

## **CHAPTER 4**

### **CHINA'S GLOBAL AND REGIONAL ACTIVITIES AND GEOSTRATEGIC DEVELOPMENTS**

#### **INTRODUCTION**

In the past year, China's global presence and influence continued to grow. It sought out new export markets for its products, and trade increased between China and many regions of the world; in some cases trade grew rapidly, such as with Europe. China also reached out to regions such as Africa, the Americas, and the Middle East to secure the energy and raw materials needed to fuel and support its growing economy. Since the Commission's previous Annual Report (issued in June 2004), China has become the world's second largest national consumer of petroleum behind the United States.

Unfortunately, certain international activities by China throw a shadow on its global rise. For example, China has continued to be a source of WMD- and missile-related technologies to countries of concern such as Iran. Despite China's enactment of tougher export control laws and constant complaints and sanctions by the United States, Chinese companies and organizations continued to proliferate. China took welcome steps to achieve progress in the diplomatic discussions aimed at eliminating North Korea's nuclear weapons and weapons programs but has not yet exerted its full leverage over Pyongyang to solve this problem.

The following are highlights of China's global activities over the last year:

- China's foreign policy has changed dramatically over the past ten years. China's regional and multilateral goals are influenced by the need to obtain resources, particularly energy resources, and to gain access to export markets; the desire to isolate Taiwan; and the intention of diluting an international system it sees as dominated by the United States. In order to achieve its goals, China employed a more proactive and creative diplomacy and increasingly used aid, development and investment packages, and diplomatic support to win favor in regions such as Africa and Latin America.
- China continued to cultivate ties with large regional leaders such as Russia and India. Russia recently joined China in calling for U.S. forces to leave the Central Asian bases from which they fight terrorism. China's ties with Europe also grew, especially on the trade front, and Beijing continued to press Brussels to lift the EU arms embargo on China that has been in place since the 1989 Tiananmen massacre.
- In part in order to obtain access to energy resources and raw materials, China utilized and expanded relationships with nations

such as Iran, Sudan, and Zimbabwe that have earned international opprobrium for objectionable human rights, terrorism support, and other activities. In these interactions, China focused on its narrow interests while dismissing international concerns.

- Chinese companies continued to provide WMD- and missile-related technology to countries of concern such as Iran and obtained both economic gain and diplomatic influence from such sales. Despite continued complaints from the Administration and the imposition of numerous proliferation-related sanctions against Chinese companies since June 2001, these problems persist.
- China remained North Korea's principal patron with consequent significant leverage over that country. Significant amounts of fuel and food were provided by China to Pyongyang and the two countries enjoyed an historic level of bilateral trade. In recent months, China has taken productive diplomatic steps to move denuclearization talks forward by circulating a statement of principles to reinvigorate the moribund Six-Party Talks and working to obtain agreement to those principles. Now it is critical that Beijing exert as much influence as will be needed to ensure that North Korea eliminates its nuclear threat.
- The future success of China's economic and political policies is tied to the success of its energy policies. Two-thirds of China's energy needs are met by coal, but China's demand for oil resources needed to fuel its economic growth is rapidly increasing, putting China on course to compete with the United States and other oil importing nations for global supplies. China's policy of attempting to obtain control of oil resources at the wellhead rather than participating in the international petroleum market threatens to exacerbate tensions with the United States and other countries that are market participants. The attempt by a Chinese oil firm partly controlled by the central government to purchase California-based Unocal exemplified its policy and caused considerable U.S. concern before the attempt was abandoned.

In light of these developments, the United States should take a more attentive and active role in monitoring and responding to China's increased global presence, including China's attempt to secure international energy sources. The United States needs to reassess its policy aimed at stopping Chinese proliferation, including reexamining the adequacy of U.S. nonproliferation sanctions authorities. The United States also must persuade Beijing that it is in China's interest to engage more vigorously in the effort to halt North Korea's reckless nuclear weapons programs.