CHAPTER I
INTRODUCTION

1.1. Background

Within the realm of International Relations (IR) non-traditional issues such as humanitarian issues, environmental issues, cultural issues, terrorism, transnational crimes, demographic issues, and energy security have growing significance among many nations. Energy security, in particular, has now become a crucial element in the discourse of national security and ultimately international security. Dwindling energy reserves, high and volatile global oil prices, domestic and international conflicts that result from fights over highly valued natural resources – especially energy resources – are some indicators signaling the importance of energy security nowadays. Despite each state’s sovereignty, in a world of intertwined economies and governance, a single interruption towards a state’s energy supply would possibly impaired the nation’s economic stability, political stability, and the wellbeing of its citizens.

Ever since the world societies enjoyed having electricity and machineries, they have been pretty much dependent on the most part on energy driven machines and services. Various different parts of the societies from private households to the business sectors and even public authorities and governmental

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agencies are in serious need of energy to be able to function properly. This paper will provide a description on China’s energy security situation as well as the country’s strategies to cope with such situation, sustain its growth, and maintain its position within the international system.

Under Deng Xiaoping leadership China experienced momentous economic reform in the late 1970s, having transformed its economy from a closed centralized system into a more open and market oriented. Ever since, China has become one of the largest exporter and important trade partners among the world’s biggest and most important economies such as the United States, European Union, Japan, and many other countries. China hence continues to experience steady and rapid developments in, not only its economy, but also in many other sectors. In the past decade, predominantly supported by its economic achievements as well as its massive population China’s role among the international community became pivotal in tackling numerous different international issues and agendas such as environmental degradation, world’s food supply, world’s energy supply, the spread of infectious disease, disaster reliefs, only to name some of them.

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It is beyond doubt that China has experienced significant growth rate as a result of its open policy. As the country became more capitalistic in terms of its economy, it continues to maintain its growth sensation, thanks to heavy investments and exports. For instance, looking at the statistics of the last couple of years China’s growth rate in terms of its GDP from the year of 2006 until 2009 are 12.7% (2006), 14.2% (2007), 9.6% (2008), 9.1% (2009).\(^5\) Remembering that the world was struck by a global financial recession in late 2008, initiated by the collapse of the United States (US) financial market, China’s economy remained strong despite certain obstructions. Therefore, seeing China’s current condition numerous experts and policy makers around the world continuously debated on how China with such powers, capacity, and potentials will continue to grow and may possibly become one of the world’s superpower. China is indeed an important player to be recognized and considered.

Such remarkable growth figures thus were the result of high economic activities and these activities needs fueling. China as one of the world’s center of manufacturing processes is in need of energy sources that are sufficient, reliable, and economic enough to fuel its factories and its economic activities in general.\(^6\) As population and these economic activities continue to grow, it is apparent that China’s energy consumption will continue to increase. According to the data published by a renowned British oil company, British Petroleum (BP), China’s

primary energy consumption gradually continue to increase in a year-by-year basis and finally in the year of 2009, it is almost equal to those of the US consumption. According to the International Energy Agency (IEA), China’s energy consumption even overtook the US in 2009.

Such consumption pattern is not a problem when China and the world could continue to supply and satisfies such demands. However, the world energy market is currently starting to face dwindling supplies in various non-renewable energy sources such as what constitutes fossil fuels; coal, oil, and natural gas. At the same time, the IEA in its World Energy Outlook 2010 had projected that emerging countries such as China and India will “drive global demand higher”. Seeing such trend where demands will likely to go higher at a quicker rate than those of the world’s production capacity, China and possibly the rest of the world might be facing a number of problems in terms of maintaining energy security both in domestic and global scale.

The foreseeable problem is not merely on maintaining the level of energy supply to meet global demands. In recent years, due to global environmental changes (especially global warming), there are mounting pressures not only for China to reduce its fuel consumption but also to use more environmentally

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friendly energy sources to fuel its economy. In 2009 alone, China uses 1537.4 million tonnes of oil equivalent of coal from its total fuel consumption of 2177 million tonnes of oil equivalent.\textsuperscript{10} Greenpeace pronounce that coal is the dirtiest type of fossil fuels, releasing numerous kinds of pollutants to the environment; in comparison to oil and natural gas.\textsuperscript{11} This condition puts additional pressure for China to develop and utilize fuels that are sustainable and safe for the environment.\textsuperscript{12} In addition, implicitly, this circumstance might be reckoned as another way for China to take on the initiative as an influential leader among the world’s nation.

Recent developments on energy crises experienced by China emphasized the apparent weaknesses in China’s energy sector. Winter storms that hit China in early 2008, the worst in five decades, exacerbate coal shortages, worsen traffic jams, and later caused electricity shortfall and blackouts through 13 of China’s southern provinces.\textsuperscript{13} \textsuperscript{14} Ever since, the soaring international oil and coal prices have become a burden for Chinese petroleum refiners and power producers, resulting in gasoline and power shortages. Many private and state-owned

\textsuperscript{13} “China Aims to Curb Power Shortages” by Shai Oster and David Winning. Published on 24\textsuperscript{th} January 2008 (available at http://www.augmentuslle.com/augmentus_files/Page431.htm). Accessed on 9\textsuperscript{th} September 2011.
\textsuperscript{14} See also “Winter storm chaos grips China”. Published on 29\textsuperscript{th} January 2008 (available at http://www.usatoday.com/weather/storms/winter/2008-01-29-china-snow_N.htm). Accessed on 9\textsuperscript{th} September 2011.
enterprises thus experienced heavy losses due to this circumstance. In addition, in the first quarter of 2008, each of China’s “Big Five” major power generation groups experienced huge losses due to rising coal prices and transportation costs. Correspondingly, Chinese national oil companies also experienced heavy losses despite government subsidies and tax refunds on crude imports. In the same period, Sinopec’s profit, China's largest refiner company, fell by 69%.16

In light of these conditions, China may be said to be in a critical position. Domestically, China must be able established a properly planned economic and energy policies to maintain its economic development whilst taking control of its energy security situation. By energy security it means that China must be able to first maintain a stable energy supply to fuel its economy, given the state of depletion of fossil fuels reserves. Internationally, China has the responsibility to start develop and utilize cleaner and more efficient energy sources. China was already coming late to the international energy market thus it must not be late to develop and be involved in a new market for alternative energy sources.

Based on the brief explanation above, this research is titled “China’s Endeavor to Achieve Energy Security in Order to Sustain Economic Development”.

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1.2. Research Question

The issue of the impacts of energy security on China’s economic development is gaining its importance these days, especially within the last decade where China is experiencing astounding growth figures of 9% average on a year-by-year basis. In recent times, with the declining role of the United States of America within the international system, which has begun since the 2008 financial crisis, China as a rising power is expected, by many, to take on the leadership role and possibly be the next superpower. Some scholars stated that one of the preconditions of becoming a hegemon is to have economic strength. Beyond doubt, China is one of the world strongest economies nowadays. The problem now for China is to question whether they can maintain such level of economic achievement in the forthcoming years.

Energy security, hence, plays an important role exactly in this issue. Energy security is now often portrayed as an important element in determining a state’s domestic and foreign policy. With dwindling supplies of oil and several other non-renewable energy sources, many countries in the world are now becoming very busy in constructing policies in order to secure such energy sources. Not only that they try to secure these energy sources, they also attempt to develop and establish new technologies for renewable energy sources that are more environmentally friendly compare to the current most used energy sources; fossil fuels.

Oil, natural gas, coal, and many other types of energy sources are indeed very crucial in the society’s everyday life. Without such thing, many homes,
businesses, industries, state-owned infrastructures, and possibly the whole economy of a country could not function; considering the heavy use of motors and machineries that needs fueling. Having such strategic function, the issue of energy security thus has its own significance. Hence, questions that appear in this research are: 1. How energy security becomes a potential threat to China’s economic developments? 2. How China tries to maintain and safeguard its energy security and along with that its economic development? 3. What is China’s stance towards multilateral cooperation in tackling its energy security issues?

1.3. Goals and Significance

1.3.1. Goals

There are three goals of this research paper; first is to explain the potential threats related with energy security towards China’s economic development. Second is to provide a description on China’s endeavor in maintaining its energy security and economic developments. Third is to provide a description of China’s interactions and cooperation with other actors within the international system to address its energy security situation.

1.3.2. Significance

This research paper is aimed to provide a better understanding on how energy security, as a non-traditional security issue, can actually harm a nation’s economic condition – which now considered as a crucial element of a state’s
power. Only recently, that numerous issues that are seen as ‘low politics’ within international relations studies such as energy security, environmental degradation, humanitarian crises, terrorism, transnational crimes, human trafficking, and many other issues are now considered as being a non-traditional threat towards a country’s security. In this particular case, the discussion on the importance of energy towards a country’s economic performance, as the precondition of being a powerful state, becomes the focal point. It is of great importance to highlight the significance of energy as a crucial commodity to drive the global economy. In a complex and intertwined world economy, the lack of energy to fuel one country’s economy will lead to a disaster. It is highly expected that this research paper could provide positive contributions on the development of international relations studies.

1.4. Thesis Organization

This thesis is divided into five chapters. Every chapter in this thesis is interconnected and complementing to one another. Chapter one is a brief section, which provides background information regarding the topic. The background is general introduction to what the thesis is all about. Next, the research questions provide the main questions of this thesis. The questions briefly summarizes as well as giving an overview of the main result of this thesis. This chapter also provides the goals and significance along with the thesis organization.
Chapter two describes the theories, concepts, and variables that are discussed in this particular research. This chapter introduces theories, concepts, and variables such as: liberal institutionalism, complex interdependence, power, traditional security and non-traditional security, energy security, and economic development. The intercourse between these theories, concepts, and variables will then builds up to the proposition of this thesis and hence to the hypothesis.

Chapter three discusses the research method used in this thesis. Furthermore, this chapter will describe the several forms of implementation of the method used in this thesis. Such description will include data collection technique and data analysis technique.

Chapter four provides the analysis of the topic in this thesis; the impacts of energy security on China’s economic development. Data analysis will be done and organized based on thematic issues. Moreover, analysis will be conducted on several related numerical statistics, journals, articles, written policy documents, or statements regarding China’s energy security, energy policy, economic policy, and economic development. Such data are analyzed with the purpose to answer the research questions as previously stated.

Chapter five will accordingly state the conclusions resulted from the analysis and suggest possible directions for future research.