

China: Missile Defense, Energy and the Emerging GeoStrategic Environment

By Peter Huessy, President, GeoStrategic
Analysis

Asia-Pacific Security Challenges, Prague
Security Studies Institute, Prague, Czech
Republic, September 2008

China: Energy Indications

- China's population of 1.3 billion increasingly is seeking to move to urban areas
- In the past 25 years, the PRC has moved some 250 million people from rural to urban population centers
- This has required an enormous growth in the manufacturing sector to employ unprecedented numbers of people-failure to do so will collapse Chinese society-must give these people a stake in the society

China: Energy Implications

- The growth in the manufacturing floor in China has pushed consumption of energy up dramatically, considerably in excess of previous estimates by the UN, the Energy Information Agency or Private sources
- There is also a related surge in the consumption of petroleum, especially industrial and transportation sectors

Energy Implications

- China's per capita energy consumption is now some 14% of the US level: total oil consumption is at 1.14 billion barrels a year compared to US at 7.4 billion barrels
- Chinese overall energy consumption is 1138 koe compared to 7794 for the US; Czech is 4319 and ROK is 4346; world average is 1674
- When China moves an additional 350 million people to new urban areas over the next 17 years, the consumption of petroleum and other energy products is projected to increase by another 6 million barrels a day or 1.5-2.3 billion barrels/yr

Chinese Projected Plans

- 17 years add 300 million to new urban centers including 5 new urban centers equal to New York City in size; 50,000 new skyscrapers, 174 new subway systems under construction, currently 200 cities larger than Dallas; buildings both commercial and residential are 38% of all energy consumption

Chinese Projected Energy Use

- PRC Coal production has peaked at 2.5 bt/y; power consumption is projected to increase by 40% over the next 3 years; coal production projected to decline at 3% a year or equivalent to all US exports of coal, (ranked 2nd in the world);

Energy Implications

- The 6 million barrels a day of added PRC consumption would use up the entire increase projected on world markets by 2015, including projected increases in Venezuela, Canada, Iran, Iraq, the US
- We also have to take into account economic growth and population growth elsewhere in the world which pushes up oil consumption apart from China, (or India or other developing or emerging economies). For example, US population projected to reach 400 million by 2032
- USGS est.116mbd/IEA est.93mbd/Total:86

Oil Resource GeoStrategic Realities

- 80% of traditional oil resources are controlled by governments; the oil sector of these countries is used as a cash cow, (Pemex in Mexico and Gazprom in Russia) with little reinvested, explore or develop. Venezuela oil production was projected to reach 5.5 mb/d by 2009 prior to Chavez assuming power; current production is 2.2 mb/d compared to 3.5 mbd when Chavez became dictator

Oil Market Realities

- The ability of oil producing nations to significantly increase production may be seriously limited with declines currently in Mexico, North Sea, Russia and serious questions re: reserve estimates in the Gulf, (See Twilight in the Desert)
- US oil/shale/tar sands resources are some 500 billion barrels of which probably 50%+ is recoverable—2-3 million barrels a day could be produced quickly from offshore and ocs regions

Oil Market Realities

- The PRC may very well find itself in military conflict with the US and its allies over access to and control over petroleum supplies and the sea lanes through which petroleum is shipped;
- PRC military acquisition appears aimed at just such a strategy while the US has failed to build a nuclear plant in 40 years and has had a moratorium on OCS and Anwar development for 40 years as well. Alaskan Pipeline was built 35 years ago; new gas pipeline from Alaska to Upper Midwest through Canada is the largest energy project in American history recently agreed to by Alaska and Canada.

Defense Implications

- The PRC seeks a mercantile relationship with energy producers where it supplies military hardware and trade/financial/investment/support
- The PRC also seeks to secure agreement where such oil only flows to the PRC on a preferred basis;
- The PRC would also seek to use their and allied military force to enforce such agreements
- Missile defenses are thus seen as a major impediment to the use of PRC economic, political and military coercion to deny/secure oil supply

PRC SEEKS HEGEMONY

- The PRC may see the Georgia template as a green light to advance its military-economic policy such as carried out in the Sudan and Iran
- The Russian use of advanced ballistic missiles in Georgia heightens allied need for BMD
- Layered missile defense critical to meeting PRC military deployments of advanced cruise and ballistic missiles along oil supply sea lanes

Extended Deterrence Implications

- US and Agreements with Poland and Czech Republic represent two critical departures from Cold War era;
- Retaliation and deterrence not sufficient;
- They wish to have protection, damage limitation as Keith Payne of NIPP and Baker Spring of Heritage have laid out
- Extended Deterrence Policy is going to require a layered construct of security institutions and relations including relations with NATO as well as stronger bilateral relations as well as a number of missile defense systems
- These issues can be duplicated with respect to allies of the United States deploying missile defenses as an adjunct of their defense policies
- As with Russia, the PRC is opposed to a broad based alliance being linked to a nation with missile defenses as this makes any coercive military actions by the PRC very difficult and complex.

Pacific Missile Defense

- Missile defense deployments in Taiwan are seen as a major impediment to PRC coercive capability
- Missile defense is seen as an “affront” to PRC sovereignty
- North Korean rocket wild card-blackmail and coercion
- ROK, Japan, Taiwan missile defenses are integral to the defense of shipping lanes and strategic access to oil resources-Aegis, ABL, GBI, PAC-3, Space Based

SUMMARY

- Follow the oil—key to understanding PRC geostrategic ambitions
- Military deployments will follow oil developments as in Sudan, Venezuela, Burma and Iran
- PRC may use Iran as proxy to hold at risk Straits of Hormuz-European heartland—Czech and Poland missile defense deployments are significant
- PRC consumption of energy at ROK or Czech level would TRIPLE world energy consumption.
- Scramble for energy will be the watchword of the next generation. Missile defenses one key element in the maintenance of free flow of energy resources