

# Changes in External Oil Trade of China since the 1990s: An Economic and Geopolitical Analysis

ABSTRACT

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## **(1) OVERVIEW**

In 2002, China first surpassed Japan and became the second largest oil consumer in the World. Oil, after coal, is the second most important energy source in China, with a consumption of 348.76 million tonnes, which accounted for 20.4% of total energy consumption in 2006. The country has become a net oil importer since 1993, with net oil import amounting to 168 million tonnes in 2006. Surging oil deficit in China grabs the world's attention on its oil dependency problem.

## **(2) METHODS**

This analysis examines the changes of oil-trading patterns in China, by comparing its import origins in the early 1990s and the early 2000s. To facilitate understanding, this paper classifies countries into various regions, according to '*BP Statistical Review of World Energy 2007*'.

In addition, this paper has adopted an analytical and descriptive approach, to explore Chinese trading relations with oil-exporting countries since the 1990s. By digesting and synthesizing the literature, this research attempts to discern the major patterns, and factors, in external oil trade of China since the 1990s from the economic and geopolitical perspectives.

## **(3) RESULTS**

South East Asia and the Middle East were the two leading suppliers of Chinese oil in the early 1990s, which respectively accounted for 30-40% of Chinese total imports. From the mid-1990s onwards, South East Asia kept

exporting 8-9 million tonnes of oil to China per year, but its share of Chinese oil imports declined sharply, from 39% in 1995 to 6% in 2005.

China started to diversify its oil imports for its surging oil demand, especially from the Middle East and African Regions. The significance of the Middle East rose from 36% in 1992 to 50% in 2005; while the proportion from Africa rose from 5% in 1992 to 26% in 2005.

Lastly, over 80% of Chinese crude imports (mainly from Middle East and Africa) have to move through the Malacca Strait. This induces China to adopt methods for securing oil supplies from sources outside of the two regions.

**Table 1. Share of Chinese crude imports from 3 Major Regions**

	1993	1995	1997	2000	2003	2005
<b>SE Asia</b>	31	39	23	12	10	6
<b>Middle East</b>	42	46	47	54	59	50
<b>Africa</b>	7	7	15	24	29	26
<b>Total % of 3</b>	<b>80</b>	<b>92</b>	<b>85</b>	<b>91</b>	<b>98</b>	<b>82</b>
<b>Chinese Total*</b>	<b>16</b>	<b>17</b>	<b>35</b>	<b>70</b>	<b>91</b>	<b>127</b>

Source: Worked out from 'Almanac of China's Foreign Economic Relations and Trade' and 'China Commerce Yearbook', various issues and pages.

\* 'Chinese Total': total oil imports of China in million tonnes.

#### **(4) CONCLUSION**

Energy and politics are intertwined. China depends on foreign countries for crude oil and advanced refining techniques; mutually beneficial bilateral relations have to be worked out. Ramification of the changes will be presented.