

**The Strait of Hormuz:
A Barometer in the Emerging US-Gulf-China Triangular Relationship**

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There are no greater powers today than the United States and China, and there is no more important region than the Middle East...Something important is going to happen in this geopolitical intersection.¹

Scholarship on bilateral relations between China and the United States often focus their analyses on East Asia. It is logical since the most salient issues in their relations are located in that region. However, this situation is undergoing subtle changes as China rises up as a global power. As a result, its bilateral relations with the US have naturally been affected. Among the places in the world where China is playing an increasingly active role, it is perhaps the Persian/Arabian Gulf (the Gulf) – a strategically important region to the US – where calculations of cooperation or confrontation will add to the already complicated US-China relations. Analysts and scholars have observed that the Gulf is no longer of peripheral to China, nor is China a marginal player in the region.² As Jon Alterman and John Garver propose, a US-Middle East-China triangular relationship is gradually taking shape.³

¹ Remarks by John McLaughlin, senior fellow at Johns Hopkins School of Advanced International Studies in his keynote speech at the conference in Washington on Sept. 14th, 2006, entitled “The Vital Triangle: China, the United States, and the Middle East”, sponsored by the Middle East Program of Center for Strategic and International Studies, http://www.csis.org/media/csis/pubs/china-middle_east_summary.pdf (last access: April 28th, 2008)

² John Calabrese, “China and the Persian Gulf: Energy and Security,” *Middle East Journal*, Vol. 52, No. 3 (Summer, 1998), p. 352. For a more recent study of China's foreign policy to the Gulf region, see Mohamed Bin Huwaidin, *China's Relations with Arabia and the Gulf, 1949-1999*, London; New York: RoutledgeCurzon, 2002. For China's relations with Iran, see John W. Garver, *China and Iran: Ancient Partners in a Post-Imperial World*, Seattle: University of Washington Press, 2006.

³ The first close examination of this emerging triangular relationship is a two-year project at the Center for Strategic and International Studies, which includes analysts from the US, China and the Arab world. The result of this project is Jon B. Alterman and John W. Garver, *The Vital Triangle: China, the United States, and the Middle East*,

In this triangular relationship, the Strait of Hormuz (the Strait) is a sensitive place to all parties. This paper first describes the natural features and geopolitical importance of the Strait, then it lays out the debates within China on how it can overcome its strategic weakness at the Strait. Lastly, it analyzes the positions of the US and Gulf countries. Due to the complex energy, political and military issues involved around the Strait of Hormuz, the paper, therefore, concludes that it can serve as an important barometer for measuring the power dynamics in the larger US-Gulf-China triangle.

The Strait of Hormuz

The Strait of Hormuz is the only link between the Gulf and the open water of Arabian Sea and Indian Ocean. It lies between Iran and a tiny separated territory of the Sultanate of Oman on the Arabian Peninsula. Measured along the median line, the Strait is about one hundred and four miles long but narrows to only twenty nautical miles at the northeastern end between Larak Island on the Iranian side, and the Quioins on the Omani side.⁴ On average, there is an oil tanker navigating through the Strait every eight to ten minutes. Four million tons of oil passes by every day.⁵ However, even guerillas armed with Soviet-made Katyusha rockets, or any other rockets with a range of eleven hundred yards could hit the tankers.⁶ Therefore, the Strait is vulnerable to

Washington, D.C.: CSIS Press, 2008. For the latest discussion of US foreign policy to the Middle East, see Rashid Khalidi, *Sowing Crisis: The Cold War and American Dominance in the Middle East*, Boston: Beacon Press, 2009; There is no comprehensive discussion of China's relations with the Middle East in recent ten years. For the early works, see Yitzhak Shichor, *The Middle East in China's Foreign Policy, 1949-1977*, New York: Cambridge University Press, 1979. John Calabrese, *China's Changing Relations with the Middle East*, London; New York: Printer Publishers, 1991. Lillian Craig Harris, *China Considers the Middle East*, London and Boston: I.B. Tauris, 1993.

⁴ R. K. Ramazani, *The Persian Gulf and the Strait of Hormuz*, The Netherlands: Sijthoff & Noordhoff, 1979, p. 1 and appendix I.

⁵ Wu Cheng 吴成, "Da Yilang, zen guo Huoermuzi haixia?" 打伊朗, 怎过霍尔木兹海峡关? ("War with Iran: How to Pass Through the Strait of Hormuz?"), *Shijie zhishi* 《世界知识》 (*World Affairs*) No. 11, 2006, p. 33.

⁶ Ramazani, *The Persian Gulf and the Strait of Hormuz*, p. 5.

piracy, military conflicts and terrorist attacks. It is widely known as one of the choke points in world oil supply chains. Historically, great powers had always tried to control this Strait. The Portuguese capture of the city of Hormuz in 1515 was followed by nearly a century of its supremacy in the region. Anglo-Dutch and Anglo-French rivalry also played out at this Strait before the British achieved hegemony, which lasted until the beginning of the twentieth century. The US and the Soviet Union (the Soviet) competed during the Cold War.⁷ Now at the turn of the twenty-first century, whereas US remains a dominating power, China is becoming increasingly aware of its importance.

These physical and historical features of the Strait are the basis for strategic concerns of US and China. Oil supply transportation from the Gulf region to both of them goes through the Strait. At present, one of China's strategic weaknesses in the region is its dependence on US naval protection for its oil tankers at this crucial point. Should the narrow strait subjected to regional instability, or should US-China relations turn sour, China's oil supply could be cut off.⁸ Beijing is keenly aware that "free-riding" is not a long-term solution. Neither China nor the oil exporters in the region are able to challenge US military supremacy. Therefore, debates have been going on within China on how to find solutions.

China

⁷ Ibid., p. 24-5.

⁸ Wu Lei 吴磊, "Zhongdong shiyou yu woguo weilai shiyou gongji pingheng" 中东石油与我国未来石油供给平衡 ("Middle East Oil and China's Oil Supply and Demand Equilibrium in the Future"), *Shijie zhengzhi yu jingji* 《世界经济与政治》 (*World Economics and Politics*) No. 3, 1997, p. 30-33. Li Weijian 李伟建, "Zhongdong shiyou yu zhongguo nengyuan anquan" 中东石油与中国能源安全 ("Middle East Oil and China's Energy Security"), *Alabo shijie* 《阿拉伯世界》 (*Journal of Arab World*) No.4, October 2000, p. 8.

China became a net oil importer in 1993, the world's second largest oil consumer and the third largest oil importer in 2003.⁹ At present, about fifty-five percent of its oil imports come from the Middle East.¹⁰ According to China's own assessment, that figure may rise up to sixty percent by 2020.¹¹ The International Energy Agency forecasts that China will import seventy percent of its oil from the Gulf Cooperation Council by 2015.¹² The United States Department of Energy estimates that twenty-four percent of China's oil imports travel through the Strait of Hormuz.¹³ Most of China's imported oil is transported by tankers through sea lanes across the Gulf, the Arabian Sea, the Indian Ocean and the South China Sea. Along these sea lanes there are two strategic straits—the Strait of Hormuz and the Strait of Malacca. Discussions are under way about the solutions to China's "Malacca Dilemma."¹⁴ However, much less attention is being paid to the Strait of Hormuz. Therefore, this paper focuses on the latter. China's energy security requires smooth transportation. In passing through the Strait, oil tankers need to be protected by

⁹ The International Crisis Group, "China's Thirst for Oil," *Asia Report* No. 153, June 9th, 2008, p. 1.

¹⁰ Jon Alterman, "China's Unease," *Middle East Notes and Comments*, Center for Strategic and International Studies, April issue 2007.

¹¹ Wang Hai 汪海, "Goujian bikai Huoermuzi haixia de guoji tongdao: Zhongguo yu Haiwan youqitian anquan lianjie zhanlue" 构建避开霍尔木兹海峡的国际通道—中国与海湾油气田安全连接战略 ("Constructing an International Channel That Can Avoid the Strait of Hormuz"), *Shijie jingji yu zhengzhi* 《世界经济与政治》 (*World Economics and Politics*) No. 1, 2006, p. 48.

¹² John Calabrese, "The Consolidation of Gulf-Asia Relations: Washington Tuned In or Out of Touch?" *The Middle East Institute Policy Brief*, No. 25, June 2009, p. 2.

¹³ Ben Simpfendorfer, *The New Silk Road: How a Rising Arab World is Turning Away from the West and Rediscovering China*, New York, NY: Palgrave Macmillan, 2009, p. 39.

¹⁴ For example, Fu Dingwei 符定伟, Luo Wensheng 罗文胜, "Maliujia tidai: Zhong Mian shiyou tongdao?" 马六甲替代: 中缅石油通道? ("An Alternative to the Strait of Malacca: Sino-Myanmar Oil Pipeline?"), *Ershiyi shiji jingji baodao* 《21世纪经济报道》 (*21st Century Business Herald*), November 15th, 2004; Chen Angang 陈安刚 and Wu Ming 武明, "Maliujia: Meiguo jiyu de zhanlue qianshao" 马六甲: 美国觊觎的战略前哨 ("The Strait of Malacca: The Outpost that the US Covets"), *Xiandai jianchuan* 《现代舰船》 (*Modern Ships*), December 2004; Xu Zhiliang 徐志良, "Maliujia kunju: turuqilai de weiji" 马六甲困局: 突如其来的危机 ("The Dilemma at the Strait of Malacca: An Unexpected Crisis"), *Zhongguo haiyang bao* 《中国海洋报》 (*China Ocean News*), July 19th, 2005; Zhang Ming 章明, "Maliujia kunju yu Zhongguo haijun de zhanlue jueze" 马六甲困局与中国海军的战略抉择 ("The Malacca Dilemma and Chinese Navy's Strategic Choice"), *Xiandai jianchuan* 《现代舰船》 (*Modern Ships*), October 2006.

strong *naval capabilities*. China is making efforts towards achieving this goal. However, three major obstacles remain.

First, China's navy modernization has yet been oriented towards protecting its energy security. Although some western observers assert that the lack of an aircraft carrier is a major challenge,¹⁵ and there are on-going debates among Chinese civilians on whether China should build or purchase its own aircraft carrier,¹⁶ military analysts in China are more aware that the key solution lies in the long-distance blue-water navy and its required auxiliaries, such as long-range oilers and resupply ships.¹⁷ Increasing naval capabilities in distant areas can significantly improve China's energy transportation security. Yet to date, China's naval modernization efforts have been mainly oriented to the defense of China's maritime periphery. As Andrew Erickson and Lyle Goldstein observe, debates on the development of blue-water navy still remains relatively modest and restrained.¹⁸ This is due to domestic bureaucratic and political wrangling for defense budget and procedure priorities. China's army forces, rather than the navy, often have a greater portion of the military budget.¹⁹

Second, the interests of the shipbuilding industry and oil companies in China are not always well matched. Although China's shipbuilders and oil companies support national energy security goals in their rhetoric, commercial forces often determine their business plans. For example, China's rapidly developing shipbuilding industry has focused primarily on commercial

¹⁵ Simpfordorfer, *The New Silk Road*, p. 46.

¹⁶ There are many on-line forums that discuss this issue, such as <http://zhidao.dayoo.com/a/93052099176383922.html> (last access: February 11th, 2010)

¹⁷ Xu Qi 徐起, "Ershiyi shijichu haishang diyuan zhanlue yu zhongguo haijun de fazhan" 21 世纪初海上地缘战略与中国海军的发展 ("Sea Geostrategy and the Development of the Chinese Navy in the Early 21st Century"), *Zhongguo junshi kexue* 《中国军事科学》 (*China Military Science*), Vol. 17-4, No. 4, 2004, p. 80.

¹⁸ Andrew Erickson and Lyle Goldstein, "Gunboats for China's New 'Grand Canals'?: Probing the Intersection of Beijing's Naval and Oil Security Policies," *Naval War College Review*, Spring 2009, Vol. 62, No 2, end note 5, p. 68.

¹⁹ *Ibid.*, p. 47.

vessels. Whereas Chinese shipbuilders mainly transport oil for other countries for profit, the Chinese oil companies have to rent other countries' oil tankers to transport oil from the Gulf back home.²⁰ Currently, China-owned tankers can transport less than twenty percent of China's oil imports.²¹

A third obstacle is that China does not have one central authority that can coordinate the navy modernization in the military, shipbuilders, and oil companies in order to achieve China's energy transportation security. China established a Ministry of Energy in 1988, only to disband it five years later in an effort to downsize its bureaucracy.²² At that time the leadership still thought China could remain energy self-sufficient.²³ However, the fast economic development in the past fifteen years drastically increased China's demand on energy. In 2003, National Energy Bureau was created under the National Development and Reform Commission, which reports to the Chinese State Council. In 2008, National Energy Administration was established but lacked power to carry out its tasks because the energy sector management was spread between various agencies. Finally, a new National Energy Commission was just established in January 2010 to coordinate overall energy policies for China.²⁴ Its effectiveness remains unclear.

²⁰ Gabriel Collins and Michael C. Grubb, "A Comprehensive Survey of China's Dynamic Shipbuilding Industry: Commercial Development and Strategic Implications," *China Maritime Studies*, US Naval War College, No. 1, August 2008, p. 1.

²¹ Andrew Erickson and Gabe Collins, "Beijing's Energy Security Strategy: The Significance of a Chinese State-Owned Tanker Fleet," *Orbis*, Volume 51, Issue 4, 2007, p. 666.

²² "Guojia buwei liushi nian: lishu jigou gaige zhong bei chexiao he chongxin zujian de buwei" 国家部委六十年: 历数机构改革中被撤销和重新组建的部委 ("Sixty Years of National Ministries: A History of Ministries That Have been Disbanded and Restructured"), *Renmin Wang* 人民网 (Renmin Daily On-line) <http://politics.people.com.cn/GB/1025/9893075.html> (last access: Feb. 11th, 2010)

²³ Erica Downs, *Brookings Foreign Policy Studies Energy Security Series: China*, December 2006, p. 6.

²⁴ Zhou Yingfeng 周英峰, "Guojia nengyuan weiyuanhui zhengshi chengli, Wen Jiabao ren zhuren" 国家能源委员会正式成立 温家宝任主任 ("National Energy Commission is Formally Established with Wen Jiabao as the Director") *Xinhua News Agency*, Jan. 27th, 2010. http://news.xinhuanet.com/politics/2010-01/27/content_12886501.htm (last access: Feb. 11th, 2010)

Facing these difficulties, some scholars propose alternative solutions to the weakness of China's oil transportation security at the Strait of Hormuz. They suggest that China diversify its oil suppliers as well as how that oil is delivered.²⁵ China is tapping possibilities in Central Asian and Russian oil reserves. It is also constructing pipelines to transport oil from these regions.²⁶ For example, in December 2005, China National Petroleum Corporation inaugurated an oil pipeline running from Kazakhstan to northwest China. It is the first time that China secured a source of imported energy that is not vulnerable to US control.²⁷ Moreover, Iran and China are also cooperating in building pipelines to link the Iranian oilfields in the southwest to the Caspian Sea in the north, so that shipments of Iranian crude oil can then be easily transferred to pipelines between Kazakhstan and China.²⁸

However, despite China's effort to diversify oil supply, the Gulf is at present still its major source of oil import. There is another school of thought that proposes to *avoid* the Strait of Hormuz. Some suggest construct an inland tunnel in the United Arab Emirates (UAE) so that China's imported oil from Saudi Arabia, Kuwait, Iraq and Qatar can be transported over land. The proposed beginning and end points of the tunnel is Abu Dhabi and Fujairah. These two cities of the UAE are at the two "waists" of the pointed land of the Arabian Peninsula. Such a tunnel can not only avoid transporting oil supplies through the Strait of Hormuz, but also shorten the transportation miles and costs.²⁹ To turn this design into a reality, however, it requires the

²⁵ Dou Chao 窦超, "Pojie shiyou kunju" 破解石油困局 ("Petroleum Safety and China's Military Construction"), *Jianzai wuqi* 《舰载武器》 (*Shipborne Weapons*), December 2008, p. 10-19. English speaking academia also discusses about this issue, such as Robert E. Ebel, *China's Energy Future: The Middle Kingdom Seeks Its Place in the Sun*, Washington, D.C.: Center for Strategic and International Studies, 2005, p. 58.

²⁶ Erica Strecker Downs, *China's Quest for Energy Security*. RAND Corporation, 2006, p. xii.

²⁷ F. William Engdahl, "China Lays Down Gauntlet in Energy War," *Asia Times*, December 21st, 2005, <http://www.atimes.com/atimes/China/GL21Ad01.html> (last access: February 23rd, 2008)

²⁸ Ibid.

²⁹ Wang, "Goujian bikai Huoermuzi haixia de guoji tongdao," p. 50.

cooperation and coordination from the UAE, Oman, and possibly Saudi Arabia. Although China maintains friendly relations with these countries, it is not easy to gain consensus from all of them. Also in an effort to avoid the Strait of Hormuz, China has constructed a deep water port of Gwadar in Pakistan. It can transport the oil supply from Iran over land. It is often seen as China's strategic design in counterbalancing the US navy domination in the region.³⁰ The first tunnel construction proposal in the UAE is currently still under discussion. The second port construction plan is already a reality. Port Gwadar opened in March 2007.

The United States

During the Cold War, the main objective of US policy in the Gulf was to block the influence of the Soviet. With the collapse of the Soviet, the US has become a dominating power in the region. It is accustomed to the prevailing order and committed to its preservation. Nevertheless, debates in China to enhance its oil transportation security have raised US concerns. Although China's considerations reflect assessment of its own interests in the region, the US often *interprets* it as potentially undermining its interests.³¹ The US and China have not yet been on a collision course in the Gulf, but the energy and military issues related to the Strait of Hormuz might evolve into a key irritant in their bilateral relations in the future. Therefore, the Strait can serve as a barometer in measuring the power dynamics.

The US pays great attention to the importance of the Strait of Hormuz. The US has military deployment in the Gulf region. It is undoubtedly the dominant power at present. As long as China is not confronting the US on its Middle East policies, it is happy to provide protections for Chinese oil transportation. American analysts follow closely on the various debates going on

³⁰ Alterman and Garver, *The Vital Triangle*, p. 95.

³¹ *Ibid.*, p. 94.

in China and are familiar with the major scholars and journals that deal with issues related to the Strait of Hormuz.³² However, the divergent voices coming from China's shipbuilding industry and the military make it hard for the US to assess whether China's naval modernization efforts will have an immediate impact on its energy transportation security.

In 2003, an independent task force, sponsored by the Council on Foreign Relations and Maurice R. Greenberg Center for Goeconomic Studies, issued a report on the Chinese military power, which concludes that "the People's Republic of China is pursuing a deliberate and focused course of military modernization, but that China is at least two decades behind the United States in terms of military technology and capability," and that "China is a regional power and the Task Force does not envisage China becoming a globally committed military power in the next two decades."³³ Although China has emerged in recent years as a highly efficient manufacturing center and an increasingly powerful competitor in global markets, converting economic to military power will proceed much more slowly.³⁴

This view is echoed by diplomats in China. In the short term, "China will not challenge the presence of the United States in the Middle East," says former Chinese Ambassador to Iran Hua Liming, "instead China will focus on strengthening relations with Middle East countries themselves, such as Iran and Oman, who jointly control the Strait of Hormuz."³⁵

Gulf Countries

³² James Mulvenon, lecture at Georgetown University, March 2009.

³³ Harold Brown, Joseph W. Prueher, Adam Segal and et al. *Chinese Military Power*, New York, NY: Council on Foreign Relations, distributed by the Brookings Institution Press, 2003, p. 24.

³⁴ *Ibid.*, p. 6.

³⁵ Interview with Hua Liming, June 2007, Beijing.

Countries in the Gulf are seeking to reduce their level of dependence on the US. Therefore, there is a general recognition of the value of building cooperative relations with China.³⁶ They recognize China as one of the world's major oil buyers. For example, in the case of Saudi Arabia, the strengthening of Saudi-China ties seems to be on a fast track. In 1999, during the visit of then Chinese President Jiang Zemin to Riyadh, the two countries announced a strategic oil partnership. Since then Saudi Arabia has been feeding China's hunger for energy. When Saudi's new King Abdullah took power in 2005, his first official overseas trip was to Beijing. In return, Chinese President Hu Jintao immediately paid back a thank-you visit within four months. This rapid high-level official visit exchange after the political reshuffle within Saudi Arabia was interpreted by many Middle East experts as a sign of Saudi's new enthusiasm in China. In 2006, Saudi Arabia became China's largest oil supplier.³⁷ Saudi millionaires are also investing multi-billion dollars in China's petrochemical sector, improving China's capability of refining high-sulfur oil which Saudi has in abundance,³⁸ and building strategic reserve bases in different parts of China.³⁹ In addition, in 2004 Saudi Aramco also granted concession to Sinopec, one of China's major oil companies, to develop natural gas resources near the Ghawar field in eastern Saudi Arabia over the next ten years.⁴⁰

In the case of Iran, China-Iran relations have also broadened and deepened in recent years. China needs Iran as a major energy supplier. In 2005, Iran was China's third largest oil supplier.

³⁶ John Calabrese, "The Consolidation of Gulf-Asia Relations: Washington Tuned In or Out of Touch?" *The Middle East Institute Policy Brief*, No. 25 June 2009, p. 6.

³⁷ From the official website of the Chinese embassy in Saudi Arabia, <http://sa.mofcom.gov.cn/aarticle/zxhz/hzjj/200704/20070404525214.html> (last access: July 5th, 2007)

³⁸ Alternman, "China's Unease."

³⁹ M. K. Bhadrakumar, "China's Middle East Journey via Jerusalem", *Asia Times Online*, Jan.13th, 2007, http://www.atimes.com/atimes/Middle_East/IA13Ak02.html (last access: July 5th, 2007)

⁴⁰ Reuter News, November 26, 2006, "China-Middle East Energy Ties," <http://www.uofaweb.ualberta.ca/chinainstitute/nav03.cfm?nav03=53425&nav02=43875&nav01=43092> (last access July 5th, 2007)

The sulfur-rich crude oil from Iran, though difficult for Chinese refineries to process, helps contain the rising cost of importing more expensive sweet oil (low-sulfur) from other exporters, such as Oman.⁴¹ Iran's liquefied natural gas (LNG) provided another energy link with China. In the Yadavaran agreement, Sinopec committed to purchase ten million tons of LNG over a period of twenty-five years, starting from 2009.⁴² In return, Iran needs China's investment to develop its oil fields and infrastructures in the energy industry,⁴³ as well as political support to counterbalance US sanctions against its nuclear program.

Conclusion

From the above analyses, it is not difficult to see that in the emerging US-Gulf-China triangular relationship, different parties want different things from one another. China wishes to secure its energy supply to fuel its fast developing economy. This depends on Gulf exporters' willingness to sell oil and US naval protection to transport the oil back home. The US wants to maintain its dominating status quo in the region. This depends on China's cooperation, or at least non-confrontation with its policies in the Middle East. Therefore it keeps a watchful eye on China's engagement with the region and various debates on solving its strategic weakness. Once China overcomes its challenges, the power balance will be significantly changed. However, there is no need for American policy-makers to be over sensitive about China's debated solutions. They are mainly driven by China energy *insecurity* and there are many obstacles to realizing those solutions. It is crucially important for the US to be aware and correctly understand China's

⁴¹ John Calabrese, "China and Iran: Mismatched Partners," *The Jamestown Foundation Occasional Paper*, August 2006, p. 7.

⁴² Ibid.

⁴³ Erica Downs, "Beijing's Tehran Temptation," *Foreign Policy*, July 30, 2009.

http://www.foreignpolicy.com/articles/2009/07/30/chinas_tehran_temptation (last access: Feb 11th, 2010)

thinking and action. The Gulf countries want to counterbalance their political dependence on/imasse with the US through building closer ties with China. They also hope to diversify their oil customers. China is a big one.

All these complex energy, military and political issues that determine the power dynamics in the US-Gulf-China triangular relationship crystallize at the Strait of Hormuz. *Paying close attention to the Strait can help the three parties take cues from subtle developments and readjust their policies and communicate with each other accordingly in order to avoid potential conflicts.* At present, among the large scholarly communities on US-China, US-Gulf and China-Gulf relations, few pay particular attention to the Strait of Hormuz. This paper, hence, hopes to raise the issue. How the three parties can balance and satisfy each other's demands is a challenging test. The Gulf may be a small piece in Sino-American relations so far, but as Jon Alterman proposes, if US-China could appropriately manage their divergent interests in the Gulf, this could serve as a model to solve other more challenging issues between the two major world powers.⁴⁴

⁴⁴ Jon Alterman's lecture at Georgetown University, February 9th, 2009.