The New York Times
nytimes.com

April 19, 2006

China's Oil Needs Are High on U.S. Agenda

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WASHINGTON, April 18 — The competition for access to oil is emerging high on the agenda for President Hu Jintao's visit to the White House this week. President Bush has called China's growing demand for oil one reason for rising prices, and has warned Beijing against trying to "lock up" global supplies.

With crude oil selling for more than $70 a barrel and American motorists paying $3 a gallon for gasoline, American officials say the subject cannot be avoided at Thursday's meeting in the Oval Office, as it was sidestepped when Mr. Bush visited Beijing last fall.

China's appetite for oil also affects its stance on Iran, where a growing confrontation with the United States over nuclear programs has already unsettled oil markets. China has invested heavily in Iran, and as a permanent member of the Security Council, its position on the question of sanctions is crucial.

Even as Mr. Hu arrived in Seattle on Tuesday, Chinese and American negotiators were debating a proposal for the two presidents to announce a joint study of both nations' energy needs as a way to ward off conflict in coming decades, when China's rapidly expanding need for imported energy to sustain its growth may collide with the needs of the United States, Europe and Japan.

In 2004 China used some 6.5 million barrels of oil a day and overtook Japan as the world's second largest user of petroleum products. The largest, the United States, consumes about 20 million barrels a day.

The administration's focus on China's quest for oil was signaled when it published a revised National Security Strategy last month, approved by Mr. Bush, that contained a pointed new entry about China.

That country's leaders, the document declared, are "expanding trade, but acting as if they can somehow 'lock up' energy supplies around the world or seek to direct markets rather than opening them up, as if they can follow a mercantilism borrowed from a discredited era."

Mercantilism was a post-feudal doctrine of national economic health through protectionism, foreign trade and exports, but administration officials have repeatedly used it to describe China, just as they once used it in the 1980's to describe Japan's approach to global trade.

In the case of China, the term is increasingly employed to paint a picture of a 21st-century version of the Great Game, the 19th-century maneuvering for primacy in Central Asia, in which China's search for oil is merging with its desire for greater influence, from Africa to Latin America to the Middle East.

"They are buying long-term supplies wherever they find them, including in unsavory places like Sudan, Iran and Burma, where we won't buy," said Michael J. Green, a Georgetown University professor who directed policy on China at the National Security Council until late last year. "They say it is benign, because they don't interfere with the internal affairs of other nations. And we say it is anything but benign, because it finances these regimes' bad behavior."

The public discussion began in September, when the deputy secretary of state, Robert B. Zoellick, urged China to become a "responsible stakeholder" on the world stage. He suggested that China should rethink a policy of buying oil from the Burmese or the Sudanese simply because it could. "China's involvement with troublesome states indicates at best a blindness to consequences, and at worst something more ominous," Mr. Zoellick said at the time.

Nonetheless, Chinese officials said they liked much of his commentary because it suggested an equality between China as a rising power and the United States as an established one. So far, however, the officials have not responded to the administration's call to rethink their policy.

In an interview on Tuesday, Mr. Zoellick said that he did not mean to suggest that China was deliberately trying to funnel oil from world markets, but rather that its vast energy bureaucracy was racing along that path in response to commands to keep the economy growing.

During the visit of Mr. Hu, he said, "we are seeking to steer them from a narrow perspective to a recognition that together we need to expand sources of supply, including non-oil and gas, and increase efficiency."

The issue is likely to come to a particular head over Iran. Sinopec, China's state-owned oil giant, signed a $70 billion deal with the Iranians in November 2004 to develop the Yadavaran oil field. The United States Department of Energy believes the field could "eventually produce 300,000 barrels a day."

China's interest in keeping that investment healthy, officials say, is one reason it has refused to support sanctions against Iran for defying the Security Council over the country's enrichment of uranium.

A senior administration official, briefing reporters at the White House on Monday on the condition that he not be identified, said, "I think the Chinese have come around to a point of realizing that we need to stand firm on the issue of the Iranian nuclear program."

But two other officials expressed doubts, saying China's sensitivity about its own oil supplies was one reason President Bush had rejected any sanctions against Iran that would be aimed at its oil sector. "Getting the Chinese to come around on Iran," said one of the officials, who has been preparing for the meeting of the two leaders, "is going to be the great test of whether we're getting through on these issues."

Outside experts warn that the competition can be overblown.

"I sense that there is a diversity of views on this among the Chinese I speak to, and there are some who are questioning this mercantilist policy," said Elizabeth C. Economy, of the Council on Foreign Relations, and the author of "The River Runs Black," a study of the environmental impact of China's growth.

"If China has a prayer of continuing to grow at this rate, they have to move to far more efficient ways of using energy," she said, making a point that President Bush has made repeatedly in recent weeks.

Bates Gill, a China scholar at the Center for Strategic and International Studies here, warned recently that the United States had "thus far tended to over-exaggerate this issue of energy in our ever desperate search to find yet another major competitor with which to pick a fight."

With huge coal reserves, China imports only about 12 percent of its energy, Mr. Gill noted. It is rapidly expanding its use of nuclear power, though most experts believe it cannot meet its goals for the construction of new plants.

Mr. Bush's aides counter, however, that the growth in the Chinese automobile market is causing a surge in oil imports; the Energy Department estimates that China's demand will more than double, to 14.2 million barrels a day, by 2025. More than two-thirds of that will be imported, the department estimated last year. The United States currently imports about 60 percent of its daily 20 million barrels. Such figures led the White House to order a study last year of the potential political effects of that rise in demand.

Mr. Green, who left the National Security Council in December, recalled a visit from a senior Chinese official who tried to explain that China was only seeking business deals, and was not trying to influence countries where it was doing business.

"He used the example of Sudan and he said, 'Look, you know, we don't care about internal issues like genocide, we only care about the oil because we need the resources.' "

"And I said, 'Well look, that's mercantilism.' And the Chinese translator had trouble translating "mercantilism" and they had a big debate about it, and we figured it out. And then they had a big debate about whether I meant that as a good thing or a bad thing."