulf in February 2000, but China was presumably not informed of the initiative. In fact, the United States could coordinate its approach with China since they both share a common interest. Similarly, the United States, China, and Gulf moderates could coordinate policy in opposing stringent emissions controls that are being pushed by the European Union in international environmental fora.

II. Middle East Radicalism
Taking advantage of China’s concerns about Islamic radicalism, the United States and China could cooperate on terrorism, including intelligence sharing. This could include cooperation against the fundamentalist Taliban in Afghanistan, home to Bin Laden and perhaps Xinjiang separatists. Significantly, China recently joined the United States in voting for economic sanctions against the Taliban at the U.N., despite its usual opposition to the idea of international sanctions. According to a Chinese spokesperson, “in principle, China does not approve of applying sanctions too readily. At the same time, the Chinese Government has consistently opposed terrorism in any form. Based on this principled stand, the Chinese side actively participated in Security Council consultations over the draft resolution and voted in favor of the resolution.”

Limiting Policy Differences

I. Possible Iran-Taiwan Connection

Today, when U.S. officials object to arms sales to the Middle East, Chinese officials argue that U.S. arms sales to Taiwan are also a form of “proliferation.” It is impossible to know if this is merely a talking point for something that China would be doing anyway for financial and political reasons or whether Middle East arms sales are connected in some fashion to U.S. actions regarding Taiwan. But the theoretical link argues for continuing strong U.S. support for the principle of recognizing China and Taiwan as one unified nation.

II. Pakistan

The United States could also do more to limit policy differences on Pakistan with China and Gulf moderates. Specifically, the United States should end its futile, congressionally imposed sanctions against China and Pakistan for their ballistic missile cooperation. China has concrete geopolitical interests in supporting Pakistan and will not be deterred by the United States’s pursuit of the more general goal of nonproliferation. At the same time, moderate Gulf states see Pakistan as a counterweight to Iran and Iraq, including Saudi Crown Prince Abdullah, who recently visited the Pakistani nuclear facility.

Conclusion

China can be expected to continue its general policy of differentiating itself from the United States in the Gulf on Iraqi sanctions, as does Russia, and to a lesser degree, France. In addition to wanting to keep open ties to a future energy source in Iraq, China sees itself as a great power that needs policy “space” between itself and the United States. Whether this degenerates into a zero-sum game in the Gulf will depend in part on how successful the United States will be in creating, along with Arab moderates, a set of common interests with China, as well as
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limiting policy differences relating to the region. Obviously none of these initiatives will reduce the underlying rivalry that exists between the two powers in East Asia, but they can help to discourage that rivalry from spreading to the Gulf.

Yet, even if the United States and China can minimize their rivalry as it pertains to the Gulf, at some point the United States will no longer have this key region to itself. While there is nothing inevitable about a "clash of civilizations," the fact that China will probably become the Gulf's major energy importer will bring with it an increased involvement. The Persian Gulf will not always be an American lake.¹⁷

Notes

4. From interviews with U.S. industry sources.
15. For information on the Chinese-Israeli relationship, see Yitzhak Shooter's "Israel's Military Transfers to China and Taiwan," Survival (Spring, 1998); Duncan Clark and Robert Johnson's
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17. Interestingly, China has already passed through a radical phase in its Middle East policy. During the 1950s and 1960s, China was a vociferous critic of Israel and provided small arms and moral support to the Palestine Liberation Front. At the same time, China managed to alienate most Arab regimes such as Nasser’s by supporting local Communist parties. The mutual incomprehension was epitomized by an incident in 1956 when Anwar Sadat, then head of the Muslim League, told a visiting Chinese delegation of the Arab admiration for Confucius at a time when his books were being burned in Beijing for being “bourgeois.” Similarly, after the military debacle in 1967, Mao urged the Egyptians to conduct a “people’s war” in the Sinai. Nasser, who no doubt was not in an expansive mood, replied in a terse letter that the Sinai was “a desert and that we cannot conduct a people’s liberation war in Sinai because there are no people there.” See Lilian Harris, China Considers the Middle East (New York: I. B. Tauris and Co., 1993), 93, 121.