

According to international oil industry reports, China may become a net importer of oil by 1995, and this will no doubt have a significant impact on China's foreign policy in the coming years. The Chinese economy, which not too long ago was self-sufficient in the production of its main source of energy, will probably be forced to import about one-third of its total present production. This new foreign dependence will greatly affect China's foreign policy, especially toward the oil-producing countries of the Middle East, and Washington is reportedly concerned about a possible arms-for-oil trade arrangement between China and the oil-producing states of the Middle East.

'The next Saudi Arabia'

Forced to compete with the former Soviet republics, the Chinese government is offering huge incentives to western oil companies to develop its vast onshore reserves. The oil-rich Tarim Basin in the far western region of Xinjiang is found by many foreign companies to be the most attractive area for exploration. Tarim is believed to be the world's largest unexplored basin. "We hope it will be the next Saudi Arabia," Xinjiang's vice governor Wang Leguquan told a foreign news service recently. According to China National Petroleum Corp. estimates, the total potential reserves in the 158,565 square miles to be opened are 8.2 billion tons of oil and 2.5 trillion cubic meters of gas. Foreign oil companies are allowed to assume the entire risk of drilling. If successful, they will either develop the oil themselves or in joint ventures with the Chinese firms. Either way, a portion of the profit will go to the state.

Altogether, some 62 oil companies from 17 countries have rushed to bid for rights to drill in the 28,080-mile rim of the Tarim Basin. British Petroleum, which seems to be ahead of the pack, is already in Xinjiang, exchanging data with China National Petroleum Corp. on the Tarim Basin.

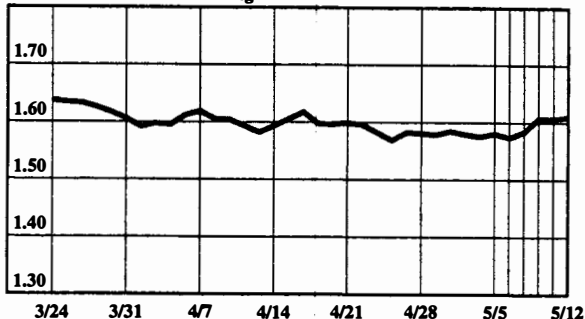
The biggest problem, however, is the lack of efficient means of transporting the oil out of the Tarim. "Infrastructure" is not a very familiar term in the region. Taklamakan, the huge desert which is home of the Tarim Basin oil fields, translated from the local Turkic language means: "You go in, but you don't come out." Sand dunes as high as 50 meters are likely to block progress in the road which China is building to its biggest prospective oil field in the center of the desert.

The province of Xinjiang, with its vast oil reserves, however, is most likely to miss the "prosperity wagon," which so far has only passed through coastal China. Xinjiang, which is also known as Chinese Turkestan, is mostly populated by Uighur Muslims, who are actually ethnic Turks. The work forces in Xinjiang's oil fields are mostly Han Chinese, all coming from other oil fields in China. While Xinjiang's oil may bring China billions of dollars, its inhabitants will most likely continue to live in subhuman conditions.

Currency Rates

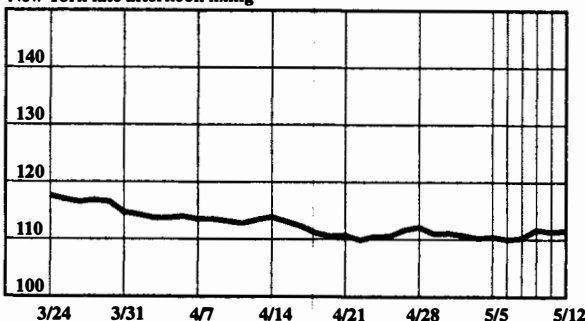
The dollar in deutschemarks

New York late afternoon fixing



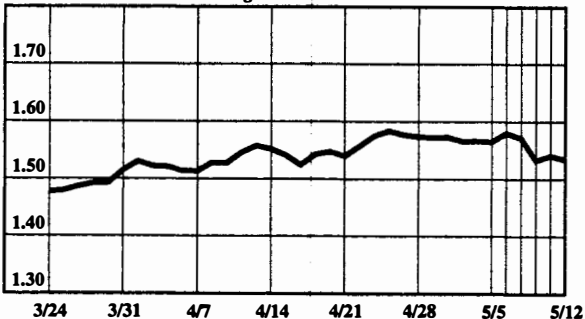
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

