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Balancing Fuel and Freedom

By Jonathan Broder, CQ Staff

Until this summer, relations between the United States and Uzbekistan could not have been more promising. Among the first countries to join the international coalition President Bush sought to forge after the Sept. 11 terrorist attacks, it granted the U.S. military access to its main air base, which quickly became a strategic Central Asian hub for troops headed toward Afghanistan. And with its oil and natural gas reserves, Uzbekistan presented opportunities for U.S. energy companies seeking new sources of supply.

A Global Oil Rivalry

But over the course of just a few weeks, that relationship turned sour. First, Uzbek police opened fire in May on hundreds of pro-democracy protesters in the town of Andijan. That prompted the White House, with its policy of promoting democracy, to demand an independent international investigation. Uzbekistan's authoritarian president, Islam A. Karimov, rejected the demand and flew to China, where officials not only applauded his crackdown but also wooed him away from the U.S. orbit, handing him $600 million worth of oil deals.

By July, Karimov had joined China in demanding a timetable for the withdrawal of U.S. forces from the region. And by the end of that month, he gave U.S. forces just 180 days to vacate his air base. Outmaneuvered, Bush was forced to comply.

The swift collapse of Washington's strategic relationship with Uzbekistan is an instructive tale about geopolitics at the start of the 21st century. In the competition for influence in oil-rich Central Asia, the United States clearly lost a round to an assertive China, which views the region as its back yard.

For Bush, however, the episode also illustrates the collision of two of his core foreign policy priorities: developing new sources of energy and spreading democracy as a way to defuse the growing power of militant Islam.

The promotion of democracy was a direct outgrowth of the Sept. 11 attacks, and the president justified it for the most practical of reasons. "Democracies do not support terrorists or threaten the world with weapons of mass murder," he said in February 2004.

Since then, however, most of the strategic oil-producing nations of the Middle East and Central Asia that Bush had in mind have largely ignored his calls for more democratic governance, preferring to sell their oil with no political strings attached.

Increasingly, the reason for their defiance is China, whose growing appetite for oil has sent it to the same countries that help fuel the United States, as well as some others, in search of dedicated energy supplies. As in Uzbekistan, Beijing's aggressive — and unconditional — energy deal-making with authoritarian, oil-rich nations has exposed the limits of Bush's pro-democracy crusade.

Many foreign policy experts say the administration's democratization effort is also hobbled from within — by the absence of any accompanying policy to reduce U.S. dependence on foreign oil. The tools of foreign policy are limited in dealing with a question that essentially comes down to a profound domestic thirst for oil. "Don't ask or expect too much from foreign policy," says Richard N. Haass, who served as the head of policy planning at the State Department during Bush's first term, when the democratization policy was developed.

Haass always had his reservations about the democratization effort. The fact that the United States must buy oil from the same authoritarian regimes that it views as a national security threat, he says, exposes Washington to charges of inconsistency in its foreign policy. "At the end of the day, the only way this problem will be reduced will be if we reduce our demand for imported oil," Haass says. "That is the beginning of wisdom on this topic."

ANYTHING GOES: China has invested more than $8 billion in Sudan's oil industry, like this oil rig near Bentiu, above. (NATIONAL GEOGRAPHIC/GETTY IMAGES / RANDY OLSON)

Rep. Frank Pallone Jr., a New Jersey Democrat on the House Energy and Commerce Committee, has accused the Bush administration of a double standard when it comes to the spread of democracy. "Those countries that have significant resources that are sent to Western markets are allowed to be less democratic than those that don't," he says.

Meanwhile, China is taking advantage of tensions between the United States and producing nations not only over human rights and democratic rule, but also the war in Iraq, trade disputes and Washington's perceived arrogance. Beijing has successfully cemented its ties with oil-producing nations by signing several long-term, bilateral energy deals. This has begun to alter the previously fluid global energy market by removing millions of barrels of oil from the supply pool. *(Markets, p. 2385)*

Moreover, China is securing these deals with the kinds of sweeteners that only its state-controlled oil companies can provide. These include billions of dollars in economic and military aid, access to China's markets and diplomatic support at the United Nations, where China wields veto power on the Security Council.

And unlike the United States, China attaches no conditions — such as human rights performance or nuclear non-proliferation commitments — to its energy supply arrangements. In some nations, such as Iran, Sudan, Myanmar and Venezuela, China's energy deals have placed it in direct confrontation with the White House, which has been trying to isolate or censure these regimes to force changes in their human rights or alleged proliferation policies.

Postponement of Talks

Now even India, a rising South Asian power with its own energy needs, is also striking energy deals with Tehran, pointedly flouting Bush administration objections to cozying up to Iran's Islamic regime.

The competition for energy security was to figure prominently in talks scheduled for last week in Washington between Bush and Chinese President Hu Jintao, but the summit was postponed because of Bush's decision to focus on the aftermath of Hurricane Katrina. The significant damage the storm inflicted on the refineries and drilling rigs of the Gulf Coast has made the discussion over the American reliance on imported oil all the more urgent.

Eventually, both former officials and independent experts say, the two leaders will be compelled to address the issue, hopefully through a new set of bilateral arrangements that would help integrate China into the global energy economy.

Eager to maintain the stability that has fed their country's economic growth, Chinese leaders have repeatedly assured the Bush administration that their energy deal-making is strictly commercial, and that Beijing poses no economic or military threat to the United States. For its part, the administration has said little about how it plans to deal with the challenge that China's energy deals pose to the president's global democracy agenda, other than to acknowledge that the challenge exists.

But some foreign policy analysts say the relations that China is now developing around the world have the potential to become enduring political alliances — alliances that could be a counterbalance to U.S. global power in the years ahead. A U.S. intelligence estimate earlier this year forecasted that China's emergence as a major global player by 2020 "will transform the geopolitical landscape with impacts potentially as dramatic as those in the previous two centuries."

Among the possible developments, the assessment concluded, are a new Chinese security sphere in Central and East Asia that excludes the United States and decisions by leaders in these regions to opt for non-democratic rule in favor of more efficient and stable government.

What is becoming clear is that oil and the energy security it provides are becoming the dominant concerns in both U.S. and Chinese foreign policy, with the stakes for each nation's economic prosperity and security as high as anything since Washington and Beijing first began to normalize their relationship a generation ago.

Indeed, the competition for oil in the Middle East and Central Asia hark back to an earlier contest for control of the region by the superpowers of those days. Henry A. Kissinger, the former secretary of State who, with President Richard M. Nixon, engineered detente with communist China, compares today's global struggle for energy resources to the "Great Game," the 19th century fight for supremacy in Central Asia between imperial Britain and Czarist Russia.

"The Great Game is developing again," Kissinger told a Washington audience in June. "The amount of energy is finite . . . and competition for access to energy can become life and death for many societies."

Others draw darker historical analogies. Some say China's appetite for oil, combined with its growing military might, echoes the conditions that brought the United States and Japan into conflict in the 1930s.

Whatever one chooses to call it, foreign policy experts agree that the Sino-American competition for energy supplies could become a dangerous source of tension. Randall G.

Schriver, a former deputy assistant secretary of State for East Asian and Pacific affairs, says that unless it is managed properly, the two nations are headed for confrontation.

It was in the 2004 State of the Union address that Bush unveiled his policy to spread freedom and democratic rule throughout the greater Middle East, which includes Iran, Central Asia and North Africa.

"As long as the Middle East remains a place of tyranny and despair and anger, it will continue to produce men and movements that threaten the safety of America and our friends," he said. "So America is pursuing a forward strategy of freedom in the greater Middle East. We will challenge the enemies of reform, confront the allies of terror, and expect a higher standard from our friends."

Limited Progress

The administration's most prominent democracy-building efforts, of course, have been in Iraq and Afghanistan. But using tools such as the National Endowment for Democracy and new Arabic-language television and radio broadcasts, it has encouraged free elections and the development of free markets across the broader Middle East.

Nearly two years later, results have been mixed.

On the positive side, Egypt, under strong U.S. pressure for political reform, held its first multiparty presidential election last week. And working with France at the United Nations, the administration helped pressure Syria to withdraw its troops from neighboring Lebanon earlier this year, ending 29 years of occupation.

But in Lebanon's parliamentary elections in May, the strongest party to emerge was the Shi'ite fundamentalist Hezbollah, an armed pro-Iranian movement that the administration regards as a terrorist organization. Meanwhile, U.S. officials acknowledge that too much pressure on Syria to democratize could topple the regime of President Bashar al Assad, bringing to power the fundamentalist Muslim Brotherhood.

And in the oil-rich countries of the Middle East, the administration has made little progress at all in its democratization efforts, underscoring the inconsistency of Bush's policy as the administration continues to do business with these authoritarian but strategic countries.

Earlier this year, Saudi Arabia won plaudits from Bush for allowing limited elections to local municipal councils. But the government — and its vast oil wealth — remain firmly in the hands of the Al Saud family, a principal target of al Qaeda.

Authoritarian leaders still run Algeria, which provides the United States with oil. And Libya, whose surrender in 2003 of its unconventional weapons programs paved the way for renewed U.S. investment in its oil industry, is still ruled by its mercurial dictator, Col. Muammar Qaddafi.

Meanwhile, the ruling families of Qatar, the site of a major U.S. air base, and the United Arab Emirates have not responded at all to Bush's call for democratization. Among Persian Gulf oil producers, only Kuwait has taken some strides toward democracy, giving women the

right to vote last year in parliamentary elections. But the government and its oil wells remain the personal property of the country's ruling al-Sabah family.

Administration officials say they do not expect democratic change to come quickly to the Middle East. But the longer such change lags, the more glaring the gap between Bush's democratization rhetoric and U.S. reliance on undemocratic and unstable regimes for oil.

In perhaps the most sharply etched example of this conflict, the United States continues to depend on Middle East producers for nearly one-fourth of its daily consumption of 20 million barrels of oil.

There are other examples of the administration's conflicted policies regarding democracy and energy security.

In May, Energy Secretary Samuel W. Bodman, in Azerbaijan to mark the opening of a new Caspian Sea oil pipeline to the West, praised what he called that country's "democratic and market economic reforms." Azerbaijan is run by strongman Ilham Aliyev, who succeeded his father in 2003 elections that the State Department said were marked by "harassment and violence against opposition and human rights activists."

Only days before Bodman's arrival, Azerbaijani police clubbed pro-democracy demonstrators who defied the government's ban on anti-Aliyev protests.

The administration, in an effort to diversify its sources of oil, also has strengthened diplomatic, military and economic relations with the oil-rich West African countries of Angola, Gabon, Nigeria, the Republic of Congo and Equatorial Guinea, most of which are run by military regimes.

Direct Competition

China, for its part, shows no qualms whatsoever about dealing with authoritarian governments as it competes globally for energy resources. Its state-run oil companies have been able to secure bilateral deals for energy supplies and exploration rights in several West African states, along with Iran, Sudan, Angola and South Africa, using a combination of soft loans, debt relief and development aid that includes Chinese construction of roads, bridges and power stations, according to the Institute for the Analysis of Global Security, a Washington-based energy research organization.

Nowhere has China's energy deal-making run into more direct confrontation with stated U.S. policy priorities than in Sudan and Iran. It has invested more than $8 billion in Sudan's oil industry, which now supplies 7 percent of its oil. Some 4,000 non-uniformed Chinese forces provide physical protection of these resources. A year ago, Beijing diluted a tough U.N. Security Council resolution condemning Sudan's role in the genocidal violence in western Darfur province, thereby blunting U.S. efforts to use the threat of international sanctions against Sudan's oil industry to rein in its human rights abuses.

"Business is business," Zhou Wenzhong, China's then-deputy foreign minister, said at the time. "We try to separate politics from business."

Meanwhile, Beijing has sunk more than $70 billion into Iran's oil and gas industry, which now supplies China with 11 percent of its energy. The administration has tried to discourage investment in Iran's oil sector, on the grounds that such capital could help Tehran develop nuclear weapons. The administration also has threatened to bring Iran before the Security Council for economic sanctions to punish it for its alleged nuclear programs. But among diplomats, the widespread assumption is that China will use its veto power once again to thwart any U.N. move against the Islamic republic.

"Among our tasks now . . . is to ensure that in its search for resources and commodities to gird its economic machinery, China does not underwrite the continuation of regimes that pursue policies seeking to undermine rather than sustain the security and stability of the international community," Christopher Hill, the assistant secretary of State for East Asian and Pacific Affairs, told a Senate Foreign Relations subcommittee in June.

India also appears to have taken a page from China's energy policy playbook in defiance of U.S. foreign policy goals. Despite its efforts to isolate Iran, the Bush administration failed to persuade India to pull out of a $4 billion pipeline project that will carry natural gas from Iran to India through Pakistan.

Now, say energy experts, U.S. efforts have been reduced to trying to limit India's dependence on Iran for energy. That fallback position, they say, was behind Bush's decision in July to share peaceful nuclear power technology with India despite New Delhi's development of nuclear weapons. "We would rather be engaged with India on the nuclear issue than let them get energy from Iran," said Gal Luft, executive director of the Institute for the Analysis of Global Security.

Building a Global Alliance

As the deals with Sudan and Iran indicate, some of the relations that China is developing with oil producers involve far more than money, suggesting that Beijing is also building a global network of political allies that could act as a counterweight to U.S. power.

On the diplomatic front, foreign policy experts note that China is moving to marginalize the United States in Asia. The July communiqué that called on the United States to set a timetable for its withdrawal from Central Asia was the product of the Shanghai Cooperation Organization, a group of nations dominated by China that includes Russia, Kazakhstan, Kyrgystan, Tajikistan and Uzbekistan.

Schriver, the former diplomat who now works as a partner at Armitage International, a Washington-based business consultancy, adds that China is also behind an effort to exclude the United States from a new organization of nations called the East Asian Summit. The group, which will convene in December in Kuala Lumpur, Malaysia, for what is expected to be an annual gathering, includes Brunei, Cambodia, Indonesia, Laos, Myanmar, the Philippines, Singapore, Thailand and Vietnam, along with China, Japan, South Korea, India, New Zealand and Australia. Schriver and others fear that China will use the organization to fashion and dominate a new regional alliance to compete with the United States.

At the same time, China is also pursuing what some analysts call a "string of pearls" strategy: developing military relations with countries, such a Myanmar in South Asia, that give

China naval basing rights along the Straits of Malacca and other strategic Indian Ocean sea lanes. The aim of the strategy, according to a report prepared for the Pentagon by the business consultancy Booz Allen Hamilton, is to replace the United States as the principal guardian of those sea lanes, upon which China depends for its Middle East oil imports.

Some energy experts note that projects such as the Iran-India pipeline and the pipelines that China is funding to carry oil overland from Central Asia make good market sense, because the consumers are relatively proximate to the producers. “That’s the good news,” says Frank A. Verrastro, director of the energy program at the Center for Strategic and International Studies. “The bad news is that it means less leverage for the United States in the new multipolar world.”

China is also capitalizing on Saudi Arabia’s displeasure over U.S. criticism of its lack of democracy and its export of radical Islam. Last year, Saudi Arabia brushed aside bids by U.S. energy companies and awarded China a rare contract to explore for natural gas in the kingdom. Saudi Arabia also agreed to build new refineries in China.

“The Saudis like the Chinese more than they like us,” Luft says. “Because unlike us, the Chinese don’t tell them how to live their lives. There are no strings attached. They don’t get lectured on human rights and how to treat their women and democracy. So the Saudis and all those dictators find the Chinese to be very easy clients. They pay money, you give them the oil, and that’s the end of the story. There are no other issues. It’s much simpler to work with the Chinese.”

Energy analysts add that with the relatively shorter distance between Saudi Arabia and China, market forces also are now at play. “The market is shifting,” Verrastro says. “Producers are going to sell to the easiest and closest customers. If Saudi Arabia and other Gulf states have a short-haul market to Asia, and Asian importers are willing to bid up the price, then the U.S. cannot rely on those supplies.”

Haass, now the president of the Council on Foreign Relations, says the commercial relations China is building with Saudi Arabia and other oil producers are part of a broader policy to build a strategic “hedge” against the United States — just as the United States has done against China with its allies in Asia.

“China is embarking on a hedging strategy of its own,” he says. “They’re basically saying, ‘In the first instance, we’re going to try to work out a decent relationship with the United States, Japan and others. But if that doesn’t work, then we want to have to have an alternative set of partners.’ ”

In Search of Balance

Questions over the growing energy competition are in many ways “the least understood and the most dangerous” in U.S.-Sino relations, Schriver said in July. He added that China may be taking a “zero-sum” approach to the contest, meaning that Beijing could try to use its influence with oil producers to exclude the United States from conducting its own business with them. Such a policy, Schriver warned, is a prescription for confrontation and a “train wreck” in relations. He called the energy competition “more dangerous that our differences over Taiwan.”

Both diplomatic and business officials say the Bush administration did not help the situation with its handling of Beijing's bid this summer to buy Unocal Corp., whose holdings include energy reserves in East Asia. U.S. officials remained silent while China's critics in Congress assailed the bid as a threat to U.S. security. Eventually, China withdrew its offer.

"By rebuffing China, all we do is reinforce the sense among the younger generation there that the Americans are dedicated to keeping China down," Haass said.

To balance the situation, Schriver and other experts have urged the administration to strengthen U.S. ties with Japan and countries in Southeast Asia, bolster U.S. influence in multi-lateral groups such as the Asia-Pacific Economic Cooperation organization, and explore the creation of new Asian organizations to offset the influence of the China-dominated East Asia Summit.

They also propose policies that recognize a range of shared interests between the countries. Schriver proposes bilateral talks about China's involvement in maritime security issues, non-proliferation practices and operations to promote stability in the Middle East — all under the banner of energy security.

Others say U.S. policy should seek to integrate China in the international energy economy. That means supporting China's membership in the International Energy Agency, an international forum where the industrialized nations discuss global energy issues, which would require that organization to give up rules that allow membership only of democratic nations.

"You want your enemies close, and you want them acting like they are part of the international global economy, as opposed to going down the bilateral road, which drives the world energy economy in the wrong direction," says Alan S. Hegburg of the Scowcroft Group, another Washington-based international business consultancy.

He says U.S. policy also should include teaching China more efficient ways to use energy, thereby reducing its needs. He points to the inefficiency of China's electricity grid, which prompts manufacturers there to employ their own generators — requiring still more oil imports — for power.

No such bilateral programs now exist. Furthermore, the United States has a credibility problem when pushing other nations to be more energy efficient, especially after enacting a new energy policy law this summer with only minimal provisions designed to cut consumption.

China is not waiting around while U.S. policy makers decide which approach to take toward Beijing. Late last month, in yet another of its energy-related purchases, it announced that it would buy PetroKhazakstan, a Canadian company with large energy holdings in the Central Asian nation of Kazakhstan.

Erosion Control

The job of the U.S. intelligence community is not only to warn policy makers of imminent security threats, but also to look further down the road to assess future challenges. Last year, the National Intelligence Council, which describes itself as the "center of strategic thinking"

inside the intelligence community, hosted a series of conferences on five continents, summoning hundreds of foreign experts on political, economic, energy, religious and military affairs to provide global forecasts for year 2020. Their views were distilled into a 119-page report, “Mapping the Global Future,” published in December 2004.

The report concluded that in 15 years the United States still will remain “an important shaper of the international order” and probably the most powerful country in the world. But it says U.S. influence will have “eroded” in the face of China’s growing economic and military might.

Just how much of an erosion of influence remains to be seen. It will depend on how well Bush and his successors manage relations with China, and how well they resolve the inconsistencies that plague U.S. foreign and energy policies.

NEW WORLD ORDER: China has emphasized government stability over individual freedoms to win friends in oil producing nations. The refinery above is in Yan’an, considered the holy land of the Chinese revolution. (AFP/GETTY IMAGES / FREDERIC J. BROWN)

Halting that erosion may depend in part on the United States rethinking its focus on promoting the spread of freedom and accepting the fact that some countries don’t want America-style democracy. The glaring contradictions between Bush’s democratization effort and the administration’s oil policy undermine U.S. credibility, making the U.S. model less attractive to other nations. Indeed, the NIC study notes that “present and future leaders are agnostic on the issue of democracy and more interested in developing what they perceive to be the most effective model of governance.”

In the global competition for energy resources, China has placed its bet on the lure of stability over individual freedoms.

“It’s still far to early to say who is winning and who is losing,” Luft says. “We’re only at the beginning of this. It’s a game that will last decades.”

FOR FURTHER READING

Energy policy outlook, p. 2395; China trade, CQ Weekly, p. 712; Chinese military, p. 1126; gas price spike, p. 2285; energy law (PL 109-59), p. 2337.

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