

ECONOMIC COLLISION: COMPETITION BETWEEN THE UNITED STATES AND CHINA

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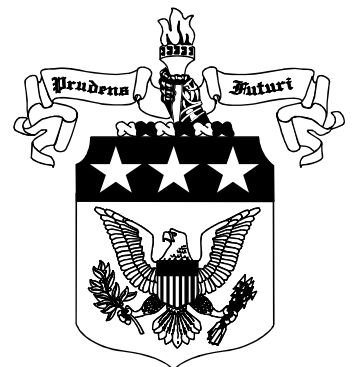
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**ECONOMIC COLLISION: COMPETITION BETWEEN THE UNITED STATES AND
CHINA**

by

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Topic Approved By
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ABSTRACT

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This paper will provide an in-depth examination of the recent economic maneuvers by China to secure necessary natural resource markets in order to ensure continued economic, military, and political ascendancy. Additionally, this thesis will examine the strategic relationships that China is securing in order to expand its international influence and legitimize its position as a global economic power.

After drawing conclusions, this paper will culminate with recommendations on how the U.S. must engage China, ensuring that its rise will not threaten U.S. national security interests.

ECONOMIC COLLISION: COMPETITION BETWEEN THE UNITED STATES AND CHINA

As the People's Republic of China (PRC) continues to rise on the international scene, competition between the United States (U.S.) and China becomes increasingly intense. This is true not only from a traditional military perspective between an existing hegemonic state and an emerging nation, but also from an economic perspective as China strives to become a global economic power. The competition for global recognition has become more obvious recently due to a worldwide economic recession and enormous fluctuations in natural resource commodity pricing over the past twelve months. Given this dynamic, China will progressively seek to develop itself as a global economic competitor to the U.S., and this will become increasingly evident as Beijing strives to secure energy resources and build strategic economic alliances. A proactive approach by the U.S. as China executes this strategy may allow a relatively stable relationship to continue and could potentially benefit not only the U.S., but also the greater international community.

This paper will provide an in-depth examination of the recent economic and diplomatic maneuvers by the PRC to secure necessary natural resource markets, while fulfilling its national interests, in order to ensure continued economic, military, and political ascendancy. After examining the strategic relationships that China is securing to expand its international influence and legitimize its position as a global economic power, this piece will culminate with recommendations on how Washington must engage Beijing, ensuring that its rise will not threaten U.S. national security interests.

Background

China has overwhelmed the world economic scene with an average annual growth of nearly 9.5 percent. With an economy ranked third only behind the U.S. and Germany, China's economic output, if it continues at this pace, could exceed that of the U.S.'s by the year 2030 according to economic analysts.¹ Despite the ongoing global recession, China's GDP growth rate was 9.4 percent in 2008, which is a significantly strong amount, but still less than the 2007 high of 12.6 percent. Although forecasts for 2009 predict further decline due to waning export demands, economists' outlook for the PRC remains optimistic due to its tighter governmental production and consumption controls in comparison to other international economic systems.²

With China's rising economic status comes an increasing demand for natural resources. China became dependent upon international sources of raw materials and energy supplies in 1996, due to its robust trade and industry growth. For example, China is second only to the U.S. as the largest importer of petroleum, a statistic that eluded all analytical predictions and has been the suspected cause of volatile oil pricing over the past twelve months.³ The World Trade Organization's (WTO) annual International Trade Statistics report detailed an 18 percent growth in Chinese fuel imports through 2007.⁴ China's ongoing quest for access to oil and other raw materials, along with establishing a diversified supply chain, is critical for its global economic ascent.⁵

However, China's economic rise, coupled with a proportional quest for resources, is causing anxiety in some domestic and international circles, and the result is competing national interests between the U.S. and China. Historically, rising powers are less of a direct threat to existing global leaders when the competing countries share

historical, cultural and political connections, but the U.S. and China have very little commonality on these three fronts.⁶ Additionally, China's closed, communist society magnifies concerns about its intentions and overall effects on the global economic scene as Beijing continues to break from Mao TseTung's philosophy of societal self-sufficiency.⁷ A China burgeoning as an economic superpower gives Beijing political influence on the international stage, but also enables it to become a potential military threat to the world.⁸ This paper will explore two key areas of probable competition, Energy Resource Access and Strategic Alliance Building, each of which is likely to heighten the contention between the U.S. and China, while China continues its economic ascent.

Energy Resource Competition

Access to Natural Resource Markets

As previously stated, gaining access to natural resource markets is a necessity in order to stimulate the economies of both the U.S. and China. Since becoming resource dependent, China is aggressively seeking new markets for its export driven society. In doing so, it has offered resource rich countries lucrative trade agreements in order to gain access to energy supplies. Much of this access is in developing countries, thus China directs its trade policies toward lowering trade tariff barriers for emergent nations, particularly on oil imports. Many of these emerging states are rich in natural resources making it advantageous for China to build energy infrastructure and secure lucrative mining contracts. Despite the fact that China joined the WTO in 2001, many of Beijing's actions have taken place outside the auspices of WTO practices.⁹

In spite of its emerging nation status, China is investing heavily in other economies, and in a much more progressive manner than other nations of equal status. China's energy strategy is both opportunistic in developing trade relationships to achieve this goal as well as pro-active in investing in overseas natural resource based markets. Having greater currency reserves on hand during the current global economic downturn, the PRC is securing energy deals with cash strapped nations. In the span of the third week of February 2009 alone, China signed energy deals with Russia's struggling state-owned oil companies, Transneft and Rosneft, loaned Brazil \$10 billion in exchange for oil, and renewed existing contracts while simultaneously raising its stake in joint Chinese/Venezuelan energy investment agreements by an additional \$6 billion.¹⁰

In 2007, twenty-five percent of China's oil imports originated from Africa. In particular, exports to Africa included "commercial services", which according to the WTO, encompasses construction and investment in electrical power plants, oil pipelines, housing and various other projects supporting energy infrastructure and development. In an effort to diversify and secure new energy sources, China concentrates its Foreign Direct Investment (FDI) primarily toward the fossil fuel sector. Moreover, Beijing targets its investments regionally, for instance, seeking out countries encompassing the resource rich Commonwealth of Independent States (CIS). Exports from the CIS region to China, mostly in the form of oil and natural gas, increased by 41 percent between 2000 and 2007.¹¹ According to an article in Peoples' Daily Online, the Chinese government promotes a "Go Out" strategy, encouraging "competent enterprises to invest in or run businesses in overseas markets", to include the CIS.¹² In

2005, China National Petroleum Corporation (CNPC) acquired former Canadian oil company, Petro-Kazakhstan, whose primary focus is oil exploration in Kazakhstan.¹³ Chinese FDI, however, may be troublesome in countries that support autocratic regimes, and accordingly this paper will explore China's "no strings attached" investment and infrastructure strategy later in the Strategic Alliance section.¹⁴

Transnational Corporations (TNC) target resource rich countries that are predominately involved in the advancement of exploration activities and infrastructure development. Although U.S. and European Union (EU) TNCs are widespread, firms from developing nations are more frequently finding themselves vying for these lucrative contracts. Chinese TNCs are competing more consistently, but some may argue they are not competing on a level playing field. In 2004, three of the top five Asian companies that secured international energy contracts were state-owned.¹⁵ The Chinese government provides significant subsidies to state-owned oil conglomerates in order to satisfy domestic demand, giving them an economic edge in contractual competition over private sector companies.¹⁶ Chinese state-owned CNPC has purchased assets in Sudan, Iraq and Afghanistan. Likewise, China National Offshore Oil Corporation secured contracts over Unocal in Australia. Private western corporations increasingly complain that it is difficult to compete with state subsidized companies in oil exploration and development projects.¹⁷

China uses an additional tool to incorporate oil-producing states into its energy strategy: integrated packages of aid. According to analysts, China is one of the largest bilateral aid donors in many regions. China offers foreign assistance to nations in the form of loans, debt forgiveness, trade partnerships and investment agreements.¹⁸ This

“trade for aid” relationship, however, is not a new approach, but a traditional incentive also used by the U.S., Japan and EU members to attract trade relationships.¹⁹ China, however, is more selective and offers assistance in the form of loans more frequently directed toward resource rich regions and infrastructure supporting the energy sector, not directly aimed at African nations as a whole. From data supplied through 2006, analysts report that 80 percent of Chinese loans to Africa were a combination of cheap concessional and non-concessional loans directed toward the energy reserve rich countries of Angola, Nigeria, Mozambique, Sudan and Zimbabwe and not equally distributed throughout the continent.²⁰

National Security Interests

Resource competition between the U.S. and China produces national security concerns. Both countries understand the vulnerabilities that come with being a net importer of energy resources, and they view each other as competitors that constitute a potential threat to their energy security.²¹ Consequently, both nations are increasingly placing greater emphasis on securing strategic petroleum reserves and writing national energy policies, but these policies are at best in their infancy stages. China indicates that it will turn to its strategic stockpile to mitigate the potentially damaging effects of increased global commodity pricing on state-owned oil company profits.²² A large supply disruption caused by a natural disaster, crisis scenario, or simply another volatile spike in commodity pricing could exacerbate resource competition between Washington and Beijing.

The potential of an asymmetric attack on commodity markets by China is another area of speculative concern to U.S. national security analysts. The presumption is that

the PRC could potentially cause a systemic economic crisis in the United States through commodity market manipulation. The Asian financial crisis, and more recently the U.S. and global recessions, illustrate how interconnected the international markets have become and how financial crises and panic can spread internationally. Cynics surmise that enormous amounts of capital would be necessary for such a result, and that commodity markets are too large and diverse to be affected.²³ However, market forecasters as well as lawmakers question whether oil prices peaking near one-hundred-fifty dollars per barrel in the summer of 2008 was a result of increased demand from the emerging economies of India and China, or foreign commodity market manipulation.

Washington and Beijing are both apprehensive about the vulnerabilities associated with the transportation of energy resources and open Sea Lanes of Communication. China has several territorial disputes with Japan, the major U.S. ally in the Pacific region. One unresolved issue is the proper demarcation of Exclusive Economic Zones in the East China Sea, where potentially untapped oil and gas reserves exist. Simultaneous development by Japan and China of oil deposits in the East China Sea has the potential to become more contentious during the exploration and extraction process as resources become more costly or scarce.²⁴ Eleven percent of Chinese oil imports from Russia must traverse through the Malacca Strait. Because the strait is a natural chokepoint, many countries, including China much to its discomfort, must rely on a U.S. Naval presence to ensure safe and unobstructed passage. As a result, Beijing is researching alternative overland delivery routes in an effort to become less reliant upon, or less vulnerable to, a relationship with the U.S. military.²⁵ The South

China Sea also holds an important resource-shipping route between East Asia, Southwest Asia and Middle East resource rich suppliers. The resulting anxiety of sovereignty over these waterways is a potential source of contention in U.S.-Chinese relations.

Energy as a Weapon

With both the PRC and the U.S.'s national security interests so heavily dependent on ample access to and diversity of energy resource supplies, the idea of energy as a weapon, both literally and figuratively, is not beyond reason. Since the Cold War, arms sales relationships have adjusted with changing military and political objectives. Consequently, as new economies continue to emerge, economic circumstances are becoming an important objective for engagement in arms agreements.²⁶ China has a history of engaging in arms exports, primarily in the form of updating inventory in older generation small arms and light weaponry to Iran, Libya, Sudan, Burma, North Korea, Pakistan, and Saudi Arabia.²⁷ Many of the trade deals China engages in are not of significant dollar value or mere profit, but instead represent efforts to gain political advantage and secure resource equity. From a diplomatic standpoint, China engages in arms deals to enhance its international political status and to increase its maneuverability to secure natural resources.²⁸ Beijing is so adamant on securing energy deals that it goes against international norms and places its national interests above the greater expectations of global stability and security. Oil deals in exchange for weaponry, military hardware, and weapons equipment technology motivate China's continued arm sales to rogue regimes in Africa. Most unsettling is the PRC's involvement in conflict areas like Sudan. China's arms sales exacerbate and

potentially slow any form of resolution in the ongoing humanitarian crisis in Darfur and is of great concern and focus not only to the United Nations (UN) but also to the greater international community.²⁹

The concern over China's willingness to secure energy deals and be involved with states that sponsor terror organizations, or are hostile to U.S. national interests, is growing as the U.S. prosecutes Overseas Contingency Operations. China's burgeoning energy consumption has pushed Beijing into economic relationships with regimes that are state sponsors of terrorism, a case in point being its relationship with Iran. China maintains close bilateral relations with Iran, despite its outright hostility to the West and Tehran being the target of U.S. and UN sanctions. The Chinese state sponsored oil companies have taken an opportunistic approach by taking advantage of the abovementioned sanctions and have secured oil contracts where a Western void for demand has taken place.³⁰ As Iran's largest oil and gas importer, China's energy deals have totaled over \$120 billion. Yet again defying diplomatic efforts on behalf of the U.S., the UN, and the EU to halt Iran's nuclear program, China, in 2004, signed its largest energy deal with Iran and threatened to block any UN Security Council action against the hostile country.³¹ In another display of defiant behavior, CNPC replaced U.S. Occidental Petroleum in an oil pipeline project within Sudan after the U.S. Congress banned businesses dealing with countries that sponsor terrorism. Although the PRC has taken some steps to discourage genocidal activities in the Darfur region, it has not restrained itself or its state-owned oil companies from investing in and securing energy deals.³²

STRATEGIC ALLIANCE COMPETITION

Tools of Diplomacy

Economic competition between the U.S. and China is not limited to the areas of energy source diversity and security. China's diplomatic objectives and foreign policy initiatives also frequently compete with those of the U.S. to build strategic relationships meant to foster and nurture bilateral associations and economic alliances. While China is expanding its global influence and accelerating its rise, emerging nations are not only taking notice, but also seeking the advantage of China's interconnectedness between diplomatic goals, economic generosity, and a more accommodating foreign policy. All the while, the PRC is reaching its national aspirations of expanding export markets, securing natural resources, and building strategic alliances as it ascends onto the international scene.³³

China is becoming more involved in cooperative forums and bilateral and multilateral agreements in an effort to expand its international outreach and flex its global influence. These relationships regularly promote international economic opportunity, often in areas untapped by Washington diplomats or considered to be politically dangerous or not worth the risk. China has both invested in, and formed alliances with, the Asia-Pacific region through its participation in the Association of Southeast Asian Nations, more commonly referred to by its acronym ASEAN. Through its involvement, China has become one of the largest trading partners and investors in neighboring Asian countries. For example, in 2004 Chinese trade among Asian nations grew over 30%. China has used trade and monetary tools through inter-Asian trade agreements to not only reap rewards economically, but also to further its goal of

isolating Taiwan diplomatically from sovereign recognition throughout the rest of the region.³⁴

At the 2006 China-Arab Cooperation Forum, Arab countries and the PRC committed in excess of \$100 billion, spending earmarked for the next several years, to expand trade volume in the Middle East. From this cooperative forum, noticeably devoid of Western involvement, three central themes emerged from the negotiations: contracting for resource infrastructure, expanding natural resources sectors, and increasing trade partnerships, all goals designed to ensure the continuation of rapid growth for China. In addition, discussions often enhanced China's opportunities for additional cooperation in counterterrorism, security, technology, aid and cultural exchanges.³⁵ Analysts predict that China's involvement in the Middle East will increasingly be in direct competition with the U.S. as Beijing looks to build additional alliances, work cooperatively with Arab nations, and offer an alternative to relations with the U.S. and the West. Beijing's diplomatic labors to build relationships in the Middle East are a component of its economic expansion strategy to not only secure oil contracts, but also establish closer political ties that could later result in forging military alliances.³⁶

Expansion of Influence

The global expansion of Chinese energy investments translates into increased political influence. By literally writing a check for goodwill, China declared 2006 the "Year of Africa" and wrote off over \$1 billion of African debt. As a result, Beijing realized unimpeded access to African energy markets by funding billions of dollars for energy infrastructure projects. These investments further expanded export markets and closer

economic and diplomatic ties with energy-rich African regions. Economic agreements designed to endear African nations could translate into increased global political influence as African states with over 50 votes represent one quarter of the United Nations (UN) General Assembly.³⁷ China's UN participation, for the most part, has been constructive and has resulted in great contributions to UN-sponsored peacekeeping missions, construction projects, and business forums around the globe. However, when past sanctions imposed by the UN Security Council collided with Chinese national interests, specifically economic policies, China failed to give its support, posing a potential detriment to world order. Examples, as previously mentioned, are China's involvement with Sudan and Iran. Another case in point is Beijing's relationship with Tehran, which strengthened when China supported Iran in the face of escalating UN sanctioning over Iran's nuclear weapons programs. Tehran, soon after, commended China by awarding a Chinese oil company, Sinopec, sole rights to develop the Iranian Yadavaran oil fields.³⁸

China's position in the WTO is a continuing object of debate considering the competition between the U.S. and China. From their initial admittance into the international organization late in 2001, China's categorization of being either a "developing" or a "developed" country caused dispute between Washington and Beijing. China fought for categorization as a "developing" country to retain special conditions and exemptions not afforded "developed" countries while the U.S. felt China to be a "developed" nation.³⁹ Since China's entrance, there have been ongoing formalized challenges by other WTO members disputing China's status and subsequent commitments made by China due to its categorization. Existing and new member

countries have leveraged their memberships to lodge complaints over China's myriad abuses with respect to intellectual property rights, trade practices, exchange rates, and environmental exploitation, to name just a few.⁴⁰ Nevertheless, most financial experts agree that China's membership and involvement in the WTO is beneficial not only to their economy, but also to the greater world economy, as China's admittance to the prestigious institution tied the world's largest population into the global economy.⁴¹ Since 2001, according to the most recent WTO International Trade Statistic Report, China has quadrupled its exports and tripled its imports, reaching an overall trade surplus of \$262 billion by 2007. Arguably, China's inclusion in the world economic fold initially brought commodity pricing out of an extended pricing slump as well. Beijing's effort to gain a perceived economic edge may be counter to China's full implementation of WTO commitments. However, leveling the playing field by eliminating unsavory trade and economic actions that distort global markets and implementing China fully into WTO obligations remain goals of the U.S. as it engages China on fiscal policy. In spite of this, most economists agree that the WTO would be a less effective international body without the inclusion of China due to its ranking as the third largest national economy.⁴²

Risks Accepted

In furthering its economic and strategic influence, China has expanded its authority among developed nations, particularly in the West. Beijing has also spread its influence by creating economic dependencies among developing and third world nations. China appears willing to accept risks in order to gain alliances and partnerships while realizing its soft power without strings attached. This resulting direct competition,

and the cultivation of relationships without preconditions, counters the requirements of some Western associations. Beijing is actively marketing itself to the world as an alternative global economic power and potential ally. With the U.S.'s international image dually tarnished as two unpopular wars are raging in Iraq and Afghanistan, and a U.S. recession continues, China is seeking to build relationships where it perceives the existence of weakness in U.S. relations. An articulated pillar in China's diplomatic policy known as the "Five Principles of Peaceful Coexistence" is the standard of non-interference in other countries' domestic affairs. China's risky economic diplomacy, perceived by Beijing to be vital in creating new economic opportunities, is spreading to regions untouched or considered too precarious for U.S. involvement. During the 2008 World Trade Organization's Doha Round negotiations, China was more assertive of its own economic interests, exhibiting little consideration for the WTO's goals of macroeconomic reforms, promoting equity, transparency, government accountability, environmental protection, and human rights throughout the developing world.⁴³

In general, China loathes participating in multilateral efforts that criticize or sanction another nation's egregious behavior.⁴⁴ Consider once again Africa, a region China demonstrates worth investing in despite elevated risks of instability. Beijing involves itself in failed or failing states in order to gain access to natural resources as previously detailed. Chinese "petro-dollars" continue to finance local corrupt regimes, like Omar al-Bashir's in Sudan and Robert Mugabe's in Zimbabwe. These governments historically do not invest resource monies back into strengthening their nation, building good governance or rebuilding necessary infrastructure, but rather prolonging civil war and financing belligerent militia group agendas. Because seven percent of China's oil

imports come from the war torn region of Darfur, the PRC egregiously conveys intentions to veto any U.N. sanctions against the region to protect its oil interests.⁴⁵

By its demonstrated willingness to pay bribes throughout Africa, some may argue that Beijing courts economic partners by providing an alternative to the West with less involvement in internal sovereign affairs. The substitute to U.S. economic involvement is one less morally, conditionally and bureaucratically controlled. Beijing's leadership has openly professed, according to the Council on Foreign Relations, that co-mingling politics, especially progress in human rights and democracy measurements, with economics is a violation of a state's sovereignty.⁴⁶ Many African leaders have shown an affinity for the Chinese way of doing business, particularly in a post 9/11 environment, as African leaders choose to distance themselves from U.S. policies concerning Overseas Contingency Operations formerly referred to as the Global War on Terror. Chinese fiscal and lending decision models base little on open market economic practices but instead prefer authoritarian governmental controls. As a result, the alternatives provided by the PRC's economic influences come with terms that pose impediments to strong economic growth or a reduction in local unemployment rates for the host nation. Local African economies or labor forces have realized few economic benefits from China's investment outside of government pay offs. Many Chinese contracts stipulate terms of employment retaining the services of 70% Chinese immigrant employment over indigenous labor.⁴⁷ African nations do not realize political or social liberalization despite increased economic alliances and opportunities, however exploitative, much in the same way China itself has been able to prevent those domestic areas from reform. Despite critics and warnings, Chinese investment in Africa

reached over \$6 billion, and two-way trade increased five-fold to \$50 billion in the seven years leading up to 2007.⁴⁸

Conclusion

There is no doubt that with China's economic, technological and military ascent comes the potential for a comprehensive global power shift. China's persistence in actively securing natural resources and building strategic alliances is, and will remain, a source of direct economic competition to the U.S. for the near future. In sharing similarities with the U.S. and other energy importing countries, China realizes the continued vital interconnectedness between its economy and natural resource access. As such, their continued access to, and diversity of, their energy sources will remain major national security concerns for Beijing just as they are to Washington. Accordingly, analysts expect that China will seek all opportunities to continue its quest for diversification and expansion of its natural resource sector. The level of intensity and aggressiveness the PRC utilizes to attain these goals is in question, and consequently keeps U.S. national strategists watchful. Whether the PRC's pursuit of a strong economy is ultimately the means to become a global economic powerhouse or to further itself as a superior military superpower remains to be seen, especially when keeping in mind that a nation's economy is the means that allows it to have the necessary resources to supplant or strengthen its military might.⁴⁹

What appears evident is that China's quest for energy security and its forging of economically beneficial, yet risky, strategic alliances will raise concerns about international global order, cooperation, and interstate relations with the U.S. and other Western countries in the near term.⁵⁰ Of greatest concern to the U.S. in this scenario is the potential for the burgeoning competition to escalate or progress into a military

confrontation over resources, or access to them. In addition, China's involvement with rogue regimes in order to further its economic interests directly conflict with U.S. efforts to ensure stability in the international security environment and to establish international norms encouraging acceptable behavior. Dealing with the hot button global issues of terrorism, weapons of mass destruction, and human rights violations poses particular national security concerns.⁵¹

The Chinese leadership not only must consider incorporating aforementioned strategies of continuing China's economic rise into its foreign policy agenda, but they must also regard its domestic priorities and implications as well. As the PRC gains greater economic affluence, the country faces magnified concerns of economic inequality, social issues associated with an aging population, regime survival and political liberalization.⁵² China's economic growth begs the question-- if China continues to become more powerful, how can the U.S. and its allies engage Beijing to ensure that its integration into the international scene is peaceful and beneficial to the prosperity, stability and greater good of the global community. The following offers recommendations on how the U.S. and the West can potentially engage China during its emergence to ensure its respectability while gently directing Beijing to become a responsible international player, and thus lessening the potential for aggressive pursuit of its goals.

Recommendations

This student recommends pro-active engagement with Beijing diplomatically as well as from an international economic partnership perspective. Negative interference by the U.S. with China's trade and industrial success, while they continue to rise, may give the appearance of U.S. aggressive and defensive behavior. Therefore, the U.S.

must view China's emergence as a more powerful global player as a natural result of its economic maturation. Additionally, Washington must capitalize on opportunities to collaborate with China globally and through international, multi-lateral and cooperative forums. This cooperation must focus on areas inside and outside the economic sphere, while at the same time gently persuading Beijing to bear more international responsibility and acknowledge its increased political clout. Beijing's attitude of "non-interference" has softened and can be witnessed in their recent involvement in the Six-Party Talks and the supply of forces to United Nations/African Union peacekeeping missions in Darfur. Capitalizing on these successes is the key to building a positive, less competitive, and less paranoid relationship with China. Furthering common goals through engagement on global issues, such as nuclear disarmament on the Korea Peninsula or the humanitarian crisis in Darfur, are positive starting points that can lead to further discussion on additional security concerns such as the proliferation of Weapons of Mass Destruction, nuclear programs within rogue states, and conventional weapons and military technology sales. The advancement of greater commonality and positive cooperation through economic forums between the U.S. and China has the potential to diminish possible military engagement.⁵³

Under the sponsorship of the WTO, the U.S. in accord with other WTO member nations must encourage China to play a more dynamic role in trade-law administration, implementation and enforcement in order to promote transparency and adherence to international norms in its own practices. As demonstrated during the recent global economic downturn, economies are becoming increasingly interrelated and are similarly affected by disturbances in international financial markets. Because of this greater

global economic interdependence and increased participation in the WTO, China's continued strong economy can positively affect the U.S. economy as well. However, Beijing feels that the WTO's existing conventions, established by the traditional great economic powers, are tailored negatively toward the national interests of developing countries and more favorably to developed countries of the West. For China to be a more active and responsible participant in the organization, the WTO must encourage China's sense of being an economic insider with a voice in global rule making.⁵⁴ Similarly, Beijing's continued regional involvement in ASEAN and the Asia Pacific Economic Cooperation Organization will serve to benefit our allies looking for more regional security and stability with their Chinese neighbor.⁵⁵

On a positive note, which directly relates to energy competition, China has agreed to participate in the Joint Oil Data Initiative, a round-table designed to alleviate uncertainty among oil producers and consumers. China's involvement in this group, to include the G8+3 Energy Ministers, lends itself as an opportunity to encourage greater disclosure from China on its oil demand, production and reserve statistics.

Participation may counter Beijing's paranoia that binding commitments in these types of forums will slow efforts to maintain its continued positive economic trajectory.⁵⁶ Robert Ebel, the chairman of the Energy Program at the Center for Strategic and International Studies, believes that just like competition among private sector industry, competition among states can be positive. U.S. and Chinese national interests align quite similarly regarding the access and diversification of their energy supplies and the expansion of strategic alliances. Energy security for both nations may lie in cooperation and not

competition; exploring joint solutions to an increasingly global problem may diminish competitive leanings and result in greater cooperation between the two governments.⁵⁷

A China that is more economically stable and legitimately involved in the international community is ultimately less of a threat to U.S. national interests and becomes more accountable to their increased global standing.⁵⁸

Endnotes

¹ "Obama's World: Challenges Facing Barack Obama," *The Economist*, November 8, 2008. This article predicts 2030, but other earlier research indicates that China's economy could overtake the U.S. as early as 2025.

² World Bank, *China Quarterly Update 2008* (2008). 2009 estimates a GDP of 7.5 percent for China.

³ "Nation Master ", http://www.nationmaster.com/graph/ene_oil_con-energy-oil-consumption. Oil Consumption comparisons based on 2007 data: #1 United States: 20,680,000 bbl/day; China: 7,578,000 bbl/day.

⁴ World Trade Organization, *International Trade Statistics* (Geneva: World Trade Organization, 2008). http://www.wto.org/english/res_e/statistics_e/its2008_e/its08_toc_e.htm, 37

⁵ Bernard C. Cole, *Oil for the Lamps of China: Beijing's 21st Century Search for Energy* (Honolulu, Hawaii: University Press of the Pacific, 2004), 7-11.

⁶ Dr. Harold Brown, "Managing Change," in *The China Reform Forum*, ed. Rand Corporation (Santa Monica, CA: Rand, 2005), 2.

⁷ Robert Ebel, ed. *China's Energy Future: The Middle Kingdom Sees Its Place in the Sun*, The Center for Strategic and International Studies, Significant Issues Series, vol. 27, No 6 (Washington, DC: CSIS Press, 2005). Taken from the foreword by James Schlesinger.

⁸ Kent H. and Edward L. Hughes Butts, eds. *Economics and National Security: The Case of China* (Carlisle, PA: Center for Strategic Leadership, 2002). Taken from Dr. Clayton Chun's essay, 29.

⁹ Andrew Batson, "Doha's Collapse: The Fallout: China Casts Its Lot with Developing Nations," *The Wall Street Journal*, July 31, 2008.

¹⁰ China Economic Review, 2009. "China, Brazil in Landmark Oil for Loans Deal." February 20, 2009; http://www.chinaeconomicreview.com/dailybriefing/2009_02_20/China_Brazil_in_landmark_oil_for_loans_deal.html; China Economic Review, 2009. "China, Russia Sign \$25 Billion Energy Deal,"

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¹¹World Trade Organization, 37, 40, 135. CIS is a regional organization that includes twelve former Soviet Republics.

¹² http://english.peopledaily.com.cn/200112/28/eng20011228_87601.shtml

¹³United Nations, *World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development* (New York and Geneva: United Nations, 2007).

¹⁴Stephanie Hanson, "China, Africa, and Oil" <http://www.cfr.org/publications/9551> (accessed June 6, 2008).

¹⁵Nations, 6, 11. Two were Chinese.

¹⁶US-China Economic and Security Review Commission, *2008 Report to Congress US-China Economic and Security Review Commission*, Second Session sess., 2008, 194.

¹⁷ James Kyngé, *China Shakes the World* (New York: Houghton Mifflin, 2006), 139, 140, 143.

¹⁸ Congressional Research Service Commission II, *Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World* (Congress, 2008). 33. This report included comparisons between the U.S. and China in Central Asia, Africa, the Middle East and Latin America.

¹⁹Hanson, "*China, Africa and Oil*".

²⁰ Commission II, "*Comparing Global Influence*".

²¹Erica Strecker Downs, *China's Quest for Energy Security* (Santa Monica, CA: RAND, 2000), xi & xii.

²²Ebel. *China's Energy Future*, 18.

²³Felix K. Chang and Jonathan Goldman, "Meddling in the Markets: Foreign Manipulation," *Parameters* XXXVIII, no. 1 (2008), 43-45.

²⁴Commission. "*US and China Economic and Security Review*", 268.

²⁵ *Ibid*, 187.

²⁶ Richard F. Grimmett, *Conventional Arms Transfers to Developing Nations, 1999-2006* 2007. Introduction. Grimmett, through this Congressional Report, provides unclassified, qualitative data on conventional arms transfers to developing nations for the preceding eight calendar years. Transfers in the report are government-to-government Foreign Military Sales Transactions.

²⁷Downs. *China's Quest for Energy*, 49, 50.

²⁸Hanson. *“China, Africa and Oil”*.

²⁹Commission. *“US and China Economic and Security Review”*, 11, 12.

³⁰ Downs. *China’s Quest for Energy*, 17, 18.

³¹Luft Gal, "Fueling the Dragon: China's Race into the Oil Market"
<http://www.iags.org/china.htm>.

³²Commission. *“US and China Economic and Security Review”*. 235. Resolution 1564 threatened Sudan with oil sanctions unless it curbed its support for belligerent militia groups in Darfur.

³³ Commission II. *“Comparing Global Influence”*. Extracted from the introduction.

³⁴ Christopher R. Hill, *U.S. Relations with the People's Republic of China* 2005. Hill is the Secretary for East Asian and Pacific Affairs in the Department of State. This excerpt was extracted from his testimony before the Foreign Relations Committee.

³⁵ Chris Zambelis, and Brandon Gentry, "China through Arab Eyes: American Influence in the Middle East," *Parameters* XXXVIII, no.1 (2008), 62.

³⁶Downs. *China’s Quest for Energy Security*, 47, 48.

³⁷ Peter Brookes, "Into Africa: China's Grab for Influence and Oil," (Las Palmas, Spain: Heritage Foundation, 2007).

³⁸Chang and Goldman. *“Meddling in the Markets.”*, 50, 51.

³⁹ Daniel and Arne De Keijzer Burnstein, *Big Dragon China's Future: What It Means for Business, the Economy and the Global Order* (New York: Simon and Schuster, 1988), 132-133.

⁴⁰ http://www.wto.org/english/thewto_e/countries_e/china_e.htm#top. WTO website contains historical data on disputes filed against China’s trade practices.

⁴¹ Kyngge. *China Shakes the World*, 132-134.

⁴²Burnstein and De Keijzer. *Big Dragon China’s Future*, 141.

⁴³Commission. *“US and China Economic and Security Review”*, 11, 12, 233, 234, 236, 237, 250.

⁴⁴ Commission. *“US and China Economic and Security Review,”* 233, 234.

⁴⁵Gal. *“Fueling the Dragon”*.

⁴⁶Hanson. *“China, Africa and Oil”*.

⁴⁷Brookes. *“Into Africa.”*

⁴⁸Kishore Mahbubani, "Smart Power, Chinese Style," *American Interest*, Volume III, no. 4, March-April 2008.

⁴⁹ Butts, ed., 21, 23. This reference was taken from the article from Dr. Clayton Chun in which he states that the economic instrument of power provides resources that enable not only a nation's military power, but also its political and informational power as well.

⁵⁰ Gal. "*Fueling the Dragon*".

⁵¹Hill. "*U.S. Relations with the People's Republic of China*".

⁵²Ebel. "*China's Energy Future*", 13. In Burnstein's book (p. 138), he cites research by Stanford Graduate School of Business professor, Harry Rowen, who projections of State Capitala incomes levels drive political changes to democracy. Under his predictions, he predicts that China could make the transition from a dictatorship to a democracy by 2015. His research shows that "stable democracy correlates with mean incomes between \$5000 and \$6000 and becomes impregnable at the \$7000 level."

⁵³Commission. "*US and China Economic and Security Review*, 12, 126, 233-235. Peace-keeping missions have been supported in Darfur all the while Chinese state-owned energy companies remain divested in the area.

⁵⁴Burnstein and De Keijzer. *Big Dragon China's Future*, 132-133.

⁵⁵ Hill. "*U.S. Relations with the People's Republic of China*".

⁵⁶Commission. "*US and China Economic and Security Review*", 208, 214.

⁵⁷Ebel. "*China's Energy Future*", 3, 38-39.

⁵⁸ Thomas Rawski, "Economic Influence in China's Relations with the West," *Foreign Policy Research Institute* 13, no. 9 (2008).

