“Going Out”: China’s Pursuit of Natural Resources and Implications for the PRC’s Grand Strategy

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Executive Summary

This essay explores China's intensifying pursuit of natural resources and implications for Beijing's post-Cold War grand strategy.

Main Argument:
- China's post-Cold War grand strategy is characterized by four axioms:
  - “avoid conflict,” primarily with the United States
  - “build comprehensive national power”
  - “advance incrementally” in order to consolidate a position of strength
  - “maintain stability, defend sovereignty, achieve pre-eminence, and pursue parity”
- China faces a growing need to secure natural resources and raw materials, most notably energy and minerals such as iron ore, copper, and aluminum. This need has driven Beijing to expand overseas trade and investment at a rapid pace even in areas where China's presence has traditionally been comparatively limited. The need for resources is accelerating China's emergence as a truly global power.
- China's pursuit of natural resources is affecting the country's grand strategy in various ways. In the short term, the PRC’s increasing dependence on imported resources has reinforced China's inclination to avoid conflict with the United States. At the same time, Beijing's heightened global economic profile and embrace of several dubious supplier regimes have aroused concern in Washington. China's massive market and increasing ability to invest overseas are also providing Beijing new sources of political leverage with which to pursue the country's grand strategic objectives.

Policy Implications:
- Resource security concerns could provide a catalyst for deepening U.S.-PRC cooperation, and this, in turn, might help to hasten China's domestic political liberalization.
- An intensifying competition for global resources and fear of possible supply disruptions and sharp price increases, however, could strengthen the hand of those in China who favor a more aggressive and militant foreign policy—a development that might derail prospects for genuine political reform within China.
Since the start of the 21st century, the People's Republic of China (PRC) has entered a new phase in economic development and in the evolution of the country's role as a fast-rising world power. After over two decades of rapid, sustained growth China's economic engine is now so large and is running at such a high rate of speed that it requires vast and expanding volumes of energy, minerals, and agricultural raw materials to keep it going. Although some of the country's needs can be met from domestic sources, an increasing fraction of what China requires to maintain forward momentum must be brought in from beyond the PRC's borders, either over land from its continental neighbors or by sea from Asia and beyond.

This ravenous appetite for resources is propelling China outward into the world further and faster than most Western (and many Chinese) observers appear to have anticipated. China's explosive growth creates opportunities but also dangers. The increasing pull of the PRC's domestic market provides Chinese strategists possibilities for exerting influence where, until recently, they have had little. China's rapidly growing dependence on imports from ever more far-flung sources, however, also creates potential entanglements and vulnerabilities where none previously existed. In recent years, China's economic needs have expanded far more rapidly than the country's strategic reach. For the moment China lacks the military capabilities that would provide Beijing reasonable assurance of continued access to resources, regardless of circumstance. Thus the nation's political leaders and strategic planners must now navigate a period in which their ability to maintain domestic growth and social stability will be hostage to external events and, perhaps, to the forbearance of those they regard as potential foes.

Rapid growth has put China on the fast track to becoming a global, as compared to a merely regional, power. How China copes with the dangers inherent in this accelerated emergence will not only reveal much about the beliefs and preferences of its leaders, but will also go a long way to determining the future character of relations between China and the world's other major powers.

The purpose of this essay is to examine the possible implications for China's grand strategy of its rapidly growing need for resources. After first sketching the outlines of China's post-Cold War grand strategy, the essay goes on to explore the ways in which China's intensifying pursuit of resources may be simultaneously reinforcing, undercutting, and transforming key aspects of this strategy. A concluding section examines a number of possible pathways through which China's increasingly active resource diplomacy could lead the country toward either conflict or cooperation with other nations and especially the United States.
China’s Grand Strategy

Does Grand Strategy Exist?

“Grand strategy” is a concept originally developed by Western writers during the first half of the twentieth century. The term involves a two-fold expansion of the traditional definition of “strategy,” which had previously been used primarily in a limited, Clausewitzian sense to refer to the application of force to achieve the political objectives of the state during a period of active armed conflict. In the new era of “total warfare,” it was argued, planners and decisionmakers had to consider the mobilization and deployment of a much wider array of instruments, including diplomacy, finance, science, industry, and propaganda, as well as armies, navies, and air forces. Moreover, as the unhappy sequel to World War I made clear, wise strategists needed to be concerned not only with winning wars but with shaping the peace that followed.

These points were summarized after the World War II by the British historian B. H. Liddell Hart: “The role of grand strategy—higher strategy—is to co-ordinate and direct all the resources of a nation, or a band of nations, towards the attainment of the political object of the war—the goal defined by fundamental policy.” According to Liddell Hart “fighting power is but one of the instruments of grand strategy—which should take account of and apply the power of financial pressure, of diplomatic pressure, of commercial pressure, and, not least, of ethical pressure, to weaken the opponent’s will.” Moreover, “while the horizon of strategy is bounded by…war, grand strategy looks beyond the war to the subsequent peace.”

Do modern states actually have grand strategies? Liddell Hart argued that it was precisely the general absence of grand strategic thinking—the fact that “unlike strategy, the realm of grand strategy is for the most part terra incognita—still awaiting exploration, and understanding”—that made the further development of the concept so important. It is not hard to see why the formulation, to say nothing of the implementation, of truly “grand” strategies should be so difficult. The division of labor and bureaucratic rivalries that characterize most modern governments make it very hard for top political leaders (even those that do not face the discipline of democratic elections and oversight by independent legislatures) to coordinate and control action across all the various instruments of national power. Integration turns out to be difficult even in wartime, when governments and nations are usually drawn together

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2 Liddell Hart, Strategy, 322.
by a sense of urgency and shared purpose; integration is even harder during periods of peace when these motivating factors are lacking. For the concept of grand strategy to be meaningful, it must also be assumed that leaders (and, in many cases, successive generations of leaders) are somehow capable of both keeping their eyes fixed on long-range goals, even as they struggle to confront immediate crises and challenges, and resisting the temptation of quick fixes and near-term payoffs.

For all these reasons some scholars, and many of those who have been involved in the actual process of policymaking, regard the concept of grand strategy as little more than an academic abstraction. Yet an examination of the archives of most modern governments would reveal the presence of something that closely resembles grand strategic thinking and planning. Detailed documents containing sequenced, long-term plans that are well thought out and actually end up being implemented are the exception. Time and again, however, we find statesmen, diplomats, military leaders, intelligence chiefs, and finance ministers attempting to define long-term national objectives, debating the alternative courses of action through which these may be achieved, and working, often with great difficulty, to coordinate the policies of the various agencies of government in accordance with what can only be called a shared strategic vision.\(^3\) In this sense, at least, grand strategy exists.

**Does China Have a Grand Strategy?**

Does China have a grand strategy and, if so, of what does it consist? Do China’s current leaders have a picture of where they would like their country to be several decades from now? Do those leaders have a detailed plan describing the way in which they intend to develop and apply the instruments of their national power in order to achieve their chosen objectives?

Despite the evident importance of these questions, the answers to are by no means obvious. Not surprisingly, as a recent Defense Department report points out, “China has not publicly articulated an authoritative, official statement of its ‘grand strategy.’”\(^4\) Nor, according to one thorough study of the open source literature, is there any indication of a “formal and detailed plan contained in a ‘smoking gun’ document issued by the

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Chinese Communist Party’s Central Committee.” When talking openly about their long-term national objectives, Chinese government officials generally do so in vague (even vacuous) language, employing the most innocuous-sounding terms possible. Though sometimes more revealing, the publications that emerge from an increasingly wide array of think tanks and academic institutions and the articles that appear in a variety of unofficial (or quasi-official) newspapers and magazines have a significance that is usually hard to weigh. Moreover, while often containing interesting insights into how their authors assess China’s strategic situation and interpret the strategies being pursued by other countries, such analyses almost never discuss the question of possible Chinese counter-strategies or objectives.

It is conceivable that, somewhere in the deepest recesses of their leadership compound at Zhongnanhai, China’s present rulers have developed what one author has described as a “stealthy strategy toward global dominance,” a plan that integrates military, economic, and diplomatic instruments and aims to displace the United States as the world’s preeminent power. At the other end of the spectrum, it is possible that China’s leaders are so consumed by the immediate challenges of continuing economic growth, maintaining domestic stability, and retaining a grip on political power that they lack the time, energy, and inclination to indulge in grand strategic fantasizing. Though research institutes and planning bureaus may produce papers and memos, China’s top decisionmakers live from day to day and from crisis to crisis. Like many of their counterparts in Washington, leaders in Beijing may think that only amateurs and dilettantes believe in strategy, while professionals know that tomorrow’s meeting is what truly matters.

The reality of the situation probably lies somewhere in-between these extremes. China’s rulers are the inheritors of an ancient tradition of statecraft (and a more recent, if now largely discredited Marxist-Leninist-Maoist ideology) that placed high value on strategy and stratagems. It would be surprising if leaders in Beijing did not believe that strategy was important—at least for purposes of trying to define long-term goals for themselves and of considering the general lines of action and policy that might be necessary to achieve these goals. The notion that ends and means should be concealed, and perhaps cloaked in deception, would also hardly be foreign to anyone steeped in these traditions. At the same time, there is little evidence to suggest that Chinese strategists are enamored of detailed, step-by-step plans or concrete timetables. Indeed, to the contrary, there is reason to believe that Chinese strategic thought is rooted in

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assumptions that suggest the futility of such a linear, mechanistic approach. Based on a reading of ancient texts, the French philosopher Francois Jullien has concluded that “the key to Chinese strategy is to rely on the inherent potential of a situation and to be carried along by it as it evolves. Right from the start this rules out any idea of predetermining the course of events in accordance with a more or less definitive plan worked out in advance…” If Jullien is correct, a Chinese strategic-planning process would look very different from its Western counterpart and would likely focus less on plotting a specific sequence of moves toward a precisely specified goal and more on assessing, shaping, and exploiting the overall “propensity of things” in order to move in a generally favorable direction.

*China’s Post–Cold War Grand Strategy: A Speculative Sketch*

What follows is a speculative attempt to piece together the outlines of China’s post–Cold War grand strategy. For purposes of clarity this discussion is organized around four notional axioms:

- “Avoid conflict.”
- “Build comprehensive national power.”
- “Advance incrementally.”
- “Maintain stability, defend sovereignty, achieve preeminence, pursue parity.”

“*Avoid conflict.*” Since the early 1990s, Chinese strategists have felt themselves to be confronted by a situation that combines near-term dangers with longer-term opportunities. On the one hand, the collapse of the Soviet Union removed a long-standing potential threat to the PRC’s security and freed Beijing to pursue new possibilities for expanding influence into Central Asia, while simultaneously shifting resources from frontier defense to the projection of air and sea power off China’s coasts. At the same time, with the disintegration of the USSR, there was a greater risk that the tacit anti-Soviet alliance that had held the United States and China together for the better part of two decades would begin to fray and might fall apart. Freed from a long-standing preoccupation with the Soviet Union and filled with newfound triumphalist zeal, Washington might turn to promoting “peaceful evolution” in China, undermining and overthrowing Communist Party rule just as the United States had recently done in Russia. The sanctions, condemnations, and international tensions that followed the

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events at Tiananmen Square in June 1989 made this possibility seem like a very real danger.

Following the failed last-ditch coup attempt by Communist Party hardliners in Moscow in the summer of 1991, CCP leader Deng Xiaoping penned a 24-character directive outlining the principles of a strategy for securing China’s place in the post-Cold War world. Deng’s faith in the basic approach he had been following since the death of Mao remained unshaken. Market-oriented domestic reforms and “opening up” to trade and investment were the keys to transforming China’s economy, increasing national strength, and preparing the way for the PRC’s eventual reemergence as a (if not the) leading world power. For this strategy to succeed, however, China needed time. Thus the aging Deng urged his colleagues to “Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership.”8 Deng’s principles have been quoted often (albeit with minor variations) by his successors and at least until the last several years seemed to sum up the animating spirit behind much of China’s external behavior.

In the immediate aftermath of the Cold War, PRC strategists believed that the world would move quickly from bipolarity to multipolarity, as U.S. power peaked and other contenders (including China and India, and perhaps also Japan, Russia, and the European Union) moved towards greater equality. By the mid-1990s, however, Chinese observers had begun to recognize that the shift to multipolarity might take longer than originally hoped and that the bipolar division between the United States and the Soviet Union would be followed by a potentially protracted era of unipolarity or U.S. preponderance.9

The impressive economic performance of the United States during the 1990s and repeated demonstrations of U.S. military prowess (in the first Gulf War and then in Serbia in 1999) helped to solidify Chinese perceptions both of U.S. preponderance and of the danger this dominance might pose. By the turn of the century U.S. primacy was unmistakable and overwhelming. The United States combined economic mass, technological dominance, and military superiority. Alliances and bases in Asia allowed the United States to project power with ease throughout the Western Pacific. U.S. power

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9 See the discussion in Goldstein, *Rising to the Challenge*, 102–17.
might be destined to decline in the long run, but this transition would probably take several decades.\textsuperscript{10}

Despite protestations of friendship on both sides, Chinese strategists likely assess that, for a combination of ideological and power political reasons, the United States remains deeply hostile. China is the biggest and most important holdout against efforts by the United States to spread its preferred methods of social and economic organization. Moreover, in time, China is the nation most likely to pose a challenge to U.S. preeminence, a fact of which U.S. decisionmakers can hardly be unaware. Like the hegemons of China’s warring states period, the United States is wily and ruthless. U.S. leaders know that they must block and derail China’s rise if they wish to retain their own position of preponderance.

With this objective in view, since the early 1990s the United States government has been pursuing a two-pronged strategy toward China; Washington has on the one hand been promoting economic and societal engagement while on the other practicing military and diplomatic containment, strengthening U.S. ability to project power throughout Asia under the guise of “transformation,” encouraging Japan to increase its own capabilities, and seeking new, quasi-alliance partners (such as India) to contain China’s rise. The United States aims to slow the growth of Chinese power, to check the expansion of China’s influence, to weaken and divide the country domestically, and ultimately to bring about the overthrow of the CCP. Washington hopes to forestall a challenge to U.S. hegemony by containing China, while at the same time working to transform the PRC into a country that will meekly follow the U.S. lead. If unable to promote “peaceful evolution” in China, the United States will be content to see the country reduced to a state of internal chaos, division, and weakness. The United States seeks, in short, to bring China to the same end as the former Soviet Union. Fortunately for China (and in contrast to the situation that prevailed in the Soviet Union) many U.S. businesses have developed a strong stake in preserving good economic relations. Largely for this reason, U.S. elites are divided about how best to deal with China. This fact acts as at least a partial check on even more aggressive U.S. policies and presents opportunities for Chinese strategists to cultivate and exploit.\textsuperscript{10}

aggressive U.S. policies and presents opportunities for Chinese strategists to cultivate and exploit.

Given China’s present position of relative weakness, Beijing has little choice but to maintain the best possible relationship with the United States. Open, premature opposition to U.S. hegemony would risk provoking Washington into stepping up efforts at containment and cutting back on engagement, with potentially disastrous consequences for China. While there are circumstances that might force Beijing to change course (such as a U.S.-backed move for formal independence by Taiwan) the wisdom of China’s present path has apparently been reaffirmed on at least two occasions: first in 1999, following the bombing of China’s embassy in Belgrade, and again after September 11, 2001.

Although the attacks of September 11th have had some worrisome effects for China (including the deployment of U.S. forces to Central Asia and an acceleration of Japanese rearmament) the net impact has been decidedly positive. For the time being, at least, the geographical focus of U.S. strategy has shifted from East Asia to the Middle East. Instead of concentrating all energies on China, the United States is now confronted with the urgent necessity of combating terrorism and proliferation. To meet these threats Washington requires cooperation from other countries, including China. This fact gives China additional leverage with which to influence U.S. policy and increases the likelihood that confrontation can be avoided, at least in the near to medium term. As one well-known Chinese scholar concluded in early 2005:

> The readjustment of the center of gravity of U.S. global strategy has determined that for several years to come it will not regard China as its main security threat, and it needs still more cooperation with China in issues such as antiterrorism, antiproliferation, postwar reconstruction of Iraq, and maintenance of Mideast stability…Hence it should be possible to maintain the framework of basic stability in Sino-U.S. relations since the 9.11 incident…

> **“Build comprehensive national power.”** The PRC needs time in which to build “comprehensive national power” (CNP), a combined measure of economic, military, and technological capabilities that Chinese strategists use to assess the relative strength of nations. How much time is required in order to achieve both what specific level of CNP and, in particular, what degree of military capability? Not surprisingly, Chinese analysts are more open when discussing targets for economic growth than when

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describing the reasoning that informs the pace, direction, and dimensions of China’s military buildup. Zheng Bijian, chair of the China Reform Forum (and author of the “peaceful rise” slogan that briefly enjoyed favor among top PRC officials), has written that China will require 45 years “before it can be called a modernized, medium-level developed country.” Zheng has divided this period into three stages. In the first (from 2000 to 2010), China will seek to double its GDP. In the second (from 2010 to 2020), Beijing will aim to repeat this feat, bringing per capita incomes to approximately $3,000. Over the following thirty years, (from 2020 to 2050) “China will continue to advance until it becomes a prosperous, democratic, and civilized socialist country.” By the end of this period, writes Zheng, “China will have shaken off underdevelopment and will be on a par with the middle rung of advanced nations. It can then claim to have succeeded in achieving a ‘peaceful rise.’”

Other writers (including the drafters of the 2002 report of the 16th National Communist Party Congress) emphasize the critical importance of the first two stages outlined in Zheng’s scheme. According to one analyst, in the past twenty years, “since the onset of reform and opening up, China has significantly improved its overall national strength.” Similarly, the next twenty years represent an “important period of strategic opportunity” that China must “closely grasp” if the country is to fulfill its destiny. This opportunity is “rare and valuable and is something that the Chinese nation has not experienced in the past 150 years.” Nor are the stakes merely a matter of prosperity and quality of life. For China, viewing the matter from “political and strategic perspectives” should “further enhance our sense of urgency.” In the next twenty years China must improve its “economic strength…national defense strength, and…national cohesiveness” in order to obtain “a more favorable position in the increasingly fierce competition in terms of overall national strength.”

“Advance incrementally.” Chinese strategists clearly do not believe that they can sit back passively while their country accumulates sufficient wealth and power to qualify as a “medium-level” nation. At a minimum, Beijing must be active and diligent in seeking ways to parry the efforts of the United States and other hostile nations to contain China, subvert its government, and prevent its “peaceful rise.” The achievement of goals more ambitious and long-term than mere survival will presumably require even greater initiative and creativity. The coming period of strategic opportunity will also be one of continuing relative weakness and potential vulnerability. Beijing must

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find ways to navigate this interval so that the PRC emerges not only intact, and with a higher GDP per capita and a more modern military, but in a better position to shape the outside world.

According to an analyst at the Central Party School, the post-September 11th adjustment in U.S. strategy is what has created the period of strategic opportunity that China now confronts. The favorable factors that have created this window will not “work indefinitely, or for a long time.” China must therefore seize the chance both to improve U.S.-China relations and to “create favorable conditions for the creation of an external environment for China after the ‘period of strategic opportunity.’”

Given the nature of the situation in which they find themselves, Chinese strategists will likely prefer approaches that are subtle, indirect, and incremental. Even if so inclined, Beijing is not now in a position to risk direct confrontation with the United States. The PRC instead must proceed with caution, assessing and where possible exploiting the “propensity of things” so as to gradually improve its own position, while weakening that of the United States and other potential opponents.

In terms of China’s present situation, this general approach has a number of operational implications. First, Beijing should seize opportunities to help dissuade, deflect, and delay what it sees as U.S. efforts at containment and subversion. In this sense, as has already been suggested, September 11th was a double-barreled blessing for China. The terrorists attacks gave Beijing an opening to embrace Washington even more closely than before, while at the same time redirecting U.S. attention to other enemies and other regions. The United States will not stay distracted forever but, while it is, Beijing must seek to bolster the other factors that can help to soften U.S. determination to block China’s emergence. Strengthening bilateral economic ties; developing and “test marketing” more effective, reassuring, and non-threatening language with which to describe China’s goals (e.g., “peaceful rise”); and reaching out to a new generation of American politicians, business executives, and analysts who will shape the future development of U.S. strategy are all means to this end.

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15 Some writers have compared this approach to that employed by players of the traditional Asian game of Go. Unlike chess, where the object is to trap and annihilate the enemy’s king, in Go the players seek gradually to constrict the freedom of maneuver of the opponent while increasing the area of the board that they themselves control. Victory is rarely achieved by a frontal assault, or a sudden combination of deadly moves, but rather through the patient accumulation of marginal, positional advantages. To shift the analogy from board games to boxing, winners are declared “on points” rather than through the delivery of a decisive “knockout” blow. See David Lai, Learning from the Stones: A Go Approach to Mastering China’s Strategic Concept, Shi (Carlisle Barracks, PA: Strategic Studies Institute of U.S. Army War College, 2005).
While working to keep the United States close, China must also look for ways to weaken links between Washington and its traditional allies, slow the formation of new quasi-alliance relationships and, in general, prevent the congealing of a hostile, encircling coalition. Thus, since September 11th, Beijing has sought with some success to encourage divisions between the United States and South Korea, using the North Korean nuclear issue as a wedge. Having failed for the moment to woo Japan away from the United States, China is working to isolate Japan from others in the region (including South Korea) reminding all concerned of Japan’s past record of militarism, aggression, and war crimes. China’s growing trade relationship with Australia will doubtless serve over time to complicate Canberra’s strategic calculations; there have already been some signs of a weakening in Australia’s inclination to side unquestioningly with the United States in any future regional crisis. The PRC has capitalized on the recent cooling of relations between Russia and the United States and is working hard to draw Russia closer through arms purchases, energy deals, and military exercises. In addition, Beijing’s eagerness to improve trade and diplomatic relations with New Dehli is motivated, in part, by a desire to prevent India from sliding too far toward a quasi-alliance with the United States.

Finally, while trying to avoid ostentatious or threatening gestures, China is relying on the increasing, natural pull of its growing economic “force field” both to reshape Asian strategic alignments and to help consolidate China’s own positions of strength. Beijing now has more resources with which to keep afloat authoritarian regimes—like those of North Korea and Burma—that the U.S. and its allies might otherwise be able to isolate and topple. China is increasingly capable of using aid and commercial investments to “win friends and influence people” in Central Asia and the poorer parts of Southeast Asia, and can afford to run substantial deficits with many of its regional trading partners as a way of reducing concerns about the economic implications of China’s rise and smoothing the way for diplomatic initiatives.

“Maintain stability, defend sovereignty, achieve preeminence, pursue parity.” Assuming that the description offered thus far of China’s grand strategy is accurate, at what objectives is this strategy aimed? What does “China” want or, put more precisely, what are the strategic ambitions and goals of the present leaders? These questions are,
without doubt, the most difficult for outside observers to answer with any degree of assurance. Aside from the blandest and most banal professions of benign intent (e.g., China aspires to be “a modernized, medium-level developed country” and “China will never be a superpower, never seek hegemony, and will always be a force for peace and stability”16) the open source literature contains virtually no discussion of long- or even short-term strategic objectives.

Like their counterparts in other countries and at different historical junctures, China’s current rulers probably have a set of interlocking and partially overlapping goals.17 First among these is the maintenance of domestic political stability and control. Some in the upper ranks of the Chinese Communist Party may be capable of imagining a world in which the CCP has shed the last remnants of its current ideology, but China continues as a one-party autocracy. A smaller number may even be willing to entertain the thought that their successors will have to compete for office with representatives of other political parties. Most, however, continue to hold to the view that, for the foreseeable future, the alternative to Communist Party rule is chaos and disaster. The primary goal of all policy, foreign and domestic, must therefore be to forestall the conditions that could lead to a loss of power by the CCP.

In the minds of China’s rulers, defending and consolidating what they define as the nation’s sovereignty and territorial integrity is inextricably linked to the preservation of domestic control. The CCP has staked its legitimacy in large measure on the promise that the party will reclaim every inch of the territory taken from China during its century of weakness and humiliation. Taiwan’s continued separation from the mainland is thus, at best, a lingering affront to the CCP’s stature and self-regard. A move by Taipei to make a break for formal independence could pose a deadly threat to regime survival. In addition to reclaiming Taiwan, China is also committed to preventing other external enemies or domestic “splitists” and “separatists” from weakening Beijing’s control over Tibet or the western province of Xinjiang. At some point in the future China might

16 Pillsbury, China Debates the Future Security Environment, xxviii.

conceivably choose to reopen other territorial issues that are now regarded as settled, including the question of the rightful ownership of large swaths of what is now the Russian Far East or the proper delineation of the boundaries between China and the Korean peninsula.

Chinese strategic thinkers clearly distinguish between Asia (the “surrounding environment”), to which they assign top priority, and the rest of the world (the “international environment”). Insofar as China’s immediate neighborhood is concerned, since the late 1990s U.S. government officials have regularly asserted that the PRC seeks to become “East Asia’s major power,” or the “preeminent” or “dominant” power in Asia. Assuming that Chinese strategists do have this as their goal, how might they define preeminence or dominance? A “favorable surrounding environment” would presumably be one in which no country in the region challenged China’s definition of its sovereignty or questioned the legitimacy of its regime. Preeminence would also require the elimination or substantial alleviation of all proximate military threats. China’s neighbors would accept, albeit to varying degrees, the PRC’s position as the strongest regional military power and ideally would forgo the acquisition of military capabilities deemed threatening by Beijing. If China had its way, the old system of “Cold War alliances” would eventually be dissolved or greatly attenuated. Asian nations would forego security alliances with “outside powers” and existing U.S. alliances would either be dissolved outright or drained of any operational significance. Aside from forces based on Guam or other pieces of American-controlled territory, the United States would not have a significant, permanent military presence in the Western Pacific.

Chinese preeminence would also be manifest in the PRC’s dominant political influence throughout Asia. Its neighbors would grant China a high degree of deference and, to a considerable degree, would align their foreign and even their domestic policies to accord with Beijing’s wishes. In various symbolic and substantive ways, other Asian nations would acknowledge Beijing’s “leadership” and would join in ostracizing and isolating those who sought to challenge this preeminence. China’s neighbors would support the PRC’s positions both in international institutions and in any disputes between China and non-Asian powers. Beyond this, as Samuel Huntington has suggested, China might press the nations of Asia to “adopt trade and investment


policies compatible with Chinese interests...be generally open to immigration from China; prohibit or suppress anti-China and anti-Chinese movements within their societies; respect the rights of Chinese within their societies...[and] promote the use of Mandarin as a supplement to and eventually a replacement for English."

Chinese strategists may hope, in short, to achieve in Asia a position roughly equivalent to that enjoyed by the United States in the Western Hemisphere since the early part of the twentieth century. In order to reach this goal, Chinese leaders will have to maneuver their country from a posture of relative weakness and vulnerability (rather like the situation in which the United States found itself at the beginning of the nineteenth century) to a position of unquestioned dominance in what they regard as their rightful sphere of influence.

What of the broader “international environment”? Looking out over the next several decades, what role might China seek to play on the wider world stage? For purposes of public consumption Chinese writers will say only that they wish to see their country ascend to the “middle rung” of advanced nations. If the world is trending eventually towards multipolarity then China certainly aims to be one of the “poles,” with the prestige and influence that comes with such status. But what of the possibility of achieving parity with the largest pole, perhaps even eventually surpassing it to become first among equals? Such goals no doubt still seem very distant, but not as much as they did twenty five years ago. The United States, writes one Chinese analyst, is still “the sole superpower” and will likely remain so “for quite a long time to come.” There are, however, “very many difficult problems and hidden dangers in [the United States’] economic and social development,” and recent events in Iraq have caused a “serious exhaustion of U.S. ‘soft forces’ (i.e., its capability to influence the actions of other countries).” Meanwhile China has continued its rapid growth, and commentators in other countries have taken to heralding the “rise of China” and the dawn of “the Chinese century.” Given all this it would be surprising if PRC planners did not permit themselves to cast at least an occasional hopeful glance to the future, and to imagine what the world would be like if their country were once again at the center of not only Asia but the entire international system.

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“Going out”: Resource Diplomacy and Grand Strategy

Patterns

China's fast-growing appetite for natural resources and raw materials has been noted often in the last several years, usually with a mix of awe and anxiety. The Chinese economy has expanded to the point where it has now achieved a self-sustaining critical mass, with rising domestic demand increasingly driving overall growth. As the average income level of China's vast population has risen, so too has the consumption of food, energy, and goods like refrigerators, cars, and better apartments whose assembly requires large quantities of industrial commodities.\(^{22}\) Because of the sheer size of its population and the particular characteristics of its geology, climate, and topography China cannot satisfy the need for these essential items entirely from domestic production.\(^{23}\) As a result, especially in the past decade, Chinese imports of natural resources have begun to expand at an explosive pace.

This trend is most notable in the energy field and especially as regards oil, where since the early 1990s China has moved from being a net exporter, to the point where the country will soon rely on imports for over half of its total—and increasingly voluminous—oil consumption. China presently meets all of its still limited needs for natural gas from domestic production, but here too the next decade will see a sharp expansion in consumption and a shift towards heavy dependence on imports. The combination of a construction boom, massive infrastructure investment, and growing domestic production of machinery, cars, ships, railroad cars, and home appliances has caused China's consumption of steel to skyrocket, doubling between 1999 and 2003 to more than twice that of the United States. Steel production requires iron ore and other metals such as nickel (for stainless steel) and zinc (for galvanized steel). In 1999 China imported 20% of its total consumption of iron ore, around 50 million tons delivered by sea (versus around 120 million tons each for Japan and Western Europe). Today China imports over 150 million tons, roughly half of its total consumption and a larger share of total world seaborne trade than any other country or region. The story is much the same in other commodities: Nickel imports grew one hundred times between 2000 and 2004 and today account for over 40% of China's total consumption. Thanks largely to the country's expanding power grid, in seven years China's share of world copper


\(^{23}\) In this regard China appears to be significantly worse off than the United States. During the period of its explosive emergence onto the global scene—in the second half of the nineteenth century and the first decades of the twentieth—the United States relied relatively little on trade and imported more manufactured goods than raw materials, which it had in abundance.
consumption more than doubled and the PRC is now the world’s largest consumer, with over 40% of its needs supplied by imports. Consumption of aluminum has grown by over 60% in three years, and China now depends on imports for half of its alumina feedstocks.24 Finally, with water and arable land in increasingly short supply, grain harvests have begun to decline and China’s reliance on imports has begun to grow. China now imports around 14 million tons of grain, a figure that could double or even quadruple over the next fifteen years.25

The first thing to note here is how rapidly events have been unfolding in just the past few years and how sharply the trend lines have been rising in the brief period since the turn of the century. China’s need for imported oil has been under discussion for at least a decade; the scope and pace of the changes that have occurred in the energy field, and across the entire range of resources, has come as a shock to most Western observers, however, and seems also to have taken Chinese planners by surprise. The official campaign launched in 2002 to encourage Chinese firms to invest overseas has an air of improvisation, if not desperation, and is an odd blend of shopworn party sloganeering (“Go Out!”), and 21st century state-directed capitalism. Ever since the policy was announced, Chinese firms (and especially state-owned enterprises) have been racing to buy up foreign assets, at times seemingly oblivious to considerations of profit and loss.26

Beijing’s policy for securing access to minerals and raw materials appears to be a work in progress. In 2003 the government issued additional guidance focused specifically on mineral resources that promised both to rely mainly on developing domestic sources (a pledge that is clearly unrealistic) and at the same time to “promote and protect investments in mineral resources prospecting and exploitation outside China.”27 One year later Chinese officials were reportedly considering the use of the classic tools of industrial targeting, such as subsidized loans and tax incentives to promote overseas investment by Chinese mining firms.28


The second striking feature of recent developments is the extent to which China's scramble for resources is sending the PRC off in many different directions at once. This activity falls into three concentric geographic zones. The first comprises China's immediate neighborhood, or “surrounding environment,” the 360 degrees around China's coasts and borders, including the long interior frontier from Siberia, through Central, South, and continental Southeast Asia, as well as the maritime portions of Northeast and Southeast Asia, and, further to the south and east, the islands of Oceania. The Middle East and Persian Gulf are contained in a second zone. Africa and the Western Hemisphere, including both South America and North America, make up a third and final zone.

China is seeking both energy and raw materials in the first and third zones and energy alone in the second. Ever since the late 1990s Beijing has intensified ongoing efforts to secure access to oil and natural gas along its interior frontier, in Russia and Central Asia, as well as from the Middle East, and China has also entered into significant energy ventures in the Western Pacific (with Australia and New Zealand), West Africa, and Latin America. China’s growing need for mineral resources, food, and agricultural products like rubber and timber has been an additional factor driving the rapid expansion of the PRC’s trade and investment in the Pacific as well as into Africa and Latin America, two areas where until recently China’s presence had been comparatively limited. Although having thus far made relatively little headway, Chinese firms have also been exploring the possibility of resource-related investments and acquisitions in Canada, the United States, and Mexico.

In sum, in recent years China has indeed been “going out” and has been doing so on an increasingly global scale.

**Strategic Implications**

What are likely to be the implications of China’s fast-growing, and now truly global, pursuit of resources for the further development of Chinese grand strategy?

**Vulnerability.** In purely economic terms, the PRC is becoming more dependent on critical imports to sustain the country’s rapid growth, and is thus potentially more vulnerable to supply disruptions or sharp price increases. China’s sensitivity to

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such disruptions will vary across commodities and over time. Given the economic importance of energy, and assuming current trends toward ever greater imports continue, the security of oil and natural gas supplies will become an increasingly prominent concern. Food will probably be at the opposite end of the spectrum, though here too China’s import dependence is set to grow. Unless worst-case estimates prove out, China will likely import a relatively small portion of its total grain needs over the next several decades. While potentially able to cause shortages and changes in consumption patterns, supply disruptions do not seem likely to have a truly devastating impact. In terms of the potential economic effects of a sudden drop in imports, other raw materials will fall somewhere in between energy and food. Constricted access to certain imported minerals could be highly costly and disruptive. Unless China builds up significant stockpiles of iron ore, for example, a total loss of imports would cut the production of steel and slow the manufacture of everything that depends on it, from consumer goods to bridges. In time China might be able to develop alternative lower quality domestic sources of iron ore, but the costs would be higher and the impact on the pace of economic growth could still be substantial.

A widely held assumption is that a sharp economic downturn would have profoundly unsettling effects inside China and might even threaten the continued rule of the Communist Party. While certainly possible, also conceivable is that a crisis that was widely seen to have been caused by external events or foreign enemies could be used by Beijing to encourage temporary increases in societal cohesion and political loyalty. An economic crisis that could plausibly be blamed on a U.S. naval blockade (or an Islamist revolution in Saudi Arabia) might have different political effects than one that seemed to be the result of domestic mismanagement, incompetence, or corruption.

Even if not threatening the immediate survival of China’s current leaders, however, a prolonged period of economic turmoil would seriously disrupt the leadership’s hopes of rapidly increasing “comprehensive national power.” Ensuring continued access to adequate resources has therefore become critical to China’s overall grand strategy. As one government official is reported to have stated recently: “how to safeguard China’s energy and resource security is a strategic question concerning the success or failure in China’s modernization drive.” Resource diplomacy and, in particular, energy diplomacy

“In purely economic terms, the PRC is becoming more dependent on critical imports to sustain the country’s rapid growth, and is thus potentially more vulnerable to supply disruptions or sharp price increases.”
now ranks alongside “big power diplomacy” and “peripheral diplomacy” as “one of the most important consideration[s] of China’s diplomatic strategy.”

Threats to China’s “resource security” could arise either at the sources of supply or along the transportation routes by which critical materials reach the PRC. Given China’s heavy reliance on maritime transport and the prevailing balance of power at sea, the primary danger to supplies in transit now comes from the U.S. Navy. China’s substantial and growing dependence on resource imports thus gives leaders in Beijing a powerful additional reason to avoid conflict with the United States. At least in the near term, China’s need to “go out” should therefore reinforce what has been for almost twenty years a central theme in its grand strategy.

China’s wariness and pragmatic aversion to confrontation could help lay the groundwork for a deeper and more stable accommodation with the United States. For the moment, however, China’s military planners and strategic thinkers are doubtless working hard to find ways to reduce their reliance on Washington’s goodwill and their potential vulnerability to U.S. coercion. Among the possible methods for reducing China’s exposure to naval blockade are stockpiling, a shift toward heavier reliance on contiguous sources and overland transport (a more realistic prospect as regards oil and gas than other materials), developing a capacity to deter blockades by acquiring the means with which to threaten an enemy’s own supply routes, and—most difficult and costly—building a navy capable of wresting command of the seas from the United States or another potential competitor.

As regards threats closer to the actual sources of supply, China’s near term strategy is focused on ensuring the stability and continuity of existing regimes and relationships. While in some cases perhaps leading to a coincidence of interest with the United States, in others this strategy is already producing tension and suspicion. Beijing’s support for the present governments of Sudan, Venezuela, and Iran, for example, may be motivated largely by China’s desire to acquire and maintain access to critical resources, but such support is seen by some in Washington as part of a larger Chinese effort to bolster anti-U.S. rogue regimes and to shield them from international pressures for change.

In the long run, Beijing’s views on how best to ensure the stability of supplier countries and regions may come to converge more closely with those of the United States. A China that was itself on the road to genuine political reform would probably be

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31 Chinese strategists may also be concerned that other powers, including India, Japan and perhaps Taiwan, could eventually develop their own capabilities for attacking Chinese supply routes.
more supportive of the idea that similar developments are the key to long-term stability in Central Asia, the Middle East, and Africa. A China that remains resistant to political liberalization may also do more to help other authoritarian regimes retain their grip on power. In addition to economic aid, Beijing could provide assistance in training and equipping the militaries and security forces of friendly governments, perhaps offering to share China’s expertise in monitoring modern means of telecommunication, breaking up incipient protest movements, and controlling demonstrations. The Chinese intelligence services may become involved in mounting covert operations to defend (or overthrow) local governments, as well as in gathering information. Even if never attempting to compete directly with the United States, China may well seek to acquire the capabilities necessary to project military power at considerable distances in order to defend friendly foreign governments and national economic interests.

Visibility. The scale and scope of China’s global search for resources has raised the PRC’s profile in Asia and around the world. In the past few years alone, Chinese firms have signed huge and highly-touted long-term deals for the development of Iranian oil and Australian natural gas and have sought, with less success but even more publicity, to buy a U.S. energy company. Chinese leaders have made triumphal tours of Latin America, checkbook in hand, leaving behind promises of massive investments in resource extraction and infrastructure development. In Africa too, the PRC has become a more active and visible presence, seeking not only oil but gold, platinum, and other minerals and in return building telecommunication networks and the occasional opulent presidential palace.

All of this activity has begun to attract attention in the United States, becoming the subject of sensational newspaper stories and somewhat more sober Congressional hearings. Annual GDP growth statistics and trade balance figures are, for most people, dry abstractions. The realization that an increasingly wide array of consumer goods are now “made in China” has already lost some of its novelty and the discomfort that this awareness causes is, in any case, offset to some degree by the fact that these items are now available at such low cost. But the sense that China is guzzling up global resources and, among other things, contributing to the run-up in gas prices, appears to be having a more visceral and unsettling impact.

From the point of view of grand strategy, China’s omni-directional resource diplomacy and the heightened profile that this diplomacy is producing are distinctly mixed blessings. If the aim is to build strength quietly and to advance incrementally, without arousing the suspicion or animosity of the United States, then Beijing’s recent activities are not helping. Reports of China’s insatiable thirst for resources, coming as they do alongside growing concerns about trade imbalances and currency values, have
contributed to renewed skepticism about whether the U.S.-PRC economic relationship is really an unmitigated benefit to both parties. Beijing's attempts to cast itself as a good international citizen have also been undercut, at least in American eyes, by China's evident willingness to deal with a variety of resource-rich rogue regimes in the Middle East, Africa, and Latin America. Taken together these developments have helped raise doubts about whether U.S. and Chinese interests are really converging as fully or as quickly as many hopeful observers have claimed. Beijing must take care that its pursuit of resources does not arouse Washington, causing the United States to tilt the balance of its policies in a more overtly anti-Chinese direction.

In addition to the risks that it entails, China's heightened profile may also offer a number of subtle strategic advantages. Whatever the precise economic significance of their activities, the fact that Chinese diplomats and business executives are now visibly scouring the globe in search of resources and investment opportunities helps convey a sense of national dynamism and momentum. The belief that China is “on the rise,” and represents “the wave of the future” is contributing to an expansion in influence that exceeds the pace of growth of the PRC's actual material capabilities. In international politics, where beliefs can sometimes be as important as realities, the appearance of power can itself be a real asset. This is something that Chinese strategists, with their long tradition of concern for shaping perceptions and considerable experience in playing comparatively weak hands against seemingly stronger opponents, are especially well equipped to understand.

Beijing would probably prefer to acquire the necessary resources without attracting attention or stirring anxiety in Washington. Given that this is impossible, however, the question is whether increased U.S. awareness and concern can still be turned to strategic advantage. As has been discussed, since September 11th Chinese strategists believe that the United States has been distracted from its previous focus on East Asia (and on the PRC) and forced to pay greater attention to developments elsewhere. To the extent that the pursuit of resources is causing China to raise its profile in areas outside Asia it can help to reinforce this tendency and to further deflect and distract the United States.

“The belief that China is ‘on the rise,’ and represents ‘the wave of the future’ is contributing to an expansion in influence that exceeds the pace of growth of the PRC’s actual material capabilities.”

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32 For recent evidence of perceptions of China’s growing wealth and power in its own neighborhood, see Department of State, “Asian Views of China,” Office of Research Opinion Analysis, M-156-05 (Washington, D.C., November 9, 2005).
The fact that U.S. analysts and officials are now watching carefully what China is doing in the Middle East, Africa, and Latin America is thus not necessarily a bad thing. The more resources that the United States is forced to expend on tracking, assessing, and responding to Chinese initiatives in these regions, the fewer it will have to devote to the central theater of Sino-American interaction in Asia.

Chinese engagement in Latin America may have a particular attraction in this regard. For decades the United States has been free to operate in China’s “backyard” secure in the knowledge that Beijing lacked the capacity to respond in kind. Now the tables are turned and Washington is the one that must watch while a distant power builds stronger commercial and diplomatic ties with countries uncomfortably close to its own frontiers.  

This is a potentially dangerous gambit, of course. In Cuba during the 1960s as well as in Central America during the 1980s, Washington made clear U.S. willingness to respond aggressively to what it saw as dangerous Soviet encroachments in the Western Hemisphere. China is today a long way from offering ballistic missiles to anti-U.S. regimes, or even small arms to revolutionary guerrilla movements but (to use the metaphor of Go) has laid down a few markers close to the stronghold of its rival and far from its own. How far China will go in developing these initial beach heads remains to be seen but, for the moment, Beijing appears to enjoy the initiative on a part of the board that it had, until recently, conceded to the United States.

Influence. China’s need to import resources, and increasing willingness and ability not only to buy them but to invest in their extraction, is giving Beijing new instruments with which to exert influence. These tools are especially useful in dealing with countries that are heavily dependent on exports of energy, minerals and agricultural commodities. With some exceptions, including Australia and the wealthy oil exporters of the Persian Gulf, these tend to be among the poorer and less highly developed nations of Asia, Africa and Latin America. Having emerged as a low cost manufacturing center, the PRC has been able to forge strong ties with the advanced industrial nations that provide China with investment capital, machinery, technology and markets for its exports. An increasing appetite for resources is now helping it to build links in the other direction, with nations further down the global economic food chain.

The flip side of China’s growing dependence on foreign resource suppliers is the growing reliance of these suppliers on the China market to support domestic producers and boost global prices for their products. Brazilian farmers have recently been working overtime to plant vast new expanses of soy beans destined for Asia, while China’s appetite for minerals and energy has helped raise profits for copper mines in

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For a preliminary assessment, see Ellis, “Chinese Involvement in Latin America.”
Chile and oil producers in Africa, Russia, and the Middle East. One observer recently stated that “If you are the President of Brazil or Chile or any number of other places, you simply would not have economic hope without China.” This fact alone may not translate directly into a willingness on the part of producer country governments to align their policies with Beijing’s but cannot help but make these governments more attentive to its wishes and more concerned with its well-being.

Beijing’s ability to extract geopolitical influence from its role as a consumer will be enhanced to the extent that a producer state is tightly bound to the Chinese market (and heavily dependent on exports of a single good), while China has the option of turning with comparative ease to alternative sources of supply. The ability to use market power for political leverage will also be greatest in situations in which China must choose between making large, long-term commitments to one of several potential suppliers. (As, for example when China was weighing long-term supply contracts for natural gas with Australia and Indonesia.) Once such a decision is made, however, the balance of influence will tend to become more equal.

Trade in resources can lead in various ways to deepening economic and strategic ties between buyers and sellers. In many instances Beijing now seeks not only to buy what it needs on international markets but also to invest in facilities for extraction and processing, as well as the pipelines, roads, inland waterways, and seaports through which much needed commodities will ultimately reach China. These projects benefit the producer countries, while at the same time deepening the PRC’s economic presence and increasing its potential to exert political influence. In addition to resource-related investments, imports can also be paid for with sales of other types of strategically significant goods and services. Thus China has recently contracted to install communications systems in resource-rich parts of Africa and the Middle East and has for some time been a significant supplier of small arms and some higher-end weaponry to countries from which it buys oil and other commodities. Such transactions generally bring with them additional contracts for maintenance, training, and spare parts; more intimate relationships with foreign militaries, security services, and political officials; and expanded opportunities for the recruitment of intelligence assets and agents of influence.

Within Asia, the PRC is trying to use the pull of its large market for energy and materials to hold Russia close, while drawing in some traditional American allies (like Australia) as well as some potentially important players whose allegiances are presently up for grabs (including Indonesia and the energy-exporting Central Asian republics).

34 Joshua Cooper Ramo, The Beijing Consensus (London: The Foreign Policy Centre, 2004), 35.
As demand for energy grows and the country seeks to modernize its domestic arms industry, China will likely make more use of arms-for-oil deals of the sort that have long been a mainstay of U.S. (and French) diplomacy in the Middle East. Elsewhere in the developing world Beijing is still in the process of building commercial and diplomatic relationships and experimenting with possible new methods for expanding China’s influence and assuming a more ambitious global role. China today seeks to cast itself as a model for poorer countries and perhaps as their leader in the council of nations. Having failed in an earlier effort to increase its global stature by spreading Maoist revolution, China has “re-branded” itself and is offering up its own unique blend of market-driven economics and authoritarian, state-controlled politics. Whether this ideological product will “sell” better than the one that preceded it is an open question. If able to position itself as the leader of a bloc of like-minded developing countries, China will improve its prospects for exerting influence on the global stage as well as within its own region.

Pathways to Cooperation and Conflict

China’s search for resources is having mixed and, in certain respects, contradictory effects on its grand strategy. The PRC’s rapidly escalating needs have reinforced Beijing’s existing inclination to avoid conflict with Washington and created the possibility of converging U.S. and Chinese interests in maintaining the stability of key resource-exporting regions, including the Middle East and Central and Southeast Asia. At the same time, Beijing’s desire to preserve access is causing it to support regimes that Washington finds odious. This, and China’s increasingly active and visible worldwide resource diplomacy, has contributed to at least a short-term increase in suspicion and tension between the two Pacific powers. Finally, China’s vast appetite for resources is creating new options for Beijing to carry forward its strategy of incremental advance toward regional preponderance and expanded global influence.

How will these various factors play out over the next ten to twenty years? This closing section briefly sketches three possible pathways to alternative future worlds: (1) Virtuous Cycle, (2) Global Resource Scramble, and (3) Bounded Competition. Which scenario turns out to be closest to reality will depend on a great many factors, including some that are internal to China (especially the evolution of its political system) and others that are external (e.g., the continued stability and growth of the global economy and trends in the availability and price of critical resources).
**Virtuous Cycle**

The resource issue could provide a catalyst both for deepening international cooperation and accelerated domestic political liberalization. Beijing’s evident need for good relations with Washington, and dependence on U.S. power to provide a measure of stability on the high seas and in key resource-rich areas, could form the basis for a more lasting U.S.-China entente. In particular, the shared interest of both sides in maintaining access to energy could become the force that binds them together and gives them a strong incentive both to overcome their differences and to restrain what might otherwise be overwhelming competitive impulses.

The necessity of cooperation with the United States on resource security, and the successes that will presumably follow from such cooperation, could strengthen the hand of those in Beijing who favor a more liberal line in domestic politics while weakening those who cling most strenuously to autocracy. Advocates of cooperation would include those who take a non-zero sum view of international relations, believe in relying on markets to allocate resources and alleviate scarcity, and are less inclined to see the United States as a mortal threat to China’s well-being. These are people who are also most likely to favor an eventual transition to democracy. Adopting a more competitive posture, by contrast, and seeking to acquire the means with which to ensure access unilaterally, would boost the budgets and enhance the status of what are generally assumed to be among the more conservative elements in Chinese society: the military, the security services, and those in the party who may still dream of leading a worldwide ideological movement that champions the interests of the less developed nations against the rich and powerful.

In this scenario international cooperation would help promote domestic liberalization, which would in turn reinforce tendencies toward deeper cooperation. Especially in its early phases, external events—including price shocks or political upheavals in key supplier countries—could threaten to break this upward spiral. On the other hand, a more or less stable international environment, with healthy global growth and only moderate increases in resource prices, would make cooperation easier and increase the odds of eventual domestic political reform in China.
With liberalization will come a transformation of China’s grand strategic aims. No longer fearful of U.S. containment and subversion, a democratic China would be less intent on dominating its immediate surroundings, more open to genuine accommodation with other regional democratic powers (including Japan), and more likely to accept a continued, though attenuated, U.S. presence in East Asia.

A Global Resource Scramble

In the last quarter of the nineteenth century, the world’s major powers engaged in what appears now to have been a costly and ultimately pointless “scramble” for empire. At the time, a prolonged global recession had helped weaken the growing appeal of liberal ideas concerning the virtues of free markets and free trade. Businessmen and political leaders came increasingly to believe that continued prosperity and domestic tranquility depended on obtaining physical control of the world’s remaining pieces of “unoccupied” territory, primarily in Africa and East Asia. Trade, according to the widely held belief, would “follow the flag.” Once established, colonies would provide those who ruled them with the resources, markets, and low-cost labor necessary to sustain economic growth. Rising incomes would help to fend off socialism (or revolution) at home and would ease the burden of ever-increasing military expenditures. Nations that did not move quickly enough to ensure their “place in the sun” would find themselves at a potentially terminal disadvantage in what was widely perceived at the time as a Darwinian struggle for survival. As fanciful as they now seem, these beliefs provided one of the more important justifications for the naval build-ups and aggressive diplomacy that paved the way for World War I.

A resurgence of enthusiasm for empire is nowhere on the horizon. Yet concerns over increasing resource scarcity, and about the policies being pursued by others to ensure access to these dwindling resources, could help to create a climate characterized by rising anxiety and increasingly cut-throat competition. Once again, energy markets are those most likely to be effected. Any pretense that the buying and selling of oil and natural gas are merely commercial transactions would be abandoned as governments became openly and actively involved in orchestrating, financing, and insuring energy deals. Attempts at multilateral cooperation to ensure supply security would break down as consumer governments went to extraordinary lengths to try to lock up long-term bilateral arrangements, including offering security guarantees to supplier regimes or selling them the most advanced and destructive forms of military technology, including weapons of mass destruction. Nations that had the necessary power projection capabilities would be more likely to dispatch military and paramilitary units to protect and put down rebellions or coup attempts against friendly rulers and to defend
production and processing sites as well as to secure transportation routes from these areas to their own territory. The threat or use of force would become the prevailing means of resolving disputes over control of maritime resources, such as those that have dragged on for many years in the South and East China Seas. At the extreme, desperate consumer countries might use military power to seize and hold resource-rich pieces of sovereign territory (such as Saudi oil fields or Siberian oil and natural gas) against the wishes of their legal owners.

For China the adoption of such policies would involve an abandonment of its present grand strategy, with Beijing shifting from an emphasis on gradualism and conflict avoidance to a far more urgent and aggressive stance. Such a change might follow from the rise to power of a more militant leadership faction or could come in response to a sharp shift (whether actual, perceived, or anticipated) in international conditions or in the behavior of other powers. Like Tokyo on the eve of Pearl Harbor, Beijing might believe that a U.S. oil embargo necessitated a move by China to seize control of adjacent resources. An Islamist revolution in Saudi Arabia or widespread chaos in the Persian Gulf might also be seen as announcing the collapse of existing norms of international behavior and the start of a zero-sum struggle for resources and survival.

In a reversal of the previous scenario, an intensifying global competition for resources could help derail prospects for domestic reform in China. Opponents of liberalization could use conditions of scarcity and slower growth to justify the reassertion of state control over the economy. Under such circumstances, proponents of bigger fleets, stronger armies, and a more militant assertion of Chinese prerogatives and power would find it easier to win out in domestic struggles with the advocates of cooperation and international moderation. China’s more aggressive external behavior would likely stimulate similar responses from other states, thereby heightening international tensions, justifying yet more competitive policies, and further bolstering the position of domestic hard-liners.

**Bounded Competition**

A third and final possibility falls somewhere in between the dream of ever-deepening cooperation and the nightmare of unconstrained competition. This scenario is derived essentially from an extrapolation of current conditions and trends. The assumption here is that China’s domestic political order and current grand strategy remain essentially unchanged and that its economy grows at something resembling recent rates. Concern over access to resources will continue to act as a constraint on
China’s external behavior and an inducement for avoiding conflict with the United States. At the same time, fear of the possible domestic political consequences of a resource-induced economic crisis, and the regime’s underlying mistrust of American motives will impel Beijing to pursue a variety of methods for reducing China’s vulnerability. Some of these methods (such as stockpiling) will be inoffensive to the United States while others (stepping up security assistance or openly intervening to protect friendly producer governments from internal enemies) could appear deeply worrisome. The mix of measures that China’s leaders adopt will likely differ from region to region (with the ratio of forceful assertion to subtle manipulation generally diminishing with the distance from the PRC’s own frontiers) and may also be influenced to some extent by their perceptions of the behavior of the United States, India, and other consumer states. Whether or not their perceptions are accurate, the more China’s rulers believe that others are seeking to lock China out from vital resources, the more aggressive they are likely to become.

Beijing’s resource diplomacy will be driven by anxiety but also by an increasing measure of ambition. As the country’s need for resources continues to grow, Chinese strategists will seek new ways to turn a potential economic vulnerability into a major geopolitical advantage. In Asia they will use the pull of their massive market to consolidate ties with Central Asia and to weaken the U.S. position in the Western Pacific. In the Middle East, Beijing will seek to deepen its relationship with Tehran and, should U.S.-Saudi relations turn sour, with Riyadh as well. In Africa and Latin America, China will not only pursue resources, but also prestige, diplomatic leverage, and opportunities to deflect and distract the United States. Resource diplomacy, in short, will become one aspect of an intensifying struggle for mastery in Asia and on the wider world stage.