

SLOC and China's Energy Security: Implication for Northeast Asia Energy Cooperation

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"Energy and Security in Northeast Asia: Toward a Northeast Asian Energy Cooperation Council"

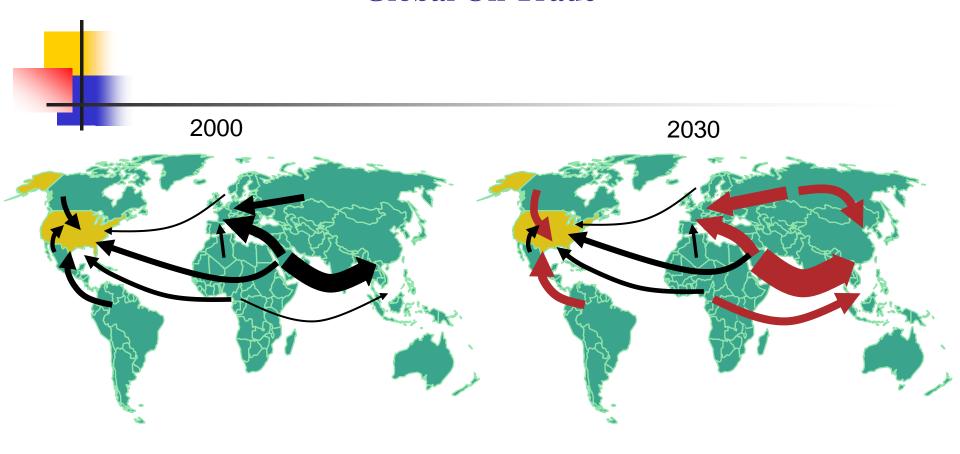
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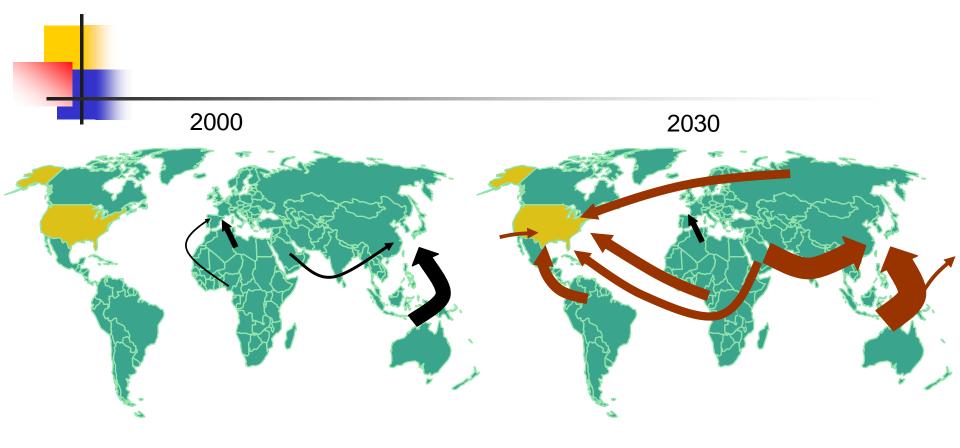
Growing Challenges of Energy Transit Security

- The volume of international trade in oil and gas is increasing as a result of rapid growth of world economy.
- The Northeast Asia's oil and gas import enjoys the fastest growth in the world and is getting more and more dependent on Middle East and Africa.
- One of the consequences is that Northeast Asia's energy consumption become increasingly dependent on maritime shipping that passes through the narrow straits like Straits of Hormuz and Malacca, often described as "choke points".

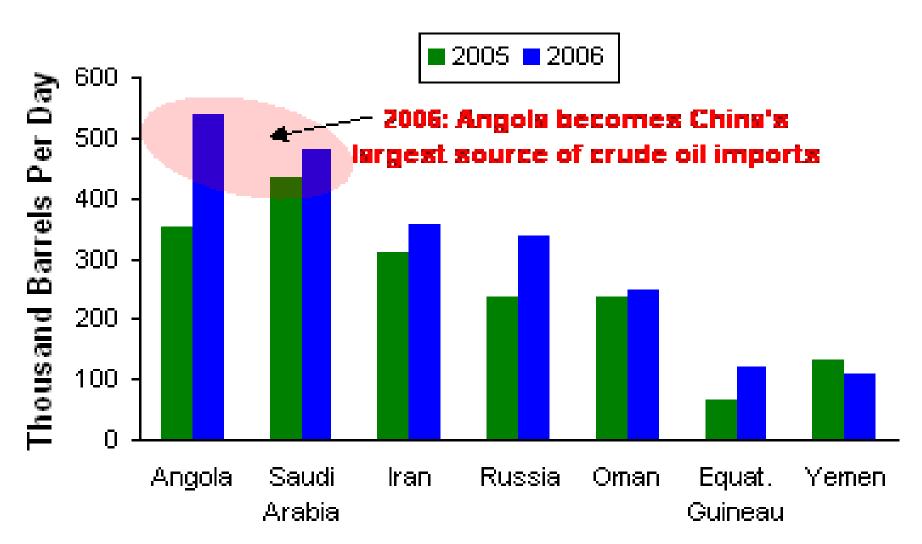
Global Oil Trade



Global Natural Gas trade



Top Sources of China's Crude Oil Imports, 2005 and 2006*



Source: FACTS, Inc. *China Oil and Gas Monthly* *2006 data is January through June only

Oil and ING Tanker Traffic through Strategic Maritime Channels

		20	002	2030		
		Volume oil(mb/d) gas(bcm)	Share of global international net trade(%)	Volume oil(mb/d) gas(bcm)	Share of global international net trade(%)	
Straits of Hormuz	Oil tankers	15	44	43	66	
	LNG carriers	28	18	230	34	
Straits of Malacca	Oil tankers	11	32	24	37	
	LNG carriers	40	27	94	14	
Suez Canal	Oil tankers	1	4	3	4	
	LNG carriers	4	3	60	9	

Sources: IEA, World Energy Outlook 2004

The Number of Reported Incidents of Piracy (1998-2004)

	1998	1999	2000	2001	2002	2003	2004
Indonesia	60	115	119	91	103	121	93
Malaysia	10	18	21	19	14	5	9
The Malacca-Singapore Straits	2	16	80	24	21	30	45
Other Southeast Asia	17	14	28	27	27	29	13
Subtotal(southeast Asia)	(89)	(163)	(248)	(161)	(165)	(185)	(160)
Total(Other Region)	113	137	221	174	205	260	165
World Total	202	300	469	335	370	445	325

Sinkingtanker



A French supertanker off the coast of Yemen was attacked on October 6, 2002





"Malacca Dilemma": Myth and Reality

- Risks: US's oil embargo, terrorism, pirates or traffic accidents?
- Solutions: Navy forces building or Alternatives mainland bypass routes?
- War-time security and peace- time security
- The so-called "Malacca dilemma" is to some extent overstated.
- Problems may arise from the added shipping capacity requirements.

- Even some the alternative pipelines come true, considering the rapidly growing import and economy cost, China's energy transportation will still very much rely on sea lines.
- The unlikely happened oil embargo or blockage;
- Decline in the number of incidents;
- Increasing cooperation for energy transportation route.
- China needs to be more confident on its capability to deal with the remained challenges and pay more attention to domestic infrastructure building and emergency response system improving while pursuing regional cooperation mechanism.



Energy Transit Security Dilemma

- The hotly discussed and debated "Malacca Dilemma" among some Chinese analysts has caused great concern from the outside world and misperceptions on China's related policy and strategy.
- Some major powers are very much concerned about the impact of China's possible navy force building on the sea lane security and stability in the East Asia.
- "String-of-Pearls Strategy"
- China also has similar worries from other powers:
- Security alliance among United States, Japan, India and Australia
- United States, Japan and India's corresponding actions to involve the SLOCs



- China's navy force could not achieve the goal of safeguarding the oil tankers in quite long time even China works hard to build its navy force.
- "It will not be a threat to the US unless China has a very large modern and capable navy which it has not remotely done to this point".

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Cooperation for Energy Transportation Route

■ The growing concern of SLOC security provides opportunity and feasibility for Northeast Asia countries to cooperate on safeguarding the SLOC.

 But on the other side, some misperceptions and misunderstandings on China or by Chinese also pose challenges to the cooperation.

■ To improve mutual trust and to further the cooperation, the bilateral or multilateral strategic dialogues are very important.

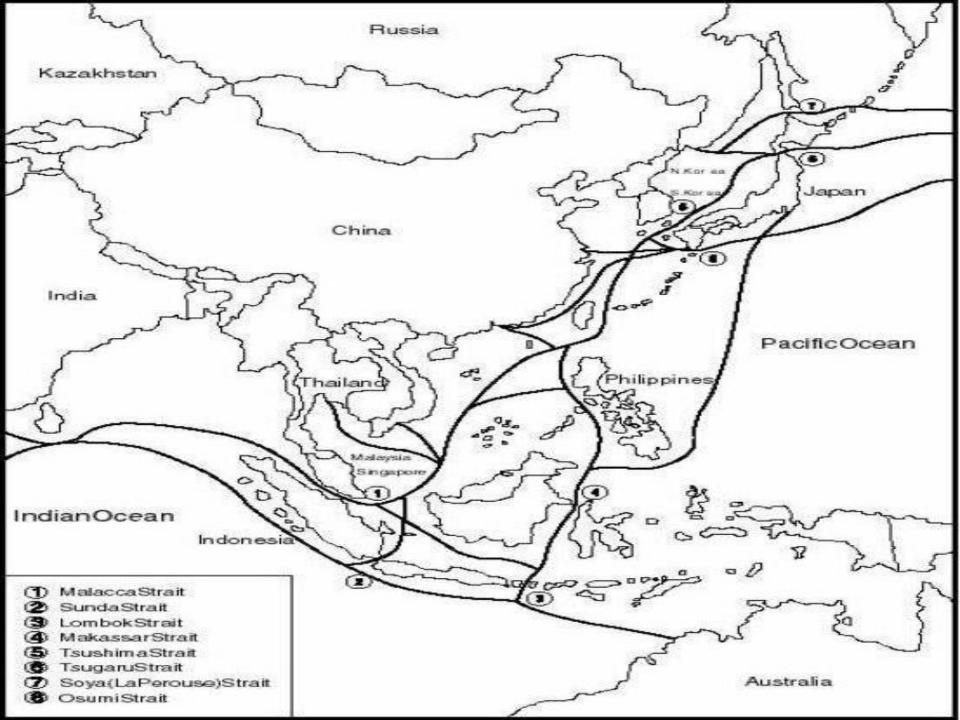


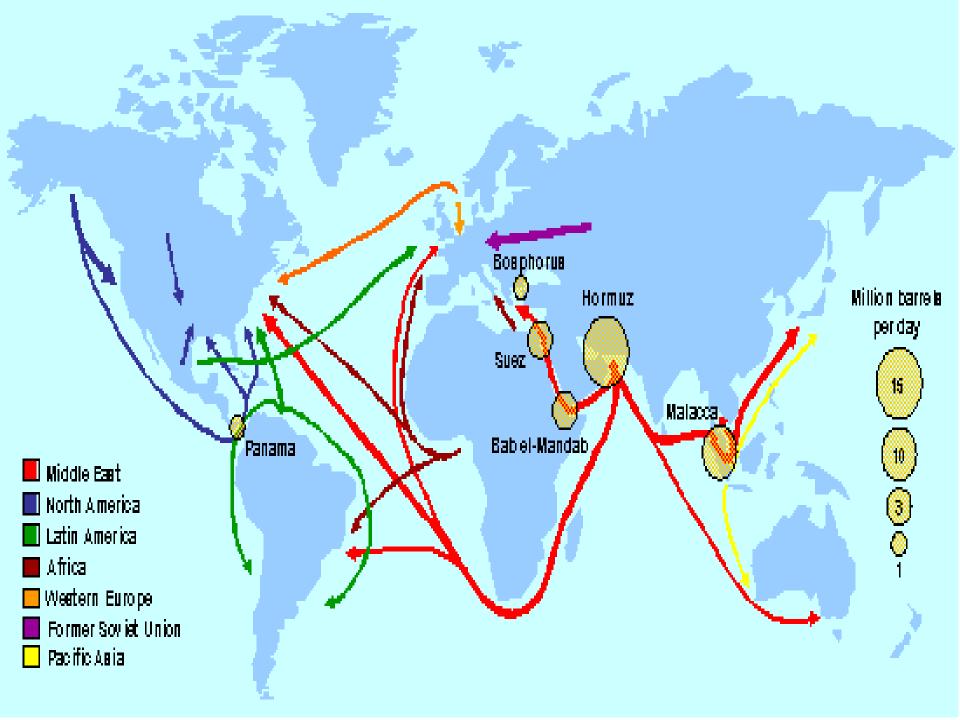
Improving regional energy transportation system

- To decrease or slow down the dependence on Malacca Straits and other chokepoints;
- To increase the capability dealing with the possible disruptions.
- Energy Transportation Infrastructure building
- Pipelines;
- Electricity power grids.
- Regional energy connections (an agreed legal and institutional framework)
- The domestic energy transportation system.

Cooperating on anti-piracy, anti-terrorism and traffic accidents prevention

- Communication or dialogues with littoral states and ASEAN.
- Provide necessary funds, technology and equipment for littoral states to improve the shipping condition and dealing with the piracy and terrorism.
- Exchanging information with IOC and the information center on piracy established by the littoral states.
- Exploring the possibility of alternative routes of Malacca: Sunda and Lombok strait.







Thanks for your attention !!