



Ramming in the oil fields

By CK Wong 2006.01.21

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Introduction

After China Daily published the article stated China's the respect and non-interference foreign policy. There is another article reported the American's concern on China's oil security policy. It could be the beginning of a more close to surface confrontation between two giants. In this article, let's look at the fear factors from both sides. On the surface, it looks like two giant rams lock horn in the oil field. However, what would be the undercurrent that starts to rise?

Main Issues

There is no way to identify the main issue in international affair. It is like a game of chess, some moves are highly visible while some are traps. Since China's Open Door Policy, it would be understandable that the American would like to reduce the opportunity of another super power of the world. This could be made up by politically allies blocking the extension of China's diplomatic relationship, tariff to confine the economic growth to the American's advantage, pushing the revaluation of RMB to ensure the financing of American's deficit, the technology embargo to slow down Chinese high tech industry growth to compete the American's high tech advantages. China circumventing all these situations one by one slowly on its time table.

Inevitable Collide of Galaxies

Inevitably the uncontrollable growth of China leads the high demand on conventional oil energy. China's traditional coal sourced energy could not meet the requirement of modern machineries. Like the progression of all industrialized country, the source has to be oil before other energy for matures.

Since the oil production peak of American in 1970, American is the world's biggest oil import country. While China still at the very early stage of the oil import, it has become the world's third. In the foreseeable near future, when China becomes moderately modernized, the oil demand will easily be multiple of what American needs today.

China has a much more urgent need to secure the oil supply security.

American's Trump Cards

The American holds the trump cards of US \$ market, the dominated relationship with the western and to some extent the ally in East Asia represented by Japan. The last but not the least is the United Nation in her backyard. The American created the air defense system NORAD but she is also creating the economic defense using cheaper dollar, the control of resources and technology through treaty, tariff and embargo to limiting the growth of emerging China. The inflation threat of US \$ is a real threat to the world. It is also a powerful negotiation tool especially China and Japan hold so much US \$.

Japan gets her award by expanding her presents in the world. It almost positioned as the heir of the world police. The presence promotes the export (tangible good and non-tangible good) and secure resources (such as oil, natural gas and uranium). Japan also plays the role of distraction to China. Her continuous claim on the sea boundary, keep China busy.

American has created a wall around China

Trump Cards for China

The cards that China has are the nucleus technology, wall of money, low cost aerospace, deflation goods, low cost high tech merchandize and low cost civil engineering team. Least but not the last is the U\$200+B T-bill reserve and the continuous acceptance of the American debt. Countries like Iraq and Iran like to be affiliate with China for her nucleus technology. African loves China because she builds road and infrastructure to improve the quality of life free.

Surface Conflict

U.S. Deputy Secretary of State Robert Zoellick pointed out that China befriend with non-US-friendly (NUF) countries such as Iraq, The friendly relationship to NUF countries at the American's backyard stirs up a lot of uneasiness. This creates a circle of wall around the American. Using Mao's word that describes the Communist in the defending war against Japanese and National Party, this is the guerilla warfare. It attacks points held by the American to consume her energy and diverse the attentions. These small attacks will create intangible bargaining chips on the wall and embargo set up by American.

Attack the visible wall by intangible to create the psychology to win; use of war strategy from a two thousand years old *The Art of War* by Sun Tzu[5].

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Afterwards

This article was written on 7th September, 2005 before the Collision of Galaxies with similar materials but concluded differently. Among many things in my life, publishing it was not the highest priority. Most recently, I am reviewing the eggs unhatched and published it. Timing may be a little off but many facts still hold. I hope you enjoy it especially this piece provides some strategic analysis why China back off from the Unical deal.