

# US and China slug it out for oil

## The stakes: control of the world's oil supplies for the next 20 years. And China, with its bulging checkbook, is winning hands down!

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Oil is the lifeblood of the modern industrial state. Cars, trucks, and planes run on it. Fertilizers are made from it. You can't plant, harvest, or bring food to market without it. Almost every household product from Saran wrap, clothing, and even medicine is made from it.

Winston Churchill said: "He who controls the oil, controls the world." Which is why the US and China are going toe-to-toe for control of world oil supplies. So far, this war is not being fought with soldiers and bullets, but with contracts and chutzpah. And China, with its bulging checkbook, is winning it hands down. For example ...

\*\* In Iraq, where America just fought a decade-long war, the government just awarded long-term rights to develop a huge 17 billion barrel oil field to China National Petroleum Corp.

\*\* Next door, in Saudi Arabia, China signed so many new contracts that they now get more Saudi oil than America. This is the first time in almost 3 decades that anybody replaced America as Saudi Arabia's #1 customer for oil.

\*\* In Brazil, China recently gave \$10 billion to Brazil's oil giant Petrobras, which guaranteed to deliver 160,000 barrels of oil a day for the next 10 years.

\*\* China bought Canadian-based Hurricane Hydrocarbons with \$1 TRILLION of oil and natural gas reserves in Kazakhstan.

### Obama ties all sorts of strings to buying oil, the Chinese just go in there and get the stuff

Canada now has the world's second-largest oil reserves because of its immense oil sands deposits. So you'd think the US would be the first in line to get this much needed oil. But Obama says "No!" To Obama, it's "dirty oil" because of its high sulfur content. But if Obama doesn't want this oil, the Chinese sure do. So when Obama said "No," the Chinese quickly gobbled up Conoco-Phillips' \$4.5 billion stake in Canada's oil sands. Right after that, China grabbed up a 45% share of Penn West Energy's oil sands project. And just last week, China bought OPTI Canada -- an oil sands company -- for \$2 billion.

The same thing is happening off America's coastline in the oil-rich Gulf of Mexico. Obama again said "No!" and has been fighting tooth and nail against offshore drilling there. But, China's state-owned oil company, Petrochina, just signed a deal with Cuba to explore and develop the offshore oil deposits on Cuba's side of the maritime boundary between the US and Cuba. You can harvest the oil from either side of the boundary. But American companies are forbidden to go after it. So the Chinese have a free hand in the oil-rich Gulf of Mexico and the Straits of Florida -- right in America's backyard.

Obama also won't let US companies buy Iranian oil. So the Chinese were able to go in and buy oil on very advantageous terms. They recently signed \$70 billion of contracts with Iran and now get 15% of their oil imports from them. Ditto for Venezuela, one of the largest exporters of oil to America. Unfortunately Obama doesn't like them because they're friendly with Iran. But China doesn't care who Venezuela is friendly with, they just want the oil. So, while America is cutting back on oil imports from Venezuela, China's imports just tripled year to year.

Everywhere you go, China's winning the war for oil. It's nailing down major supplies of oil all over the world, taking them off the market for American users.

To make matters worse, in the United States, oil production peaked in 1970 and has been mostly declining ever since. It's down 4 million barrels a day from when Nixon was in the White House.

### America is heading for a crisis because it consumes more than 20.6 million barrels of oil a day, but only produces about 8 million

America's economic survival depends on importing the balance. And these are the supplies that China is now gobbling up and taking off the market. This is why oil shortages and long lines at the gas pumps inevitably loom.

Three times in the past 50 years, America was involved in a war for oil. And each time, the war had a disastrous impact on the US economy.

-- The Yom Kippur war, which erupted in 1973 quadrupled oil prices, knocked the US economy on its back, and the average share on the American Stock Exchange lost half its value.

-- The Iran-Iraq war in 1979 again quadrupled oil prices, sending inflation to its highest level since World War II. Steep rises in interest and mortgage rates killed business and slaughtered home prices.

-- In 2008, a series of wars -- Afghanistan, Iraq, Sudan, Nigeria -- quadrupled the price of oil, sending it to an all-time record of \$147. This hammered airlines, automakers, and transportation companies, lighting the fuse on the current economic crisis that threw the Republicans out of office.

The impact of today's war for oil is going to be worse than any of the previous ones because the economy is already on the skids: 15.4 million Americans are out of jobs ... home prices are still in the gutter ... a long list of blue-chip companies have already gone bust ... and US banks are failing at a rate of about two every week.