

Shaun Breslin

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Report

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➤ Access: China's Resource Foreign Policy

Shaun Breslin

China's search for resource security has come under close international scrutiny in recent years. This is partly because of the economic impact on other countries – most notably changes in the price and availability of some key resources. But there are also important political dimensions to these debates. For example, supporters of a liberal global order are concerned that China is undermining attempts to pressure authoritarian states to reform. If such states don't like the conditions that accompany aid and economic relations with the West (or more correctly, some in the West), then -if they have things that the Chinese want- they can deal with them instead. They might insist that you don't have political relations with Taiwan, and want guarantees that their investments are safe, but they won't pressure you to liberalise your political or economic systems. And as an added bonus, the repayment terms of Chinese development loans are often cheaper than those offered by places like the World Bank.

But at the same time, there is recognition in a number of developing countries that helping China meet its resource requirements is not always cost-free. Poor employment conditions in some Chinese-owned mines, the tendency to use Chinese workers rather than employ locals, the possibility of becoming dependent on Chinese demand, and the spectre of China buying up large tracts of land, have all generated complaints about Chinese activities in a number of states.

Moreover, there is a political dimension to debates over resource security in China itself. What looks like Chinese power and strength from the outside can look like potential weakness or vulnerability from the inside. With China unable to provide for its own requirements, what would happen to the Chinese economy if obstacles were put in the way of it accessing the resources China (or perhaps more correctly, China's leaders) want and need? So if you scratch the surface of debates over China's resource needs, you find that they are heavily informed by broader and pre-existing security concerns; either international concerns about China's rise, or concerns within China about possible limitations to that rise.

FROM SELF SUFFICIENCY TO GLOBAL ACTOR

Interest in China's global reach in resource sectors is not just a consequence of the extent of this reach, but also the speed at which it has occurred. Although heavily dependent on supplies from the Soviet Union in the initial years of the PRC, for the best part of thirty years China was largely self-sufficient. Indeed, as China emerged from international isolation in the 1970s, it was through exports of energy resources that China slowly rejoined the global economy (in a still rather limited way) and earned foreign currency to meet other developmental goals. It was not until 1993 that China became a net oil importer, and not really since later in the 1990s that Chinese demand began to exert a significant impact on global resource markets.

Part of this emergence as a global player was a result of the way in which China embraced the globalisation of production. As it became the workshop of the world, running large trade surpluses with major markets in the West, China actually ran large deficits with suppliers of resources used to manufacture its exports. So in some respects, while we think of 'China' as demanding and needing resources, this demand is in part at least predicated on the demand of consumers in the West (and elsewhere) for Chinese exports, and derives in part from the decisions of major companies to move their productive capacity to China from elsewhere.

But this demand is also a result of the changing structure of the domestic Chinese economy – of the expansion of industrial production (for domestic as well as international consumption), of massive urbanisation (and the immense transformation of existing urban centres), and infrastructure development that has occurred at times at a bewildering speed. Societal changes have not just increased consumer demand, but also changed it. Indeed, whole new markets and sectors have emerged, such as the private automobile market which was all but non-existent before the turn of the millennium. It's also not unfair to point to inefficient use of resources as being a factor in the increase of imports in some sectors.

Arguably the highest profile and perhaps most significant changes have been felt in global oil markets. This is partly because increased demand from China (and other emerging markets) has resulted in increasing prices for everybody. Those who are sceptical about China's long-term ambitions also point to the way China is investing in and buying up long-term supplies in many places, challenging the assumptions and interests of existing actors about the future. Furthermore, the places that China has turned to in its search for supplies has raised some eyebrows – countries like Sudan, Iran and Venezuela that have not always been seen as forces (or sources) of peace and stability in the liberal global order.

Yet China's resource demand goes much further than just energy. Up until fairly recently, the focus has primarily been on industrial resource sectors – in addition to energy resources, metals, minerals, rubbers, chemical products and so on.

But as the urban population has grown and consumer tastes have changed, China has been unable to maintain its goal of being self sufficient in food resources. Soybean imports have increased rapidly, and have become a major component of China's economic links with Latin America in particular, as well as the United States. Grain imports that are directly eaten (rice and wheat) have also increased, but as Chinese consumers have begun to demand more meat products, imports of grain to feed livestock have increased even more rapidly. Imports of sugar have also rocketed to meet the Chinese consumers' collective sweeter tooth.

GLOBAL ECONOMIC CONSEQUENCES

As already noted, the most striking consequence of the growth of Chinese demand has been in the price of global resources. Popular attention has tended to focus on price rises – and for good reasons (as will be discussed shortly). But prices can go down as well as up, and for some resources like iron ore (for which China is the world's biggest importer) a dip in Chinese demand can have rapid negative impacts not just on producers, but also the major shipping companies that transport resources to China. In other sectors, access to resources (or the lack of it) is equally important as pricing; particularly during periods when China decides to increase its stockpiles of strategic reserves (for example, of copper). Rare earth metals used in electronic industries are a particularly important and rather unique case. Here, China has a near global monopoly on the mining and production of neodymium and dysprosium. By restricting exports in an attempt to lure high quality (and high value added) industries, Chinese government policy has had an impact on the global supply of resources used in the production of a range of commodities from mobile phones and televisions to car batteries and glass products.

While these issues point to problems, the increase in Chinese demand has been a positive force for many. In a number of African states, trade relationships with China have been the catalyst for rapid economic growth over the last decade. As well as either directly buying locally produced resources, and/or

investing in and buying mines, oilfields and land, China has also become a major source of development aid for many African states. This includes loans that help develop national infrastructures (some of which of course enables the efficient export of goods and resources), and loans from the China Development Bank that typically entail partial repayment through resources. As China tried to spend its way through the global economic crisis in 2009, increased demand for resources helped a number of Latin American countries offset the downturn in demand from the USA and Europe and rebound relatively quickly.

And it's not just developing states that have benefitted from Chinese growth. Australian mining sectors have boomed on the back of increased Chinese demand, while China has now become the biggest export market for agricultural produce from the USA. If people, companies and countries are competing with China, producing the same goods and looking for the same resources, then China is often seen as a problem. But if you can supply what China wants and needs, then it's a rather different story.

THE INTERNATIONAL POLITICAL DIMENSION

The West and China's Resource (in)Security

The emergence of any new actor as large as China in global resource markets might be a cause of apprehension and concern. But it's notable that there doesn't seem to be the same level of concern about the growth and rise of India as there is about China. Indeed, the focus on what China is doing often ignores the fact that others are doing it too. It is true that Chinese oil imports have increased, but they are still dwarfed by imports by the United States; the US and the EU remain major investors in Africa; Japan has been a more than willing recipient of Sudanese oil; and South Korea and a number of Gulf States have been actively seeking opportunities to buy land in Africa to guarantee long-term food supplies. Yet the focus is often on China's impact on global prices, on China's economic impact on Africa, on China's irresponsible behaviour during the Darfur crisis, and on Chinese land grabbing.

Perhaps this focus on China in part emerges from a feeling that Chinese actors aren't playing fairly and that China is not conforming to the interests of major Western powers. For example, by talking to and trading with people that are shunned by the West, China is able to take economic advantage of their political isolation. At the same time, by providing an alternative to dealing and trading with Western states and/or the international financial institutions, China is seen to weaken attempts to pressure more authoritarian states to liberalise and reform, and to accept liberal political and economic norms. This is reinforced by China's declared opposition to intervening in the domestic politics of sovereign nation states, and a willingness to oppose proposed interventions at the United Nations. Thus, for example, China's resource requirements are seen as being one reason behind the longevity of the Chavez regime in Venezuela, and a key obstacle to pressuring Iran to change its nuclear policy.

There also seems to be considerable fundamental distrust of China's long-term objectives, based on an apparent assumption that if China gains control of resources then they will be transferred back to China for China's sole use, rather than being sold on into global markets for anybody to buy. The idea, then, is that there is a grand strategy orchestrated by the Chinese state and enacted by giant State Owned Enterprises (SOEs) to corner markets and create monopolies that will be to the detriment of other global actors, and possibly even to the global economy as a whole. So while selling things to China (and buying cheap goods from China) might make sense, allowing China to buy and control long-term supplies of resources is an entirely different matter.

China's leaders sometimes feed this suspicion by using major international events to articulate their goals and objectives in ways that make it look very much as if China has a grand strategy. When it comes to dealing with other developing states, there is also a clear attempt to show China as being very different from other previous great powers – powers that were perceived as arrogant and bullying, and who established unequal economic relationships to benefit themselves at the expense of the colonised developing state. While the primary target of these messages

is the developing states themselves – to reinforce the idea that China will treat them with respect while seeking mutual ‘win-win’ benefits – its perhaps not surprising that the message is not always welcomed in the developed economies that are being criticised. The size and power of China’s SOEs also reinforces this concern. In the wake of the global financial crisis, it seems as if China is one of the few countries that has the financial resources available to turn goals and aspirations into realities through state-sponsored investment and loan activities overseas.

While the search for long-term supplies is real and forms part of an overarching strategy, we need to take care not to see everything as part of an orchestrated state plan. The Chinese state has a strategy and objectives, but so too do Chinese companies. Often their objective is simply to make money – and this includes making money by selling what they produce and/or own to others rather than just shipping it back to China. It is also increasingly common to find Chinese SOEs competing with each other for projects, rather than working together to attain common and shared state goals. Rather than Chinese aid and loan programmes representing a coherent state strategy, they are often initiated by Chinese companies who want to use development finance as a means of expanding their operations (and their profits) within developing countries. And although SOEs remain dominant in large scale projects, smaller local government-owned and private companies are playing an important and increasingly independent role in China’s overseas activities.

The ‘South’ and China’s Resource (in)Security

China’s search for resources has unsurprisingly been met with somewhat less scepticism in most developing states. China is not only an important new market for them, but is also a country that attaches very few political conditions to economic relations. Not recognising Taiwan as an independent political entity is a bottom line (and countries that are prepared to switch economic recognition from Taiwan to the PRC are well rewarded), and not welcoming the Dalai Lama is appreciated. Whilst not a formal condition, supporting China’s position when it comes

to votes on its human rights record is also valued. But China is not going to insist on good governance political reforms, or extensive economic liberalisation and privatisation, before extending development loans or signing commercial contracts. For leaders in some developing states, China’s example of how to promote rapid economic development without simultaneously democratising and diluting the power of state elites has also become a rather attractive ‘model’.

This said, China’s resource engagement of other developing states is not an unquestioned good news story. That Chinese equipment and workers are often used in Chinese projects has led to complaints about the shallow nature of Chinese engagement – countries and companies make money from China, but the broader population does not gain much. Conversely, in some cases where large numbers of locals have been employed – for example, in copper mines in Zambia – there have been complaints about low pay, poor (and illegal) work conditions and a lack of interest from Chinese managers when complaints are made. There has also been hostility towards the Zambian government for not insisting that the law is adhered to. Even when Chinese managers shot striking workers prosecutions conspicuously failed to follow, with the fact that copper mining is the major source of exports and government income in Zambia thought to be no mere coincidence.

Zambia is perhaps the most extreme case – or at least the place where complaints and concerns about Chinese economic activities and influence over domestic politics have been clearest and loudest – but similar issues have also been raised in other African states. In Latin America, the focus seems to be more on the danger of switching previous dependence on the United States and the West for a new dependence on China. This is particularly the case where one or two commodities dominate resource exports to China and there is very little diversity in the export basket.

This concern also seems to be inspired by changes in how China wants to source its resource requirements from the region. Rather than just buying soybeans, for example, Chinese companies have been increasingly seeking to buy land to produce the soybeans on themselves. As already noted, China is far from

the only country actively seeking land overseas to provide for its food security in the long-term. But whomever the potential buyer, selling land seems to generate different sentiments and concerns compared to selling resources – and not just in Latin America.

CHINA'S RESOURCE (IN)SECURITY

One of the reasons that China has been looking to Latin America for soybean supplies is an attempt to diversify its imports away from the United States, in the context of Chinese fears about potential dependence on an unreliable if not downright hostile economic partner. Indeed, if we go back to the mid-1990s when China was first beginning to emerge as a global resource actor, concerns about the nature of the global balance of power was already playing a role in shaping Chinese policy. At that time, there were a number of events that seemed to indicate a concerted attempt to demonise China and prevent it from retaining its 'rightful' place in the world. This included linking China's attempts to join the World Trade Organisation (WTO) to human rights issues, and the only very narrow failure of a vote to condemn China at the United Nations Commission on Human Rights in 1995. It also included the failure of Beijing to win the Olympic Games in the 1993 vote, an outcome that was widely interpreted in China at the time as a clear and deliberate case of political interference by the West.

So China re-emerged on the global economic stage with many Chinese convinced that some in the West were deliberately creating a 'China Threat thesis' to create unease over Chinese objectives and goals. As the need for imported resources increased (as well as the need to maintain access to markets to facilitate export led growth), then a new interest in economic and resource security began to emerge, with a heavy emphasis on perceived insecurity and potential vulnerability. This insecurity was only exacerbated when the 1997 Asian financial crisis briefly threatened to derail China's growth momentum. China's resulting resource diplomacy has subsequently reflected a perceived need to reassure others that China will not disrupt the global order, but is instead a force for peace, stability and common wealth. As imported resources – first energy, then other raw materials

and more recently, food – became increasingly important in attaining domestic development goals, then maintaining a stable international environment in which China could get what it needed became ever more important.

Because part of this message entails establishing that China won't repeat the mistakes and crimes of previous great powers as they expanded their global reach, claims to responsibility that have not always been believed, particularly in the West. And yet the record shows that while China might not always be very quick in responding to international pressure to weaken its links with supposed 'rogue states', China's leaders have responded to negative judgements and shifted their policies. And it clearly irks people in China (and not just the Chinese leadership) that Chinese resource companies continue to be prevented from successfully bidding for commercial deals because they supposedly represent security challenges to the United States and others.

There is also something of a tension between the desire to show Chinese responsibility on one hand, and the importance of reinforcing China's rightful core interests on the other. These core interests include defending China's sovereign territorial integrity, but a key problem here is that the maritime limits of this sovereign territory are not accepted by many of China's regional neighbours, who have conflicting claims. Who owns (or perhaps more correctly, controls) these waters has important implications for resource politics – not just in terms of potential underwater energy supplies but also in terms of controlling key sea-lanes of communication. The rather strident assertion of Chinese territorial claims in recent years thus reveals the Janus-faced way in which the state is promoting China's national identity in search of long-term security. On the one hand, there is the image of a responsible and peaceful China, and on the other, a China that is committed to doing whatever it takes to secure what it believes to be its rightful possessions. These tensions in Chinese policies are partly a reflection of the increased complexity of Chinese politics, with different actors promoting different identities and preferred policies. But the result is that it allows external observers to emphasise the image and idea of China that gives credence to their pre-existing opinions.

CONCLUSION

Concern about resource insecurity has resulted in the establishment of new priorities and objectives for China's international economic interactions, focusing on the search for secure and reliable sources for the long-term. But the existence of an overarching goal does not mean that the state is in control of everything that happens in the supposed name of China. With even large SOEs typically operating with considerable operational autonomy overseas, it becomes very difficult for the state to establish and maintain a preferred identity as a specific type of international actor. As more and more Chinese actors get involved in resource industries on the ground in different countries, this task is likely to get even harder.

Moreover, as China increases its global reach, not least because of the need to secure sustainable supplies of resources for the future, it is increasingly being drawn into debates and conflicts that its leaders would presumably prefer to avoid. China's economic contacts with Sudan, Libya and Iran are three good examples. In the process, maintaining a strict and uncompromising non-interventionist policy appears to be becoming progressively more difficult to maintain.

In combination, these two issues suggest that China is increasingly facing the sort of conflicting pressures, logics and demands that are part and parcel of being a major global economic actor. Perhaps we could even suggest that China is looking more and more like a 'normal' economic power. But this normality is qualified in two ways. First, there is a considerable section of the international community that remains unconvinced – and perhaps can simply never be convinced – about this normality, and continue to see China as an revisionist and predatory state. Second, there is a strand of Chinese rhetoric and policy pertaining to issues of sovereignty that does much to worry people (primarily, but not only, in China's own backyard) about China's long-term pacific intentions.

Increasing domestic industrial efficiency and the further expansion of new sources of energy might alleviate some of the need to look overseas for ever more resources. But it is not going to make the issue go away, and in addition to the search for industrial supplies, it seems likely that the search for food security is going to become ever more urgent in coming years. As this could place still greater focus on the ownership of land, then China's international resource politics might become an even more sensitive issue in a number of countries in the future. Maintaining and promoting the idea of Chinese responsibility could thus become an increasingly important task – but at the same time, an increasingly problematic one. ■