



Factors Influencing China's Oil Diplomacy in the Middle East

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Abstract

Even though China extracts oil more than any other country in the Asia-Pacific region, the country is still hugely dependent on imports, and this dependence increases with each passing year. In recent years, the need for import of oil in China had risen from 35% in 2000 to 70% in 2017. Today, the People's Republic of China mainly buys crude oil in the Middle East and political change in the region directly influence on Chinese foreign policy. In this study, we examined four critical factors that influence china's oil diplomacy in the Middle East. Accordingly, Arab spring events, OPEC, China foreign policies and strategies, and influence of the U.S. in the region have direct or indirect effects on china's oil diplomacy. China's historical reaction to these factors is remarkable and made its energy security strategies in the Middle east. This study shows that the events of the Arab Spring hurt China's oil diplomacy with the middle East countries. The developments taking place in the Middle East from the beginning of the Arab Spring have led to an increase in world oil prices. For China, this meant higher import bills and a reduction in the trade surplus, as well as slower economic growth, as the contribution of net exports decreased. OPEC market controlling strategies let China thinks to other oil producers, and oil exports from the Middle East reduced in front of increasing imports from other regions. U.S. as hegemon of the area somehow made steady pressure on China alliance, especially after making sanctions on Iran due to its nuclear programs. During the trade war between the two countries, the influence of the U.S. on China oil diplomacy more appeared.

Keywords: China oil diplomacy; OPEC; Arab spring; China foreign policy; China-US relations; The Middle East.

1. Introduction

The concept of energy security and oil diplomacy is comparatively infancy, originating from the 1973 and 1979 oil crises that struck many countries of the world negatively, influencing global economics, politics, and international relations in a short and long-term perspective. These oil shocks triggered a set of sophisticated measures and a series of actions aimed at preventing possible future energy crises. Energy security is the association between national security and the availability of natural resources for energy consumption. Access to (relatively) cheap energy has become essential to the functioning of modern economies. However, the uneven distribution of energy supplies among countries has led to significant vulnerabilities.

The rapid development of China has led to the fact that energy consumption in the country has exceeded the volume of domestic supply. Today, China is the second-largest consumer of oil in the world after the United States. In particular, between 2000 and 2010, oil consumption in China has more than doubled, and since 2013, China is the largest importer of oil. Today China is the only country in the world that is the primary producer, consumer, and significant importer of oil (Wang, 2014). China's current domestic oil production is unable to meet the needs of its economy in its entirety. Besides, oil production in China has reached its peak and continues to grow at a slow pace. This makes China continuously seek new sources of oil supplies, which is becoming one of the priorities of its foreign policy. To cope with insufficient oil production in China, the country's leadership is trying to establish friendly, mutually beneficial relations with countries that have significant oil resources. To this end, Beijing encourages national oil companies to strengthen their presence in these countries, in particular by actively investing in a variety of energy projects.

In the future, according to the growth rate of the Chinese economy, energy consumption, which means that demand for oil will also increase. The practical solution to China's most important task of ensuring the growing demand for energy (primary crude) is the subject of attention from the side of diplomacy, which is entirely possible to speak of the formation of a particular sphere - oil diplomacy. China's oil diplomacy is led in two consistent ways:

- through the national oil companies involved in the mutual investment the international oil industries;
- through political relations with oil-exporting countries, limited to agreements with governments on oil supplies.

Both pillars of China's oil diplomacy are common to the modern oil industry. However, the political tint of these relations is of particular concern not only in the political circles of the United States but also in other countries. Fears are the growing influence of China in North Africa and Middle East, in particular, the idea that, to achieve its goals, China can go to political or military alliance with so-called authoritarian regimes in exchange for guaranteed oil supplies. Further, with all the growing geopolitical tensions, the geopolitical approach is a central addition to the traditional supply-side perspective on energy security. In this study, the main factors that influence China's oil diplomacy in the Middle East are examined. The first factor is the political risks that have arisen in the region due to the Arab springs events. The events of the Arab Spring have caused a new wave of political and social unrests in the Middle East and among the Arab nations, and have fueled political instability in the region. Political instabilities has dampened China's appetite for energy imports from the Middle East market. The second factor is the OPEC decisions. Historically China's oil diplomacy reacted to OPEC market control policies and conflict and disagreement between its members (Andrews-Speed, 2006; Jaffe and Lewis, 2002). To step in the safe side, China increased its imports from other oil supplier regions such as Russia, America, and Commonwealth of Independent States (CIS).

The third factor is overall China's foreign policy and strategies. China's foreign policy directs its Oil diplomacy in three aspects: China's foreign policy principals, China's economic diplomacy, and China's military policy in the region. The study examined China-US relations in the Middle East as the fourth factor. The U.S. as the leading global power for several decades has influential power in the region. China's oil diplomacy pays attention to the U.S. role and, according to its actions and reactions, took advantage and also bear threats in front of U.S. in the region. This study, therefore, conducts a systematic review of previous works to facilitate theory development and uncover potential new areas where more deep research is needed. Although the main objective of this study, like previous ones, is to examine the geopolitical risks associated with China's energy security, it also seeks to use the geoeconomic approach and its role in China's energy relations with Middle Eastern countries. Moreover, in dealing with geopolitical issues, this study has moved away from the traditional framework of previous studies that have only examined the strategic competition between global powers. Instead, by highlighting the most recent developments in the region, this study seeks to provide a new analytical model of the challenges and limitations associated with China's energy security.

2. Literature Review

Oil diplomacy can be simply defined as oil-poor nations attempt to access to oil resources in oil-rich countries through the expansion of bilateral relations and trade (McFarland, 2018; Taylor, 2006). Using the term of oil diplomacy means the relations between nations, not private parties and companies (Jaffe and Lewis, 2002). The international or bilateral level behaviors of the companies of each country is related to its policy for achieving their interest. Thus, in this point of view, the companies are tools of states to pursue the relevant diplomacy in a better way, and most of the time, they (companies) play crucial roles (Wishnick, 2006). For understanding oil diplomacy, the term petroleum politics is essential. Crude oil politics have been an important feature of diplomacy since the ascend of the oil industry in the Middle East in the early 20th century.

As competition continues to access to more reliable energy resources, the strategic computations of major and minor countries alike place an important emphasis on the pumping, refining, transport, sale, and use of petroleum products. Nevertheless, international climate policy and unconventional oil and gas developments will alter the balance of power between oil exporting and importing countries with prominent contrary implications expected for the exporting states (Indra Overland, 2015). Issues of the scientific study of the oil diplomacy of China were devoted to the works of such Chinese authors as Xu and Yang (2004), Chen (2008), Wei *et al.* (2019), etc., and foreign authors Ziegler (2006), Jaffe and Lewis (2002), Aidoo *et al.* (2017), Jenkins (2019), and others. Their research has shown that China's rapid economic growth has caused its dependence on the world economy on a range of raw materials, especially oil. Limited reserves of oil and natural gas in China have played an crucial role in expanding the foreign interests of this country and are a significant factor in Beijing's foreign policy.

In recent years, many studies have been conducted on China's energy needs. By highlighting the concept of energy security, Zhang (2011) and Salami and Fallahi (2018) examined the components of China's oil diplomacy. Liu *et al.* (2018), and Shaikh *et al.* (2017) analyzed China's current and projected energy demands and supplies. China energy consumption structure was the main subject of Sun *et al.* (2018), Zhang and Michael (2014), and Dong *et al.* (2017) studies. While Ash (1999), Manning (2000), Crompton and Wu (2005), investigated its attempts to explore domestic sources, China's energy reforms to enhance energy efficiency was the focal point in studies of Fan *et al.* (2007), and Price *et al.* (2011). Qinhu (2007), Wu and Storey (2008), and Wei *et al.* (2019) highlighted the implications of China's energy demands and imports on global energy markets. Several studies by Downs (2010) also discussed China's efforts, especially those by its state oil corporations, to expand into overseas oil markets and acquire oil fields abroad. Other studies examine China's moves to secure sea lanes and build oil stockpiles and refineries, as well as actors in its energy policies (Gholizadeh *et al.*, 2020; Meidan *et al.*, 2019; Umbach, 2019).

2.1. Geoeconomics and China Oil Diplomacy

There is no consensus among scholars in the geo-economic definition. Furthermore, researchers have not been able to grasp the difference between geoeconomics and geopolitics. Geoeconomics can be used as an analytical method and also for strategic review of foreign policy. The Geo-economic, in a strategic review of foreign policy, is used to explain how governments apply the economy to advance foreign policy objectives. In this framework, geo-economic can provide an economic analysis of international politics as well as an alternative to military-based power politics (Blackwill and Harris, 2016). In the economic analysis of international relations, geoeconomics also deals

with the role of geography. The key question in this approach is how countries use economic means to control and secure the geography of their region. [Luttwak \(1993\)](#), proposed the term of geo-economics to explain how states shape their economic relations beyond maximizing economic benefits strategies and based on the geopolitical and economic security considerations. Geoeconomics refers to "the use of economic instruments to promote and defend national interests and to produce beneficial geopolitical results. In geoeconomics, one can examine how economic instruments are applied by states to achieve specific strategic objectives in a specific geographical area. Geo-economics has the following primary contents:

- (1) The Spatio-temporal relationship, distribution status, operation mechanism, and track of economic development and economic volume in international relations.
- (2) The interaction between world economic phenomena and geographical relations, geographical location, and its laws.
- (3) The interactive effect and influence of geographical phenomena and geographical relations on international society's economy and culture.
- (4) Provide a theoretical basis for international strategies, regional economic and cultural development strategies of various countries, and provide a comprehensive theoretical basis for economic and cultural development, design, and planning.

From a geoeconomic perspective and a focus on geography, China's oil diplomacy can be divided by regions as it is listed below:

- Focusing on the Middle East and primary producer of oil, as China's first intuitive is to increase imports from the largest oil-exporting countries.
- Diversifying oil recourse by getting oil from Africa.
- Tapping a sizeable new source as Russia.
- Forging cooperation with Central Asia (CIS region);
- Exploring Latin and North American oil.

China's oil diplomacy and its quest for overseas crude are affecting its relations with various nations in three different ways. First, China is strengthening its relationships with oil-producing and -exporting countries. Second, China may both compete and cooperate with governments that have a modest reliance on imported crude, including the USA, India, and some Southeast Asian nations. Third, China may compete fiercely with countries that rely heavily on imported oil, especially Japan. Economic development is inevitably linked to an increase in energy consumption.

2.2. China Energy Security Strategy

Today's world energy market has changed dramatically over time, improving in many ways. However, due to high political and economic interests in domestic and global energy issues of everyone from non-state actors to states themselves, the question of energy security remains one of the most complexes. The most urgent problems within its scope are an emerging imbalance in global energy demand-supply chain, scarcity of resources, growing dependency on imported oil and gas, political conflicts, price volatilities, regional instabilities, and climate change ([World Bank, 2005](#)).

One of the most common definitions of energy security was developed by the International Energy Agency (IEA) and the European Commission who define energy security as the uninterrupted access to affordable, reasonably priced energy sources. Another definition supported by [Baumann \(2008\)](#), [Dorian et al. \(2006\)](#) identifies energy security as continuous, reliable supplies at a fair price to support the economy and industry. [Yergin \(2006\)](#) states that the objective of energy security is to assure adequate, steady amounts of energy at logic prices and in ways that do not jeopardize primary national values and goals. All these definitions consider the economic and political aspects of the energy security system. The studies by [Doukas et al. \(2011\)](#), [Stringer \(2008\)](#) analyze energy security in the light of the safety of oil supplies, giving the main focus to possible "oil supply crisis" and its consequences. This approach concentrates on reducing foreign threats to the supply chain and preventing the supply crisis, being extensively coordinated by methods of crisis management. Many energy policymakers adopt such a principle in Asia and the West.

According to [Von Hippel et al. \(2011\)](#), five significant challenges need to be incorporated: environment, technology, demand-side management, domestic socio-cultural, and political factors. The study argued that a geopolitical problem is one more important factor that needs to be incorporated into a concept, which The Arab spring as one of these challenges is analyzed.

[Verrastro \(2010\)](#), note that the geopolitics of energy can impact significantly on energy production, prices, and distribution. In general, a lot of scientific studies are devoted to the geopolitics of energy, but geopolitical challenges to energy security within this scope are not fully developed. Also, the attitude that a geopolitical approach entered the management of internal and external energy action has become particularly evident in the light of the events related to the ongoing Ukrainian-Russian conflict, Arab Spring and the ascend of the Islamic State, sanctions imposed on Iran and Russia, the escalating conflict between Sudan and South Sudan.

Until 1993, China was self-sufficient in providing its energy needs. Ten years later, it had become the world's second-largest state to consume oil, with daily imports close to 8 million barrels per day. In 2010, IEA reported that China had passed the United States to become the world's number one energy consumer. Its World Energy Outlook 2012, factsheet asserts that China alone will account for more than 30 percent of the total growth in global energy demands by 2035 ([Daojiong, 2006](#)).

This increasing dependence on imported energy has augmented the worries about vulnerability to supply disturbances and price increases, whether due to piracy, terrorism, sanctions, or the conspiracies of other powers. The concerns about the international oil market have encouraged public firms to invest around the world, often in countries rejected by Western firms. Since the 1990s, China's policies about the Middle East have been associated with the goals of the state-owned Chinese energy firms to find access to Middle Eastern oil and gas, often on a pre-emptive basis (Rica Downs, 2004).

The ongoing political fluctuations in the Middle East and North Africa (MENA) is considered as a geo-economics obstacle for China, that has a strategic oil reserve of 100 million barrels and used about 8 million barrels of crude per day. This reserve would only last half a month if all oil supplies are cut. China will have a rapidly growing dependence on imported oil, forcing it to import more oil from the Middle East during the next few decades. Nevertheless, the share of oil imported from the Middle East can decrease, as China has already debuted to diversify suppliers (Global Times, 2020).

Nonetheless, for China, the Middle East--with roughly 60% of the world's oil reserves and low production costs--will remain in the first rank as a supplier of petroleum for the limitless future. So, in the not so far future, the region will be the world's main source of oil (Ziegler, 2006). China's economy keeps remaining dependent on Middle Eastern and OPEC oil, with 50% of its imports coming from Saudi Arabia and Iran. China will become even more reliant in the future (Swami, 2011).

To date, China is an absolute leader in the growth rate of energy consumption. In 2017, China used 25% of the world's total energy consumption. Thus, with a high degree of certainty, China's main objective in the field of energy security is to find a sufficient amount of energy that could be supplied uninterruptedly to the country to support its stable economic growth. For the uninterrupted supply of China's resources, it is necessary to maintain the security of global supplies. Several components of the Chinese energy security strategy can be singled out:

1. Encourage Chinese oil and gas companies to invest in major international oil and gas projects.
2. Insurance of price risks by creating markets for oil futures, allowing to buy the necessary raw materials in the future for today's current price.
3. Creation of strategic stocks of oil and, as a consequence, satisfaction of national needs in it.

Today, China's oil diplomacy includes two types of models: horizontal and vertical. The vertical model is shown in the form of multilateral cooperation and is directed, firstly, to the collaboration between China and the leading International Energy Agencies. Secondly, China has focused its attention on existing, multilateral energy cooperation. A vertical model and bilateral cooperation of importing countries have also grown, with the help of oil diplomacy. China's energy security strategy includes such apparent steps as pipeline construction to diversify, reduce dependence on maritime routes, and strengthen relations with supplier countries (Jia, 2017).

2.3. The Arab Spring

One of the important political events that affected the cost of importing oil into China was the emergence of "the Arab Spring" in the Middle East and North Africa (MENA) - a series of mass protests, revolutions, and internal military conflicts in several Arab countries that began at the end 2010. The developments happen in the Middle East from the beginning of the Arab Spring have led to an increase in world oil prices (Aslanoglu and Deniz, 2013; Hsiao et al., 2016). For China, this meant high import bills and a reduction in the trade surplus, as well as slow economic growth, as the contribution of net exports decreased. Therefore, the Arab Spring hurt Chinese commercial interests. Because of this, the study of the impact of political change after the Arab Spring on China's oil diplomacy and relations with OPEC countries are very relevant (Mordechai, 2013). The outlook of continuing political instability in the Middle East and North Africa region can be seen as a major economic problem for China, with a strategic oil reserve of 1.15 billion barrels¹ and consuming about 13.57 million barrels of oil a day.² In case of termination of oil import, China's strategic oil reserves will only be able to meet 83 days of domestic demands for oil.

One of the first political events that affected the cost of importing oil into China was the so-called "the Arab Spring" in the Middle East-North Africa (MENA). It was a series of mass protests, revolutions and internal military conflicts in several Arab countries that began at the end of 2010. In some states, it continues to this day (Syria). The first movement of the events of the Arab spring started in Tunisia when a young Tunisian immolated himself after being bothered by municipal officials, shacked the MENA region (Mordechai, 2013). The success of Tunisian incidents caused to create a dangerous situation for authoritarian regimes in the MENA area. Although some states in the region had few or nothing protest in their land in that time, the political instability of their regional alliances put them on risk in foreign affairs. It forced them to make the situation in their countries to reduce the influence of the Arab spring movement on their peoples. These countries are recognized as leading producers of oil and instability, and political mass affected their primary industry (Oil and gas industry). Notably, the conflict between powers in the middle east reduced the energy security of oil-importer states.

The dispute between Iran and Saudi Arabia on Syria made strange changes in the political atmosphere of the region. Iran, supporting the Dameshq during the Syria crisis and its civil war, faced global pressure. The USA already has put economic sanction on Iran nuclear program and also bearing international pressure about Syria on Iran. Iran's oil production capacity reduced below 1 million barrels per day from 2011 to the end of 2012.

¹ Wood Mackenzie. March, 2020. China's crude reserves to reach 1.15 billion barrels in 2020. Available at woodmac.com/press-releases/chinas-crude-reserves-to-reach-1.15-billion-barrels-in-2020/

² U.S. Energy Information Agency. 2019. What countries are the top producers and consumers of oil? Available at <https://www.eia.gov/tools/faqs/faq.php?id=709&t=6>

The political conflicts between Iran after beginning Events of the Arab spring increased year by year and getting more series to a complete breakdown of the political relationship between the two countries. These bilateral problems appeared in both countries' political and social atmosphere. It can be seen in a few numbers of Iranians that shows their anger against Saudi Arabia regional policies in front of the Saudi Arabian embassy in Tehran. Moreover, both Iran and Saudi Arabia follow their interests, and in this situation, the benefits are against each other, especially oil and gas policy. So, in recent years they have grave issues in making decisions in OPEC to control the price and capacity of the market.

However, since the topic of this study arrowed to China oil diplomacy, it mentionable that all these political conflicts, internally or bilaterally and regionally, are critical factors for Beijing's foreign affairs decision making. Since the Arab spring happened in Meddle East as the most significant region in terms of oil capacity, so this factor was an issue for China's oil diplomacy. The main task of China's oil diplomacy in the Middle East is to provide reliable sources of oil. However, it is influenced by various factors, for example, price fluctuations, as a result of crises, wars, etc. The Middle East, being a region with vast oil and gas reserves, is the main target of Chinese investment. The Middle East is a perfect place for investment, but political instability in the region poses a threat to the initial investment. The low cost of production should not be equated with the small risk of production. Also, such conditions as the availability of oil and gas resources, the investment climate in the country should be taken into account, with particular attention to stability and political change. As it showed in [table 1](#), the events of the Arab Spring have hurt oil production by the OPEC member countries, in which most members are located in Middle East-North Africa (MENA) region that the impact of the Arab Spring has directed them. Although some of these countries do not have a complex crisis during the Arab spring, political instability affected all-region. Regarding, OPEC's share of world production decreased in 2010 right after the first wave of political changes and uncertainty due to the Arab spring, in 2013 after the last waves of these events.

Table-1. World oil production, million tons

year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
World production	3592	3615	3520	3580	3652	3707	3720	3783	3890	3907	3903
OPEC production	1516	1598	1424	1445	1516	1558	1521	1502	1601	1632	1609
OPEC share in the world production, %	42,2	44,2	40,5	40,4	41,5	42,0	40,9	40,1	41,2	41,7	41,2

Source: results, trends, forecasts. Oil and gas vertical (2018)

Further, rising geopolitical risks among suppliers of the Organization of the Petroleum Exporting Countries (OPEC) have drawn China into diplomatic disputes and opened the door to review contracts and expropriation. The Arab Spring events carry new risks for Chinese companies with Chinese investments, companies, and workers abroad. Because of the changing geopolitical situation, they are forced to re-evaluate China's "going-out" policy. China's response to the new strategic challenges in the oil market is also heavily dependent on its negative perceptions of U.S. hegemony in the Middle East and increasingly visible China's fears about the United States policy in the Middle East, which "promotes democratization" ([Numan, 2014](#)). From 2010 to 2012 the period of the Arab spring, Chinese oil and gas companies each year suffered economic losses due to the volatility of world oil prices and thus increasing the cost of importing crude oil, that one of the reasons was a political crisis and civil wars in the MENA region and the Arab world in those years ([Table 2](#)).

Table-2. The dynamics of oil and gas production and consumption in the People's Republic of China, economic costs

Year	The world oil price, dollars	Products, oil and gas, dollars	The consumption of oil and gas to the amount, dollars	GDP, %	Import, barrel, tons	The population of China, 100 million	GDP on 1 person, trillion
2006	72,69	3 684	7 530	6,73	679,98	13,14	21,77
2007	78,53	3 743	7 855	6,13	569,70	13,21	26,80
2008	101,61	3 795	7 999	6,55	1 200,00	13,28	31,68
2009	64,66	3 805	8 212	3,70	1 309,78	13,35	34,56
2010	83,00	4 077	9 251	4,57	1 353,07	13,41	40,89
2011	110	4 083	9 267	5,01	1 567,27	13,47	48,41
2012	112	5 021	9 300	7,22	2 000,00	13,54	53,41
2013	108,7	5 309	9 356	9,08	2 195,49	13,61	58,80
2014	80	5 789	9 457	6,71	2 281,38	13,68	63,59
2015	53,27	5 320	9 801	7,08	1 341,52	13,74	67,67
2016	44,1	5 411	10 010	6,90	1 425,35	13,85	67,89
2017	54,4	5 912	10 985	7,12	1 521,2	13,99	67,95

Source: The website of the People's Bank of China (2018)

2.4. OPEC

Today, North Africa and the Middle East are among the most important oil and gas regions, many countries in this region are part of the OPEC cartel organization established to stabilize oil policy among significant oil-exporting

countries. Initially, OPEC was created for pricing and production control over the level of oil and gas resources. As the center of international oil and gas resources moved to the Middle East at that time, OPEC members and other oil and gas exporters wanted to change the alignment of forces in the global oil and gas market. In the end, OPEC got the right to determine the price of oil. It is estimated that more than 80% of the world's proven oil reserves come from OPEC member states, with the bulk of OPEC oil reserves concentrated in the Middle East: up to 66% of OPEC's total reserves³. The economy of OPEC countries has a significant influence on the world economic system, but at the same time, it is itself dependent on its development. In particular, the price of oil in the markets consists of the cost of crude oil, processed oil, and taxes. Moreover, prices in different countries vary significantly.

In considering the particularities of China-OPEC relations and the influence of OPEC on China's oil diplomacy, the study analyzed the latest trend in the oil market and specially focused on OPEC and Middle East region countries. In 2017, China became the largest importer of crude oil in the world, placed behind the United States of America. China is the world's largest consumer of oil for nine years in a row. During this time, China expanded its processing capacity and reduced its restrictions on oil imports and the export of petroleum products. Strong crude imports continued in 2018. In March 2018, crude oil imports in China reached a record level at that time, while exports of processed fuel also rose sharply by 43%, compared with March 2017. The import of crude oil in China in the first quarter of 2018 increased by 7% comparing with the same period in 2017 and amounted to about 9.09 million barrels per day. The growth of total crude oil imports in China in 2017 occurred both at the expense of lower domestic crude oil production and a long-term increase in demand. After steady growth between 2012 and 2015, crude oil production in China declined significantly in 2016. Most of the growth in Chinese extraction in 2012-2015 was due to expensive drilling and mining methods, such as increasing oil yields on old deposits. As oil prices decreased during 2016, investments in the development of new stocks also declined in production in old fields. Other factors also contributed to an increase in the import of crude oil to China. For example, in July 2015, the Chinese government began to allow private oil refineries (not owned by the state) to import crude oil. Previously, private processors had limitations on the amount of crude oil they could import and relied on domestic supplies and fuel oil as the primary raw material.

In 2018, India and China, the largest oil buyers in Asia, began discussing the possibility of increasing the import of crude oil from the U.S. to Asia to reduce their dependence on supplies from the Organization of the Exporting Countries and Middle east suppliers. With US oil, countries want to push OPEC to keep oil prices under control. Recall that China is the world's largest buyer of oil, while India is in fourth place in the list of importers. China and India account for 17% of the world's consumption of "black" gold. Collaboration between two major oil buyers, if they manage to agree, will add to the problems of OPEC, which include middle east oil-exporting countries, which is already competing for the share in the Asian oil market from the Gulf of Mexico and shale deposits in Texas. Relations between India and China are not the best. They are fighting for leadership in Asia. Beijing and Delhi cannot resolve territorial disputes that have once led to a war, but this does not mean that they will not cooperate in the event of economic feasibility. One of these areas of cooperation is the formal establishment of an oil importer.

The diversification of supply sources will benefit both India and China by increasing competition between oil producers since the purchase of oil at the lowest price is vital for both energy-intensive Asian consumers. That influence on OPEC breaks internal contradictions: Saudi Arabia advocates easing restrictions on production, and Iran, Iraq, and Venezuela are opposed to increasing production. The danger of Beijing and Delhi's initiative for the OPEC is also great because Japan and the European Union, which have previously refused to participate in any anti-oil cartel action, can now join China and India. The reason for such "courage" is simple: unlike all previous cycles of oil price fluctuations, there is now an alternative to fossil fuels. As above was showed, reciprocal decisions and actions of OPEC as leading world OIL producer and China's actions and reactions as biggest crude oil buyer, that all be appearing in China's oil diplomacy, have direct and indirect influences to each other's. Among 12 leaders of producing oil and ten highest countries in reserving the oil, five are located in the Middle East; Saudi Arabia, Iraq, Iran, UAE, and Kuwait. And all of them are members of OPEC and following an impact from this organization for their oil industries making decisions. Thus, the OPEC impacts on the way of China's oil diplomacy, so China's oil diplomacy changes or adapt according to those impacts in the Middle East. According to the studies, OPEC members' market control policies and actions directly impact China's oil policy, regional and global. From 2011 supplying china oil from Russia get double in 5 years. In 2016 exports of Russian oil to China have jumped almost 42 percent to over 22 million tons from January to May. Volumes of supplies from non-OPEC countries accounted for 65% of China's imports from 2012 through 2016. From 2016 Russia is the first oil exporter country to China and passed Saudi Arabia as the first rank.

2.5. China's Overall Foreign Policy toward the Middle East

In this part of the study, influences of overall China's Foreign policy to direct its oil diplomacy in The Middle East are examined in three crucial aspects: China's foreign policy principals, economic diplomacy, and China's military policy. China's decisions on foreign policy issues derive from the Five Principles: mutual respect for sovereignty and territorial integrity, mutual non-aggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence⁴. Of course, this official classification of China's foreign policy

³ OPEC official website URL: https://www.opec.org/opec_web/en/ (application date 12.12.2018).

⁴ Principles of China's Foreign Policy, Columbia University, http://afe.easia.columbia.edu/special/china_1950_forpol_principles.htm

principles does not mean that Chinese foreign policy is not realistic or strategic. In many cases, the mentioned principles fit the requirements of Chinese strategy. Particularly in places relatively far from China, such as the Middle East, Africa, and Latin America, a few simple principles such as mutual non-aggression, noninterference in each other's internal affairs, equality and mutual benefit reflect Chinese interests most of the time. One of significant China's foreign policy principle which impacts its Oil diplomacy in The Middle East is noninterference in internal affairs; China has been careful to keep low profiles and follow to imprecise positions on controversial regional issues. China's oil diplomacy also follows this principle and always tried to achieve the goals indirectly. China still engaged in all regional formations such as the Arab League, the Gulf Cooperation Council, and OIC (Organization of the Islamic Conference) to support all kinds of groups and making good relations with their members (Chen, 2011). Although China has some strategic partners in the region, Basically, China always welcomed Middle eastern countries as non-threatening.

One of the critical aspects of China's foreign policy is the fact that China is still following economic diplomacy all over the world. The main factors of China's foreign policy in the Middle East are driven by its economic diplomacy as well, which mostly focuses on oil diplomacy. In the '90s, the national petroleum industry has ceased to meet the needs of a fast-growing economy. Before the Chinese government, the task was to cover the deficit of energy resources at the expense of imports. At the same time, China began to develop a country's energy security strategy, as the government was concerned about this issue, as energy security affects not only the economy but also political, military, and diplomatic relations. As Portyakov (2013), mentioned the main threats and challenges of China's energy security are:

- a growing imbalance between demand and oil production, which leads to a threatening external dependence of China on import supplies;
- non-diversified energy imports from the unstable Middle East that puts China's strategic interests in a dangerous reliance on the situation of the region;
- fluctuations of world prices as a destabilizing factor;
- The necessity of the Navy of China to ensure the safety of sea transit oil;
- The emergence of regional conflicts near the transport routes of oil imports to China.

In the time of the general security of the communist party of Hu Jintao, China focused on the "going-out" policy. It encouraged its national oil companies to manage energy security by buying oil shares in the overseas market, exploring and drilling abroad, constructing refineries, and investing in pipelines to Siberia and Central Asia⁵. China also invested and assisted oil producers of the region in other industries' infrastructure to one hand, earning money and, on the other hand, force states to support China's Interests in the long-term. To achieve more security for its strategic alliance and its interests, in the last decade, China expended its military activities in the Middle East. In 2010 China started a new level in its military negotiations and military diplomacy and visited several countries such as Egypt, Lebanon, Turkey, Oman, the UAE, and Qatar. All governments announced promising strengthened defense cooperation. Two prominent occurrences during visits are: first, Chinese warships made port calls in the UAE and Egypt in March and July, denoting the first time that the People's Liberation Army (PLA) navy had ever entered into that region (Habboush, 2010). Second, the Turkish air force invited the PLA air force to participate in its yearly Anatolian Eagle practice in September, the first time that Turkey and China participate in military exercises together (Pfeffer, 2010). The mutual and regional development has three main benefits for China in the Middle East. Reducing the hegemony of the USA in the region that was the only player in the Middle East; Increasing the oil transport routes security in such an area that has the risk of potential disorders; And increasing the dependency of the countries of the region to China to ensure security.

2.6. China-US Relationship in the Middle East

China and the USA follow their own foreign policy goals in The Middle East to achieve their interests and priorities, although some of them are close and in the same direction with each other; they have different approaches and strategies and behaviors for them. According to the [National Security Strategy of the United States of America \(2010\)](#), U.S. strategic interests listed according to below-listed priorities⁶.

- Cooperation with regional governments to fight against terrorism.
- Keeping access to energy resources
- Certifying the stability as well as the security of its allies
- Following nonproliferation, specifically about Iran
- Working on Arab-Israeli peace
- Supporting the annexation of the region into global markets.

First-hand resources have published by China government about its interest and priorities in the Middle East, but from articles and researches about China in the Middle East, following interests can be collected:

- Ensuring access to energy
- Constructing markets for Chinese exports

⁵ Targets of the strategy to date outside the Middle East have included Azerbaijan, Indonesia, Kazakhstan, Myanmar, Turkmenistan, and Venezuela. See Mikal Herberg, "Asia's Energy Insecurity, China, and India," testimony before the U.S. Senate Committee on Foreign Relations, July 26, 2005.

⁶ The White House, The National Security Strategy of the United States of America, May 2010, available at <www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf>

- Fighting against terrorist support for Uighur separatists
- Obtaining diplomatic support from the Middle East governments against Taiwan.

Most crucial priority and interest that both super economic power shares with each other is securing energy sources in the Middle East. However, their attitudes are different from making energy security. The United States is seeking to increase the global Energy Market reliability, while China prefers to achieve fairness shares in energy exploration. In order to strengthen energy security for both sides, the critical step was the strategic dialogue between the states in May 2010. The two-side pointed out to energy security cooperation and establishing a competitive energy market that is open, transparent, and highly efficient⁷.

One of the U.S. priorities that are against China's interest in the region is U.S. attention to ensuring Israel's security. The U.S. tries to impose sanctions on Iran during 2010 was complicated by China's objection, partly because of sizable Chinese energy investments in Iran. The objection was withdrawn after an amended United Nations Security Council resolution loosened the influence of penal measures. The U.S. officials suspected despite the passage of the resolution, and China has engaged in dealings with Iran that further undermines the effectiveness of the sanctions (Doggett and Cornwell, 2010)⁸. Due to these sanctions, especially in the new round that Donald Trump adapted, the oil production capacity of Iran reduced that was the most significant share of Iran's annual budget. Iran somehow is essential to China that in case studies examined it. Growing Economic Interdependence is another China policy that China foreign policy and oil diplomacy are built on it.

Accordingly, one of the most important of China's increasing involvement in the Middle East is the detonation in economic activity more than before. From 2005 to 2009, the total Middle East import amount increased 87 percent, to \$100 billion, and the China import from the Middle East grew by 25 percent⁹. In contrast, trade valium from the Middle East to the United States dropped by 45 percent in the same period. As a result, China beat the United States last year as the top destination for the Middle East's cargos. On the other side of the trading archive, China is also the prime source supplier of the region, most of the imported products being low-cost products that raise purchasing power for the average Middle East consumer¹⁰. For example, a higher number of Egyptians are now able to afford cars due to the availability of inexpensive Chinese models.¹¹

3. Conclusion

In the future, China's dependence on imported oil will increase, forcing it to import more oil from the Middle East during the next few decades. Although China is seeking to diversify its energy suppliers to diminish the political and geopolitical risks of importing oil from the Middle East, the Middle East - with about two-thirds of the world's oil reserves and low production costs - will remain China's major supplier of crude oil for an indefinite future.

Today's instability in the Middle East as a result of the Arab spring and political unrest have direct impacts on China's oil diplomacy in the region. Because of the social and political movement started in several Arabic countries in the Middle East, the flow of oil exports from these countries fluctuated severely. These fluctuations in oil production capacity imposed a high level of risk for the security of oil supply to China. Therefore, it is understandable that the Chinese government is striving to diversify oil supplies from the Middle East region by importing liquid hydrocarbons from other geographic sources.

This study found that China's oil diplomacy in the Middle East increased concern in the U.S. about China's global power. The desire to provide itself with reliable sources of energy forces China to pursue an active foreign trade policy, which leads to the expansion of the sphere of influence of China around the world. This is a concern in the United States, which sees it as a significant challenge for its economic development. On the other hand, the Chinese authorities, while predicting possible risks from U.S. questionable actions, including sanctions, such as those applied to the Russian Federation, Iran, and Venezuela, are exploring ways to minimize damage to their economies. Based on the vision of these threats, China started to open the oil trade in yuan by the end of 2018 on the Shanghai Stock Exchange. At the initial stage, the value of the futures in yuan will be "tied" to existing oil quotations in dollars, since key players are targeted for the dollar.

In general, China's foreign policy affects china's oil diplomacy in the Middle east. It makes red lines and defined China's oil diplomacy interest through three aspects: china's foreign policy principles, China's economic diplomacy approach, and china's Military policy in the region.

To secure its oil imports flows, China should adopt the following policies:

First, China's energy cooperation is a multilevel system. International energy cooperation has arisen between transnational oil companies and enterprises and thus has become the main form of international cooperation in the field of energy resources. As the strategic position of oil resources becomes more and more visible, the national level

⁷ Department of State, "U.S.-China Joint Statement on Energy Security Cooperation," May 25, 2010, available at <www.state.gov/r/pa/prs/ps/2010/05/142179.htm>.

⁸ Tom Doggett and Susan Cornwell, "Lawmaker Wary of China/Iran Ties," Reuters, September 20, 2010, available at <<http://www.webcitation.org/5xRqvoFsD>>. See also Mark Dubowitz and Laura Grossman, "Iran's Chinese Energy Partners: Companies Eligible for Investigation under U.S. Sanctions Law," Foundation for Defense of Democracies, September 2010, available at <www.iranenergyproject.org/documents/1674.pdf>

⁹ compiled from the International Monetary Fund's Direction of Trade Statistics database.

¹⁰ Ahmed Aldabba, "Made-in-China Products Still Present in Gaza," Xinhua, February 13, 2010, available at <<http://www.webcitation.org/5xRr68t0o>>.

¹¹ "Chinese Firms Boost African Investment," China Daily, April 21, 2010, available at <<http://www.webcitation.org/5xRr05pBB>>

of energy cooperation is rapidly developing. China has different levels of multilateral energy cooperation, which is gradually becoming a new trend for the countries involved in energy cooperation.

Secondly, China's international energy relations have a considerable number of partners in the global energy market, such as cooperation with energy-exporting countries, cooperation with energy importing countries, energy cooperation with transit countries, cooperation with transnational energy companies, and international energy organizations. Energy cooperation with transit countries concerns energy security issues, as well as facilitates the solution of transit pipelines, transportation costs, and other issues. To collaborate with transnational energy companies and International Energy Agencies, Chinese enterprises and multinational energy companies follow new policies like purchasing in equity, mergers, strategic alliances, and improve access to the oil field.

Thirdly, international cooperation in the field of energy has many channels. Global energy trade will also remain the main form of China's use of foreign energy sources. China is actively developing and conducts various types of economic cooperation in the field of direct involvement of local transport, communication, water management, electricity, etc. It is also establishing infrastructure construction, further expansion of contracting projects, and multilateral and bilateral cooperation mechanisms for contract projects.

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