The Quest for Middle East Oil: The United States Versus China Scenario
By Mamdouh G. Salameh*

As we approach the twenty-first century, two very powerful geopolitical factors will decisively determine whether the quest for Middle East oil (mainly Gulf oil) could enhance global oil security and, therefore, usher in a period of growth and interdependence in the global economy or could lead to the collapse of the new political order in the Gulf and also instability and conflict in the Asia-Pacific region. The two factors are the United States' growing dependence on Gulf oil and China's growing thirst for oil and the increasingly likely Chinese dependence on oil from the region.1

So a new United States-versus-China scenario begins to emerge which links global oil security to oil geopolitics in the Gulf and the Asia-Pacific regions. The question is, can these two issues be reconciled.

With the end of the Cold War, the Gulf region has become more important for the United States' national interests. Not only does the region contain 65 percent of the world's proven crude oil reserves, but there is also a growing global and U.S. dependence on Gulf oil. In 1995, more than 35 percent of the industrialized world's oil was supplied by the Gulf. And should current trends hold, the world's dependence on Gulf oil will increase with Gulf producers accounting for a projected 40 percent of the world's oil needs in 2000 and 48 percent in 2010.

Vitrects in both the Cold War and the Gulf War have helped the United States and its allies gain a substantial degree of oil security. There is very little prospect that Gulf oil will be withheld from international markets in the near future.2

United States Growing Dependence on Gulf Oil

The United States is the biggest consumer of oil in the world accounting for 26 percent of current world production, or nearly 18 million barrels a day (mbd), while itself producing only about 12 percent, or 8.36 mbd.3

In 1995, the United States imported 55 percent of its oil needs, or 10 mbd, more than half of which came from the Gulf. By 2000, the United States could be importing 66 percent of its oil needs, or 12.95 mbd, three-quarters of which will also come from the Gulf (see Table 1).

Table 1
United States Crude Oil Imports, 1985-2000 (mbd)

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption</th>
<th>Production</th>
<th>Total Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>10.58</td>
<td>8.92</td>
<td>4.59</td>
</tr>
<tr>
<td>1990</td>
<td>10.85</td>
<td>9.08</td>
<td>4.30</td>
</tr>
<tr>
<td>1995</td>
<td>10.93</td>
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Source: BP Statistical Review of World Energy, June 1996; IEA; U.S. Information Administration (EIA); Author's calculations.

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1 See footnotes at end of text.
Tying China into the International System and composed of at possibly through passing nuclear technology to countries like Iran. So a strategy of “positive conditionality” geared towards two nations (the other is Russia) with the greatest potential either for working with the United States to control nuclear proliferation or for undermining the nuclear control regime possibly through passing nuclear technology to countries like Iran. The United States will have to accord a higher priority to the nation most likely to present a challenge in the Asia-Pacific region, namely China. The United States has a special source of hard currency but also in exchange for oil.

China has for years been supplying arms to the Gulf countries especially Iran and Iraq not only as source of hard currency but also in exchange for oil. However, at a time when the United States is trying to prevent both Iran and Iraq from rearming, any attempt by China to sell sophisticated weapons systems to Iran and assist it in acquiring nuclear and missile technology, will incure the wrath of the United States and would prompt it to orchestrate an embargo on oil supplies to China by the Gulf producers and possibly take a preemptive action against Iran’s nuclear installations. The United States has a special

One thing, however, is certain. China will be as robust as the United States in defending its access to oil supplies. Furthermore, China may not shy away from the use of force to defend its rights of access. However, to satisfy its needs, China may look to the Middle East, southeast Asia or Siberia. It could trade arms for oil with the Middle East or could use arms to secure oil from southeast Asia, especially from the South China Sea.

It is this growing thirst for oil which is behind China’s assertion of its sovereignty over the Spratly Islands and other specks in the South China Sea. The Spratly’s which are claimed in whole or in part by China, Vietnam, Taiwan, Malaysia, the Philippines and Brunei, lie atop substantial undersea oil and gas resources estimated by some accounts at 7-130 billion barrels. However, oil wealth beneath the South China Sea is fueling an explosive arms race in southeast Asia. So the threat of conflict is real. This raises the question as to whether China will risk upsetting its southeast Asian neighbors over the South China Sea when it is trying to attract investment and secure markets. The answer to that question will be determined by the power structure in post-Deng China and also by China’s need for foreign investment and technology.

This leaves the Gulf as the other major source of oil supplies for China. China has for years been supplying arms to the Gulf countries especially Iran and Iraq not only as source of hard currency but also in exchange for oil. However, at a time when the United States is trying to prevent both Iran and Iraq from rearming, any attempt by China to sell sophisticated weapons systems to Iran and assist it in acquiring nuclear and missile technology, will incur the wrath of the United States and would prompt it to orchestrate an embargo on oil supplies to China by the Gulf producers and possibly take a preemptive action against Iran’s nuclear installations.

Tying China into the International System

The United States will have to accord a higher priority to the nation most likely to present a challenge in the Asia-Pacific region, namely China. The United States has a special interest in improving relations with China. China is one of two nations (the other is Russia) with the greatest potential either for working with the United States to control nuclear proliferation or for undermining the nuclear control regime possibly through passing nuclear technology to countries like Iran. So a strategy of “positive conditionality” geared towards tying China into the international system and composed of at least some of the following features, begins to emerge:

1. China could have access to Gulf oil supplies provided it refrains from transferring nuclear and missile technology to countries like Iran.
2. China is offered high technology from the developed world in exchange for not passing its own nuclear technology to countries like Iran.
3. Provision of foreign technology and investment to China’s oil sector will be conditional on its agreement to a peaceful settlement of the territorial disputes in the Spratly Islands and a joint exploitation of the resources in the area.

Conclusions

If China responds positively to the strategy of “positive conditionality,” then global oil security (based on Gulf oil supplies) would be enhanced, the new political order in the Gulf strengthened and stability in the Asia-Pacific region assured. However, there is a remote but disturbing possibility that a post-Deng China may decide to reject this strategy in an attempt to assert its growing weight and independence in foreign affairs. China may then go on to actively pursue its policy of achieving sovereignty over the South China Sea and may also decide to continue its policy of arms for oil with Iran. And should the United States and its allies respond by blocking Gulf oil supplies to China, the Chinese might retaliate by going as far as to assist Iran in acquiring nuclear and missile technology, thus leading to a direct armed conflict between the United States and Iran and the possible mining of the Straits of Hormuz by Iran. In such a dire situation, oil shipments through the Straits of Hormuz could be threatened and global oil security and the new political order in the Gulf would be undermined leading to skyrocketing oil prices reminiscent of the late 1970s.

Footnotes

2 Ibid., p. 96.
11 Segal, “Tying China Into The International System”, pp. 70-73.