Mr. Kurlantzick began by discussing how China saw resource issues from their own perspective. For example, China is now interested in Africa but only for its resources, not for geopolitical reasons.

**Resource Nationalism Concept**
- How to think about foreign policy for the next 10-15 years
- Will involve fluid alliances
- Will spark diplomacy

**Root causes of Resource Nationalism in China**
- China has a growing need for resources
- China realizes that it is too dependent on single source resource suppliers
- Looking for new sources with less complications from Western firms
  - Wants lesser conflicts with the US about its bad governance practices
- Fear: if a big problem develops with the US, they could lose access to resources
- Solution: Use a different way of operating – invest in the entire supply chain
  - From raw materials to producers to transport means
  - Based on a basic distrust of market forces

There is a general shifting of oil and gas markets
- Resources now coming from relatively liberal places
- Old areas for resources have mature or declining supplies
  - Generally stable countries – including Saudi Arabia
    - Only in last 10-15 years have they had dissidents
    - Some have been saying that the reserves are overstated
- Now oil is beginning to come from less stable places
  - Former Soviet Union region / Iran / Venezuela / Africa / etc.
  - All maybe authoritarian or semi-authoritarian
- No slack in demand but less new places to explore
  - Nothing new being found in Saudi Arabia
  - Artic explorations aren’t panning out as well as expected
Autocracy Issues

- All the new areas have flirted with democracy but now are backtracking
- Things looked more hopeful a few years ago, but…
  - Putin will have a chosen successor
  - The “Color” Revolutions are faltering
    - Old, bad leaders are returning
    - Elites have co-opted those who wanted the revolutions
    - Those who ran the revolutions proved as corrupt as predecessors
  - In the MidEast, the window for change is narrowing
  - Morocco, Algeria, Jordan not making as much progress as hoped
  - Egypt is not doing as well on openness as it had been doing
  - Venezuela’s Chavez is consolidating power in his hands
  - China’s low level reforms haven’t gone far
    - Have shut down open publications, etc.

- There is some degree of public tolerance of these retreats
  - Acceptance of Putin’s power grab
  - Chavez has popular support
  - Why the tolerance?
    - Sophisticated players taking credit for all improvements
    - Democracy was linked to economic reforms that fell flat
    - Public lost heart about economic and democratic reforms
    - Willing to accept non-democratic methods if individual situations improve

Anti-Americanism also involved

- Poll last year of 22 countries showed more favorable view of China than US
- Mostly because of Iraq war and Global War on Terror
- Geo-strategic worries about US activities
  - China fears US activity in Central Asia
    - Nearly obsessive fear in Chinese foreign policy
  - Russia has similar fears but not at much
- Latin America is upset because President Bush said it would be a focus
  - That was before 9/11
  - Media plays up any potential problem

- With current situation on oil prices, getting more government involvement
- Without new fields to explore, Putin and Chavez have more power
  - They think they can take back control over oil and gas production

China is not involved in classic mercantilism

- Also not in a Cold War mentality

There is a set of fluid alliances focused on frustrating US interests

- Putin isn’t subtle about the growing power of GASPROM
- Iran is moving to take back oil production companies
• Can do this because of recent huge profits
  o Russia has tripled value of fields since 1999
• Alliances are powered by rising oil profits
  o Now there is a new alternative consumer – China
  o Don’t need US / Western Europe / Japan as customers any more
  o In last 3-5 years China reached the #1 customer level that US use to have
    ▪ With Saudi Arabia, Venezuela, Iran
    ▪ Started building strategic partnerships
• China tends to shy away from overt Anti-Americanism
  o Pulls back when necessary
  o Chavez made remarks but China separated themselves from him

Other Problems
• China and Russia have a history of fear of each other
  o Have been developing new relationships recently
• China and Russia have had some initial military contacts
  o Related to what the Chinese need to protect in the future
    ▪ Need a blue water navy to protect shipping
    ▪ Also need forces for power projection and port security
  o Recently had biggest joint exercises ever
• Russia and Iran have had a long civilian nuclear power relation
• Each side seeing more concrete ways to work together
  ▪ Not formalized
• May reorient gas and oil structure
  o Russia could cut off oil supplies to Germany and Europe
  o Saudi Arabia could supply more to Europe
  o Russia favors pipelines that do not go through Western-leaning countries

Shanghai Cooperation Organization
• Started in 2001 with no agenda
• Has become a way for Central Asian countries upset with the US to push back
• In 2005, able to help throw US bases out of Uzbekistan
• Question: How important will it become in the region?
  o Countries more likely to come together in UN, other organizations
  o Together will obstruct efforts to improve governance, human rights
  o Over next 10-15 should see more of this sort of acting together
• Allows China to present itself as a model to under developed countries
  o Now training those countries in its own military and economic methods
  o Authoritarian governments see how well China has done
    ▪ Even while staying in control – all important
    ▪ May try to replicate methods at home, but problems likely

Impact on the US
• Only working with the traditional oil and gas suppliers in an open market
• What would happen if there are embargoes?
  o GAO has reported on major potential problems
• If non-democratic countries have such a big economic weapon, then democratic forces in the UN would not be able to push for interventions (Sudan, etc.)

• Places like Kazakhstan and Equatorial Guinea have bad governments, but US is still willing to work with them for now

Chinese energy demands could conflict with those of the US
• Particularly if they try to control the whole supply chain
  o Would want to control things like ports, too
• Despite all, US needs China as a market
• China is essential to both Russia and the US

Potential Policy Options
• US needs to rethink its energy suppliers – on-going
  o Trying to pull back from countries with bad governance
  o Has been going on throughout Clinton and Bush administrations
  o Desire for energy independence and new sources of fuel
• US needs a strategic dialogue with China
  o Need to raise its level of understanding
  o Need to show China how important an open market system really is
• Somewhat different with Russia
  o US needs to push them toward better governance
  o Now in a small window of time before these ways get set in stone
    ▪ Only until the start of the first post-Putin government
• US needs to get China to see that it belongs together with India and the US
  o See shared interests
  o Need to keep things open
  o No other choice but for the US to talk to China more

QUESTION & ANSWER SESSION

Environmental issues in China
• Bifurcation of views exists about these problems
  o Some in central government understand the problem
  o Out in regional areas, much more concerned about need for growth
• No signs that there are any moves about to begin to make changes
• There is some high level dialogue
• Problem: the legitimacy of the regional authorities depends only on growth rate

Geo-strategic reasons for China’s anti-Americanism
• China has better relations with non-Asiatic nations than with its neighbors
  o They have had less dealings with countries outside Asia before this
• Result: Vietnam fears growth of Chinese power so wants improved US relations
• Latin America has had long relation with US, not with China
  o Not aware of situations like the religious freedom problems in China
• Africa knows less about China than it does about US actions
  o So China still in free ride phase there

On environmental issues there are problems with US views on China’s growth trajectories
• China can say that US did not worry about such things as it grew
• Can expect more problems along these lines

China realizes it has certain needs for its military to support its national needs
• Must have expeditionary forces, blue water navy, etc.
• China had to do an extraction of its own citizens from the Solomon Islands
  o Went very badly – they did not know how to do it
  o In 15 years they might be able to handle such situations much better

It is always risky when governments get involved in commercial enterprises
• Chavez gutted a reasonably well run oil producing organization
  o Now not as well managed
• Something similar going on in Russia

Would be very expensive to change the infrastructure needed to handle Venezuela’s oil
• But China often makes odd economic decisions
• Making such a change for Venezuelan product would be a very bad decision
  o Might do better in Angola where things are less developed
• What they do will be done in a highly visible way

Some elements of mercantilism do exist in China – but not classic
• China has an understanding but also a fear of open markets
  o Some other countries do not even understand the concept
• US needs to convince them all of the utility of the open market
  o So far, not very successful
  o China not buying into it
    ▪ Hard to know what to do to improve the situation
• China also fears encirclement – US bases all around it in Asia / Central Asia

10 to 15 years ago Korea thought it would lead the world in shipbuilding
• This could never be true but they believed that it could happen
• Similar situations go on in China today
• China today sees itself conflicted
  o Emerging as a model for other less developed countries
    ▪ But model is probably not exportable
  o Also sees self as a new power but does not intervene as the US does
    ▪ So somewhat conflicted
• China is a big actor in Asia – more than Japan just based on size
  o Its model may not be exportable to other, much smaller countries
  o However, they think it is
• Beginning to see a debate in China about what kind of power they want to display
o Has been somewhat weakened over last 10 years because of complaints from US/West about human rights

Zambian elections
• Opposition candidates played up growing unhappiness with Chinese-run mines
• Chinese told the government that they would leave if other side won
  o But Chinese press criticized such moves
  o Highly unusual to see such criticism in China
• Other smaller Asian tigers could not have done as much

China does not want an open conflict with the US at this point
• Foreign policy becoming more influential but still generally laying low
  o They don’t like it when some of their unsavory friends prod the US
• After the Cold War thought they could break countries away from US alliances
  o Told them they did not need those old Cold War alliances
  o Showed strength by pointing missiles at Taiwan & taking over islands
    ▪ Did not work because the US showed up in force
• Now using the concept of win/win relationships
• In the long term there may be conflicts
  o Trigger would be Taiwan which is becoming unstable
  o Trigger could also be energy issues and the need to protect supply chains
• Could involve Japan, too
• There are regional fears of the Chinese military but gas and oil issues loom larger

US is trying to prepare for competition with China
• At the same time preparing for the weaknesses of China
• Situations being predicted depend on China’s continuing growth
  o But many things could go wrong
  o Worse potentially from corruption
    ▪ Banking system is riddled with problems
• Countries in Africa are not that indebted to China yet

There are conversations about China and India working more closely together
• High level discussions go only so far
• Cannot work with the Hunan province governor, for example
China has slightly more trust for working with India than with the US
• See selves as in a similar situation with India
• Talking about it has begun, but little has really happened
• Probability of close relations with India is not high