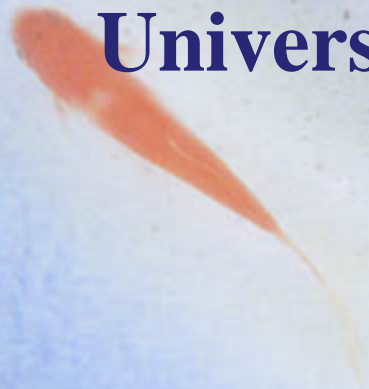


The Ethics of the Auto and Oil Industries' Strategies in China

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Background: China

- Now the world's second largest oil importer
- Accounts for 31% of global growth in oil demand and is the source of nearly 40% of world oil demand growth

Transition to Cars

- Ten years ago, 60 percent of Beijing's residents went to work by bike, now only 20 percent do so
- 1984-2004: commuters who relied on public transportation fell from 35% to 26.5%
- 60 million cars in China now
- Growing by 10 percent annually

Forecast

- 130 million cars by 2010
- If in China there were a car for every 1.3 people (as in the United States today), China would have 900 million cars, making up 40 percent of the world's total

Car production

- Now the world's 4th leading producer of motor vehicles
- Expected to surpass Germany as the world's third-largest vehicle maker (behind the US and Japan)

Facilitated by outsiders

- GM sold 472,468 Chinese-made and imported vehicles in the first nine months of 2005, up 28% from 2004.
- GM announced then a reduction in force of 30,000 workers in No. America

Other production

- 22% of China's labor force (791.4 million people) works in industry
- High levels of industrial growth (over 9% annually) increases fuel (oil) demand

China and Oil

- Produces 3.504 million bbl/day, but consumes 6.391 million bbl/day
- Exports 340,300 bbl/day, but imports 3.226 million bbl/day
- Estimated reserves of 18.26 billion bbl

Staggering Projection

- If China were to adopt fully the car use model of the USA, China would consume 5 million tons of oil - or 20% of the world's oil output.

China's Quest for Oil

- Two main oil fields (Daqing and Liaohe) in NE China are maturing
- Rapidly trying to develop infrastructure to deliver oil/gas in West to East
- Increasingly active in world oil markets
- “Little room for moral niceties when it comes to oil”

Sudan

- Greater Nile Petroleum Operating Company
 - Deal with Islamist National Congress Party (major human rights abuser)
 - China gets oil equity of 150,000 bbl/d for building a 994 mile pipeline
 - Facilitated by Canada's Arakis Energy and Talisman

Sudan

- Khartoum Oil Refinery
 - Built/operated by China's CNPC
 - Financed indirectly by UK-based BP

Iran

- Yadavaran oil field
 - Sinopec \$70 billion deal to develop in return for 150,000 barrels/day crude
 - Facilitated by oil companies of:
 - Japan, South Korea, Taiwan, Europe

Having it both ways

- 1995 Clinton imposes sanctions prohibiting US companies and subsidiaries from doing business in Iran
- 2004 Bush upholds, same day Japan's JGC concludes \$1.26 billion development deal
- US allies derive competitive advantage and benefit from US military protection

Consistency and Disregard

- Consistency: lack of contradiction over time, coherence of action
- Auto companies: transportation conspiracy
- Oil companies: Standard Oil in China, Total in Burma

Ethical Assessment

- Utilitarian critique: negative
- Transformation to car culture results in
 - (+) greater individual mobility, spurs economic growth, sense of prosperity, etc.
 - (-) more congestion, pollution, resource depletion, denigration of public health, impact on future generations, etc.

Ethical Assessment

- Deontological critique: negative
 - Self-interest at expense of others: violation of practical imperative (means/end)
 - Willingness to exempt selves from rules would have others live by: violation of reversalizability
 - Willingness to exempt selves from rules to maintain social stability: violation of universalizability

Ethical Assessment

- **Virtue ethical critique: negative**
 - Legacy of habitual imprudence, injustice, intemperance, and lack of moral courage
 - Companies' strategies do not perfect individuals/society, do not advance the good life

Going forward

- Neo-mercantilism needs to be addressed at international level and public policy
- Public awareness needs to be heightened
- Additional scrutiny to further illustrate the stagnancy and lack of creativity of long-enduring business strategies

Need to act

- Strategies are not hypothetical and futuristic - they are being implemented NOW
- Central question: “Are we willing to take on these problems, or will we insist that future generations do so?”