Congressman Asks Treasury Sec'y Geithner to Block Chinese Oil Deal

Representative Edward Markey (D.-Mass.) sent a letter to Treasury Secretary Timothy Geithner on July 30 asking the U.S. government to block the proposed acquisition of Canadian oil company Nexen by CNOOC, China's state-owned oil company. Because Nexen holds leases for oil drilling in U.S. waters in the Gulf of Mexico, which represent about 10 percent of the firm's assets, the proposed Chinese-Canadian merger is subject to U.S. approval.

Geithner also serves as chairman of the Committee for Foreign Investment in the United States (CFIUS), which reviews the national security implications of foreign investments in U.S. companies or operations.

In his letter to Geithner, which was quoted by *The Hill*, the Massachusetts Democrat wrote:

> I believe this merger could lead to a massive transfer of wealth from the American people to the Chinese government, and I strongly urge you to block this proposed transaction until, at a minimum, parties to the merger agree to pay royalties to the U.S. taxpayer on all oil produced off American shores or relinquish any ownership interests in these leases.

Markey continued:

> Giving valuable American resources away to wealthy multi-national corporations is wasteful, but giving valuable American resources away to a foreign government is far worse: it has the potential to directly undermine American economic and national security.

A report in the *Wall Street Journal* explained that Nexen is currently exempt from paying royalties on its oil production in the Gulf because its leases were issued by the Interior Department under the Deep Water Royalty Relief Act.

In his letter to Geithner, Markey said Nexen has not paid royalties on 32 million barrels of oil and 34 million cubic feet of natural gas drilled in the U.S. Gulf of Mexico through May 2012, Reuters reported.

Markey's letter closely follows a similar letter sent to Geithner on July 24 by Sen. Charles Schumer (D.-N.Y.). In an article about Schumer's communication, *Forbes* noted of the proposed Chinese-Canadian deal:

> If approved, that deal would be the largest overseas acquisition to date by a Chinese entity: $15.1 billion in cash, which includes a 61% premium. The stakes are high as CNOOC would become a major player in the North American energy market, toe-to-toe with the brand-name energy companies of the Western world.

This is not the first time CNOOC's overtures to North American energy companies have been a source of concern to Americans. In "Texans Uneasy Over Chinese Oil Investment in Lone Star State," an article in *The New American* online for November 15, 2010, journalist Kelly Holt quoted from a statement made 10 days earlier by Tom Pauken, chairman of the Texas Workforce Commission, about CNOOC's agreement with Oklahoma City-based Chesapeake Energy. The Chinese oil company paid over $2 billion for a one-third interest in Chesapeake's Texas project, giving it access to fracturing and directional drilling technology.

Pauken noted that the CNOOC/Chesapeake agreement was just one more example of China exchanging its devaluing U.S. dollars for U.S. hard assets:

> The U.S. Department of the Treasury reports that China holds more than $860 billion in U.S. Treasury securities and China's foreign exchange reserves are believed to contain 1.7 trillion American dollars.
>
> In fact, 65 percent of China's foreign exchange reserves are composed of greenbacks.

Pauken further warned:

> If we continue to see the Chinese take flight to our material assets, we should pause before celebrating their investments. It may just signal that the Chinese, skittish over seeing their dollars decline in value and tired of financing our massive debt, have seen the handwriting on the wall even as our political elites turn a blind eye to our continuing economic decline.

TNA Senior Editor William F. Jasper also exposed one of CNOOC's failed U.S. ventures in his May 12, 2011 article, "China: The New Investment Savior?":

> In 2005, the $18.2 billion bid by China National Offshore Oil Corporation (CNOOC) for the California-based oil giant Unocal touched off a political furor that garnered widespread bipartisan opposition to the deal based largely on national security concerns. In spite of CNOOC's cash-rich offer, public opposition to the Chinese takeover ultimately squelched the deal.

Jasper issued this ominous warning about such Chinese overtures:

> It should be noted (since our journalists, pundits, and politicians seem largely oblivious to the fact) that in China's state-monopoly system of Leninist "capitalism," its corporations are instruments of national policy, fully integrated with, and subservient to, the Communist Party of China (CPC) and the Peoples Liberation Army (PLA). As such, China's corporations do indeed serve as forward troops in Beijing's global strategic economic warfare.

At one time, Americans could rely on conservative Republican members of government to hold the line against communist hegemony, whether economic or military. It is an odd turn of events that the alarm being sounded against China's state-run oil company's intrusion into our sphere of interests has been initiated by two of the most liberal Democrat members of Congress, Rep. Markey and Senator Schumer.

Photo: Rep. Ed Markey (D-Mass.) speaks during a joint hearing of the Subcommittee on Energy and Power and the Subcommittee on Environment and the Economy, March 16, 2011: AP Images