

## MASTER'S THESIS

### Changes in external oil trade of China since 1994 and their implications

Leung, Pui Pui

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**Changes in External Oil Trade of China Since 1994 and Their Implications**

**LEUNG Pui Pui**

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**for the degree of**

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**Principal Supervisor: Prof. CHOW Larry CH**

**Hong Kong Baptist University**

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## **ABSTRACT**

With 1.3 billion people, China is the world's most populous country. It is one of the fastest-growing economies in the world, contributing to over 20% of global economic growth in recent years, and is now the second-largest oil consumer behind the U.S. Between 1990 and 2008, the average annual growth rate of Chinese oil consumption increased more rapidly than that of crude production, at 7.1% versus 1.8% annually. Hence, China has been a net oil importer since 1993, with an oil dependency ratio soaring from 3.5% in 1994 to 53.9% in 2008.

This thesis is a comprehensive study of the changes in China's external oil trade since 1994, examining changes in import and export volume as well as changes in their import origins and export markets. The factors causing those changes are also discussed. The findings indicate that China has diversified its crude import sources since the late 1990s, shifting from Asia-Pacific sources to those in the Middle East, Africa, Central Asia, and Latin America. Oil refinery development is examined as a major factor affecting Chinese oil import origins. Oil provides China with the opportunity to open up or strengthen its economic and diplomatic relations with oil exporters, thereby indicating how oil, politics, and economics are intertwined.

The diversification of China's oil import sources since the 1990s implies that the distances over which oil is transported have increased; hence, it is important to analyze oil transport security issues. Political instability in the Malacca Strait (a prominent shipping route to China) is thus discussed, as is China's expansion of its large oil tanker carrying capacity and how the country is building up its naval power to safeguard its overseas trade. Pipeline strategy and strategic oil reserves are addressed, and the wider ramifications of the study are considered.

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