

Opening Statement of Daniel Blumenthal, Vice Chairman
June 14, 2007
Washington, DC

Thank you, Madam Chairman.

Good morning, and welcome to the U.S.-China Commission hearing on “China’s Energy Consumption and Opportunities to Mitigate the Effects of China’s Energy Use.” As the Chairman mentioned in her remarks, this hearing will address the trends and impact of China’s energy consumption; the strategic and environmental consequences of that energy use; strategies for addressing these effects; and U.S.-China cooperative programs on energy and the environment.

It is important as we begin to assess the impact of China’s energy use that we remember a stable energy supply is inextricably linked to economic development. As China continues its truly remarkable migration from a subsistence agrarian economy to a global industrial powerhouse,, it can do so only with a stable energy supply and an adequate energy infrastructure that supports the entire country. Although most of China’s energy comes from domestic coal supplies, its reliance upon oil imports has been growing rapidly. Chinese leaders view this dependence as a source of energy insecurity, especially as China must rely on U.S. protection of sea lanes to ensure the safe transport of its oil supplies from Africa and the Middle East. To mitigate this insecurity, China appears to be using both soft power and hard power strategies to ensure a stable supply.

China is cultivating relationships with Central Asian, African, and Middle Eastern nations and using development aid, debt relief, and other instruments to open doors. Chinese national oil companies are actively seeking equity stakes in oil production, often in countries with high political risk and unfavorable international reputations where Western companies either are prohibited from investing or choose not to invest. Most disturbing is China’s continued promise of aid and support to Sudan, where China has a significant oil investment, despite the genocide occurring in the Darfur region.

Energy not only has affected China’s foreign relations, but also appears to be affecting the course of its military modernization. During a Commission meeting with officers from the People’s Liberation Army Academy of Military Sciences, officers acknowledged the role of the military in protecting China’s development, and specifically its energy supplies. China’s military modernization has the objective not only of preventing Taiwan from declaring independence, but also of ensuring that China’s development stays on course. This goal can be linked to the development of a blue water navy, a reluctance or refusal to resolve territorial claims in the South China Sea and East China Sea, and the expansion of China’s military presence in Asia and around the world.

In addition to the concerns about the environmental effects of China’s energy use that will be highlighted at this hearing, I believe it is just as important to consider the impact that energy has on China’s relationships around the world in places that affect U.S. security interests, namely Iran, Sudan, and Venezuela, and the effect of China’s energy use on its military modernization and strategy. I look forward to hearing about the environmental and strategic consequences of China’s energy use and any suggestions for how the United States can best address these issues in ways that avoids confrontation.

Thank you to our witnesses today for appearing and for providing your insights into the questions raised by the Commission. At this time, I'll turn the microphone to Commissioner and Co-chair for today's session Peter Videnieks for his opening remarks.