



EUCAM
EU-CENTRAL ASIA MONITORING



Central Asia's growing partnership with China

Sébastien Peyrouse

working paper 04
October 2009



© EUCAM 2009
ISBN 13: 978-92-9079-932-0
October 2009

Central Asia's growing partnership with China

EUCAM Working Paper No. 4

Sébastien Peyrouse

Table of Contents

Introduction	4
The political and geopolitical impact of Chinese presence in Central Asia	4
Economic readjustment in favour of Beijing	7
The Russia-China-EU triangle in Central Asia	10
Recommendations	11
Conclusions	12
Endnotes	12

Introduction

Since the start of the 2000s, the People's Republic of China (PRC) has become an increasingly important player on the Central Asian scene, which until then had been essentially divided between Russia and the US. Today, Central Asia's future lies in its ability to avoid the destabilisations of the Afghan–Pakistan zone, and through Chinese influence, to partake of the Asia–Pacific's economic prosperity. In less than two decades, Beijing has managed to make a massive and multiform entry onto the Central Asian scene: it has proven itself a loyal partner on the level of bilateral diplomacy and has succeeded in turning the Shanghai Cooperation Organisation (SCO) into a regional structure appreciated by its members. China has also become a leading actor in trade as well as in the hydrocarbon sector and infrastructure. In examining the shift that China has generated in Central Asian realities, this paper focuses on the political and geopolitical impact of Beijing's growing influence, along with the economic implications of the Chinese presence in Central Asia. To what extent will this affect the objectives of the European Union? China is one of the EU's economic competitors in domains such as energy; it obstructs cooperation between Central Asian states and Western countries, and it encourages the authoritarian tendencies of political regimes. Yet, partnership and economic competition go hand in hand, as EU texts recognise.¹ In addition, the EU's rationale for setting up in Central Asia is not to compete with neighbouring states, but instead to seek cooperation in accordance with the idea that a multiplicity of actors will guarantee the zone's stability and its geopolitical balance. So what joint interest might China and the EU have in Central Asia? On a certain number of questions such as security and long-term development, the EU and China

share the same concerns and Beijing is seeking greater collaboration with Europe.

The political and geopolitical impact of the Chinese presence in Central Asia

Chinese interests in Central Asia have been structured in phases. In the first half of the 1990s, the concern was to demilitarise the borders, sign demarcation treaties and prevent the strengthening of Uighur separatism. In the second half of the 1990s and early 2000s, China aimed at creating a platform for discussion and mutual discovery, and at elaborating a collective security framework. In the first half of the 2000s, it moved to establish itself vigorously on the Central Asian market, based on the view that economic cooperation attenuates political tensions. Finally, since 2005, it has been hoping to establish ways – still timid – of promoting the Chinese language and training Central Asian elites according to the Chinese model.

The new states of Central Asia discovered their Chinese neighbour in 1991, at the time of their declarations of independence. They were rapidly obliged to negotiate good neighbourly relations with a country about which they knew little and which Soviet propaganda had largely demonised.² Although China immediately recognised the independence of the five states, it considered that it had been a victim of the 'unequal treaties' signed in the 19th century with European empires, in particular the tsarist empire. For many decades, the tense relations between the Soviet and Chinese communist parties prevented any settlement of these disputes, which were thus bequeathed to the newly independent states. At the beginning of the 1990s, the Chinese authorities, still under international sanction after the violent repression in Tiananmen in June 1989, agreed to reduce their territorial claims to 'only' 34,000 km², chiefly out of a desire to secure political allies in Central Asia.³

Compared with its highly charged dispute with the Soviet regime, the 10-year period it took China to resolve its border disputes with Kazakhstan, Kyrgyzstan and Tajikistan seemed relatively short and peaceful. Initially, the Chinese authorities, no longer having to negotiate with an ultra-powerful Soviet Union, had thought that their economic and geopolitical differential over the new states would make negotiations easier and procure them greater advantage – especially as the Central Asian governments were in search of partners and needed to find alternatives for the loss of Soviet subsidies. The negotiations, however, turned out to be more complicated than Beijing had expected. The Central Asian authorities, concerned about a future Chinese hegemony after more than a century of

Sébastien Peyrouse is a Senior Research Fellow with the Central Asia-Caucasus Institute & Silk Road Studies Program, a Joint Center affiliated with Johns Hopkins University's SAIS in Washington, D.C., and the Institute for Security and Development Policy, Stockholm. For 2008, he was a Principal Investigator for the project "Coping with the Russo-Chinese Competition in Central Asia: Local Perspectives and Strategies", funded by the Smith Richardson Foundation. Peyrouse holds a Ph.D. at the National Institute for Oriental Languages and Cultures in Paris. He was a doctoral and post-doctoral Fellow at the French Institute for Central Asia Studies in Tashkent (1998-2000 and 2002-2005), a Research Fellow at the Slavic Research Center, Hokkaido University in Sapporo (2006), and a Research Fellow at the Woodrow Wilson International Center for Scholars in Washington (2006-2007).

His research originally focused on the impact of the Russian/Soviet heritage in the five Central Asian republics. His main areas of expertise are political regimes in Central Asia, Islamism, religious minorities and geopolitics.

Russo–Soviet domination, were not to yield easily. Having pride in their newly acquired independence, they could not be persuaded to give up territories lightly, especially as Sinophobe feelings ran particularly high. Lastly, the threat of international terrorism impeded negotiations concerning the border demilitarisation and retarded the idea of future, joint border surveillance.

Beijing eventually signed border demarcation treaties with Kazakhstan in 1994 (some of the zones still under dispute were settled in 1999), with Kyrgyzstan in 1996 (here also, resolutions over disputed areas were settled in 1999) and with Tajikistan in 2002. It thus remained content with the cession of territories far smaller than those stipulated in its original claims. But the territorial areas it has acquired nonetheless do have a real economic and strategic viability, including access to rivers, subsoil resources and high mountain passes. This cession of territory was viewed negatively by some segments of the populations of the two first states, who thought of their governments as capitulators and suspected that the Chinese would soon lay down additional claims.⁴ For, at the same time, China has not hesitated to exert political pressure at the highest levels to block solidarity from developing between Central Asia's Uighur diaspora and Xinjiang, a move whose real intentions have raised suspicions.

With the border issues resolved and the Uighur issue suppressed, China launched a trade offensive in Central Asia and reinforced its presence in the region by investing massively in security and strategic affairs within the SCO. One principal concern of the Shanghai Group, created in 1996, was to negotiate the settlement of border disputes and to sign in-confidence agreements concerning not only the demarcation of borders but also their demilitarisation. Quickly, the group envisaged extending its domain of competence from the securitisation of borders to regional stability. In June 2001, the Shanghai Group, which by that time a formerly reticent Uzbekistan had also joined, transformed into the SCO, the founding text of which was based on the common fight against terrorism, separatism and extremism, thereby adopting in its own way the Chinese terminology of the 'three evils' (*san gu shili*).

The SCO has helped to defuse a number of potential conflicts, especially those at the borders, but it has been unable to organise multilateral peace operations within or outside its zone. As it was not designed to be a supranational organisation, implying the reduced sovereignty of its members, it does not have a defined military structure like the Collective Security Treaty Organisation, which includes the sale of technological equipment to member states. It is not a military defence alliance like NATO and does not seek to create multilateral

military or police units. Despite the establishment in 2004 of an anti-terrorist centre in Tashkent – the Regional Anti-Terrorist Structure (RATS), designed to develop common approaches to combat terrorist movements – any multilateral security dynamic remains embryonic.⁵ Moreover, neither Russia nor China is inclined to disclose sensitive information about new technologies and their respective military complexes. While the two capitals do not officially see themselves as potential enemies, traditional distrust and a sense of inevitable rivalry dominate. This background nevertheless allows for the exchange of information and for a doctrinal dialogue, facilitating better understanding between security structures. The SCO thus seems primarily a reflection of Chinese willingness to support what Beijing has called a "healthy Central Asian order", free from separatist, Islamist and pro-Western forces that could destabilise China.⁶

The extension of the SCO, particularly to the economic domain, has elicited a debate among member states that reveals their often-contradictory interests. Security and economic agendas now compete. These agendas are obviously not mutually exclusive, but in the face of limited budgets, it is impossible to give both of them priority. China would clearly be the main driver of any sort of economic reorientation of the SCO, which it calls an opportunity for the development of the 'Far West' and the conquest of new markets. Given China's booming development, however, both Moscow and the Central Asian states fear that they will fall under Chinese economic domination and argue that free trade zones are only possible among countries that are on the same economic level. Still, some sectors seem to be increasingly favoured in the multilateral framework of the SCO, including the establishment of a transport corridor between China and the Caspian Sea that runs through Russia and Central Asia, reaching agreement on the export of electricity, and the development of structures to coordinate the trade and transit of hydrocarbons among SCO member states.

In a little over 10 years, the SCO and its precursor, the Shanghai Group, have been partly successful. They have helped to ease longstanding tensions between the Russian and Chinese worlds, to put in place cooperative mechanisms for former Soviet states to discover their Chinese neighbour and to establish a collective discourse on the common threats they face. On the geopolitical front, the SCO enjoys the international recognition that all the member states had hoped for, especially Moscow and Beijing. Now that this threshold of development and institutionalisation has been reached, the organisation faces new challenges. In economic terms, it has failed to compete with the Eurasian Economic Community. The development of trade relations among member states,

which remain primarily bilateral, lacks guidance. And it has been unable to erase Russian and Central Asian fears about an 'invasion' of Chinese products. Only the energy sector, most notably oil, is recognised as an engine of regional cooperation. Sights have even been set on a distant 'energy club' that would wield influence on the international stage.

At the strategic level, the activities of the SCO are manifold, but largely remain at the stage of declarations of intent. Notwithstanding the rhetoric of the General Secretariat and RATS, a lack of coordination among member states is evident, the desire to exchange information is restrained, the financial resources are far too few and the bureaucratic structures are weak. Furthermore, the absence of actual common jurisdiction in most areas and the lack of relay on important related matters limit considerably the scope for potential action. Meanwhile, although the SCO undeniably attempts to counter Western influence in the old continent, no country in the region wishes to pursue an aggressive policy aimed directly against US interests.⁷ China cannot afford to be declared an 'enemy state' by Washington, as its economy is now dependent on its relations with the US. The Central Asian states seek to keep contacts with the West in order to counterbalance the influence of both Moscow and Beijing and to open up towards the West. Even with the rise of anti-American sentiment among Central Asian elites, all consider Western presence in the region to be a guarantee of balance. They agree that the exclusive, dual grip of Russia and China is dangerous.⁸ In addition, the SCO has failed to coordinate joint activities against drug-trafficking and to become a forum for discussion on the water issue. In spite of the call launched by Dushanbe, Bishkek and Tashkent for the SCO to mediate their water conflict, China has always refused to become involved in it.

China and Russia share similar geopolitical objectives in Central Asia: both of them desire stability on their borders, are concerned about the ability of the Central Asian states to withstand destabilisation (whether from civil war, Islamist insurrection, popular uprising or palace revolution), and consider the region the main transit zone for drug-trafficking from Afghanistan. Both also reject the notion that the West ought to have any right to oversee Eurasian space. The political rapprochement between Russia, China and Central Asia was facilitated by the common struggle against the Islamist threat. Beijing established itself in the region chiefly by its will to fight against the Islamist movements, for which it received positive approval from all the Central Asian capitals. A Sino–Central Asian geo-strategic rapprochement is also materialising on Afghanistan. For the Central Asian states, Afghanistan remains an 'open wound', which feeds Islamism, drugs and arms networks, and prevents

the development of relations with South Asia. So long as there is no stability in Kabul, it is difficult for the Central Asian states to develop strong economic relations with India or Pakistan in the form of pipelines, the export of electricity or business relations. China shares Central Asia's concerns and wants to see stability on its short Sino–Afghan border. This alliance permits all domestic political opposition to be bracketed by, and indeed conflated with, the perceived threat of Islamism: China has backed the Kremlin in its wars in Chechnya, while Russia and the Central Asian states have supported the Chinese policy on Xinjiang. In a similar vein, Moscow and Beijing have contributed technological and military know-how to help the Central Asian regimes fight not only the Islamic Movement of Uzbekistan and the Hizb ut-Tahrir, but also the broader secular opposition.

This political rapprochement has had a significant impact on Central Asian societies: political reforms for democratisation have been impeded, the activities of NGOs and civil society are being increasingly curtailed, and access to new technologies and to media such as the Internet has become more difficult. China is appreciated for providing technology that restricts access to the Internet and software that can block dissident websites.⁹ This alliance between Russia, China and the Central Asian regimes reached its apogee during the Andijan insurrection of 13 May 2005, which triggered a harsh response from the Uzbek authorities. Western countries condemned Islam Karimov's regime for its disproportional use of force and massacre of civilians, rejecting Tashkent's official explanation that there had been an attempted Islamist *coup d'état*; however, both the Kremlin and China came to the rescue of the Uzbek regime.¹⁰ In November 2005, the US was asked to leave the military base at Karshi-Khanabad, a symbol of Tashkent's strategic turnaround back towards Moscow and Beijing.¹¹ In 2008, Moscow's recognition of South Ossetia's and Abkhazia's independence strengthened Beijing's position from the perspective of the Central Asian regimes, themselves concerned about any modifications to existing borders.¹²

If Chinese influence in Central Asia has evolved in the course of the two post-Soviet decades, China's key interests have not changed. The Central Asian zone has strategic value in Beijing's eyes owing to its relationship with Xinjiang. Any destabilisation of the Central Asia–Afghanistan–Pakistan triangle could directly affect China's northwest. Putting this issue aside, Chinese foreign policy is set to remain focused on the US, Japan and the rest of Asia. The costs of dislodging Russian domination in the region would be quite excessive by comparison with the modest advantages it would afford. It would also compel Beijing to become more involved than it wants to in the domestic issues of Central Asian regimes. The Chinese

authorities are aware of their limited ability to manage their own unstable national fringes, especially after the events of spring 2008 in Tibet and those of July 2009 in Xinjiang. Beijing's Central Asian policy has primarily aimed at achieving pragmatic results. It has managed to resolve the border disputes and to reduce the level of military tension along the borders. It has also been able to suppress the Uighur issue and to persuade the local political regimes to adhere to Chinese discourses on the struggle against the 'three evils' (terrorism, separatism and religious extremism), on the unity of the PRC and Taiwan, and on the dangers of Western interference.

Economic readjustment in favour of Beijing

China's growing power has not only had an impact on the political and geopolitical situations of Central Asian countries, but it has also profoundly changed the economic status quo in the region. In the rapid expansion of Sino–Central Asian exchanges there are several strategies at play. First, by using a voluntary implantation policy in vital economic sectors, the PRC is seeking to consolidate its political influence in Central Asia. Second, it wishes to contribute to regional development in order to avoid political and social destabilisation, which could have domestic consequences in Xinjiang and slow Chinese economic growth. Lastly, the Central Asian states also provide new markets for Chinese products – markets that could open up to the whole of Russia. Along these lines, the Chinese authorities have even mentioned several projects for merging the SCO and the Eurasian Economic Community. To facilitate trade, Beijing has vigorously supported the applications of Kazakhstan, Uzbekistan and Tajikistan to join the World Trade Organisation.¹³

To manage these strategies, China uses multiple instruments in developing both bilateral relations and collective structures such as the SCO. Many Western companies consider the states of Central Asia, with the notable exception of Kazakhstan, risky countries where investment conditions are unfavourable or unpredictable. The local authorities therefore seek pragmatic, foreign partners who are undeterred by the political environment and are capable of investing in large projects, as well as in small and medium-sized ones. Although they may not be profitable, these projects can profoundly change the lives of the local populations that stand to benefit from them. The Chinese authorities have understood the extent to which poverty and the decay of the basic state infrastructure constitute key elements of potential destabilisation of the Central Asian states. Beijing has thus played the investment card by opening up highways and railroads, improving electrical grids and hydroelectric resources, exploiting precious mineral resources, and of

course developing trade relations.

China is also one of the only investors present in Central Asia that attaches importance to the frequently neglected banking sector, which permits the Central Asian republics to pursue large-scale projects. With the exception of Kazakhstan, the countries of the region have particularly weak banking systems. The Bank of China and the Chinese Industrial and Commercial Bank opened branches in Kazakhstan. In 2006, the Kazyna Development Fund and the Development Bank of China decided to create a Sino–Kazakh development fund to invest in collective infrastructure projects worth up to \$5 billion. Kazyna also hopes to send representatives to Beijing, Hong Kong and Urumqi, and to gain privileged access to the Hong Kong Stock Exchange. In 2009, a few weeks before the SCO summit in Ekaterinburg, China extended \$10 billion in loans to Kazakhstan. Half of the sum is to pay for the sale of the MangistauMunayGas to the China National Petroleum Corporation (CNPC) and the construction of the Beineu–Bozoi–Akbulak gas pipeline, while the other half constitutes a loan by the Export–Import Bank of China to its counterpart, the Development Bank of Kazakhstan.¹⁴

Trade between China and Central Asia has been booming for almost a decade. Between 2000 and 2003, Central Asian commercial relations with China increased by more than 200%, from about \$1 billion to more than \$3 billion.¹⁵ In 2006, Sino–Central Asian trade increased to \$10 billion according to Central Asian figures, or \$13 billion according to Chinese figures.¹⁶ In 2007, it reached at least \$18 billion, compared with \$21 billion for Russia.¹⁷ The trade gap between Russia and China is thus reducing to the advantage of the latter, whose commercial development seems exponential. Taking the shuttle trade into account, China's economic presence in bordering countries such as Kazakhstan and Kyrgyzstan is already greater than Russia's.¹⁸ This dynamic was previously more or less limited to the latter states, but it now affects the entire region. Still, there is a particular lack of diversification in Central Asian exports to China: a quarter of Kazakhstan's exports to China consists of petrol, another quarter is formed by nonferrous metals, and a further quarter is made up by iron, steel and other metals. Metals constitute a third of Kyrgyzstan's exports to China, with chemical products and nonferrous metals making up 20% and 25% of exports, respectively.¹⁹ Conversely, Chinese finished products account for 92% of Chinese imports to Central Asia.²⁰ Whatever the future may hold for Chinese economic settlement in Central Asia, the region is bound to experience a reinforcement of its economic specialisation in raw materials.

Sino–Central Asian trade mostly concerns trade between China and Kazakhstan (70% of the total), more than two-

thirds of which occurs with Xinjiang. Astana quickly rose to become the second largest of China's trading partners in the Commonwealth of Independent States after Russia, and it has already held the mantle of Xinjiang's largest foreign trading partner for quite some time.²¹ Of the total trade, Uzbekistan and Tajikistan each have 9%, Kyrgyzstan 7% and Turkmenistan only 2%,²² although trade with Turkmenistan is likely to grow significantly in volume with the future gas pipeline. The astonishingly low levels of trade between China and Kyrgyzstan as a percentage of the total trade between China and Central Asia can be explained by the weaknesses intrinsic to the Kyrgyz economy. This situation is likely to be offset by the development of transit, however. Kyrgyzstan has become one of the main places for the re-exportation of Chinese products throughout the rest of Central Asia. According to some economists, an estimated 75% of Chinese imports to Kyrgyzstan are re-exported to other Central Asian countries. The extent of this commercial growth is such that the re-exportation of Chinese goods has become Kyrgyzstan's second largest economic activity after gold extraction.²³

The energy issue is of course one of the driving forces of Sino–Central Asian economic relations. China is in need of primary resources and it is seeking to diversify imports by expanding its overland trade with landlocked Eurasia to mitigate the geopolitical vulnerabilities of relying unilaterally on sea-borne imports. The Chinese strategy for the purchase of oil and gas fields has been influenced by Beijing's late arrival on the Kazakh market, with the effect that Beijing can only acquire sites of relatively marginal importance. In spite of this negative initial condition, China has tried to develop a sense of logic in its acquisitions. To compete for Central Asian supplies, it has invested in fields in the Aktobe region and near the Caspian Sea (AktobeMunayGas and the offshore Darkhan site), and has become involved in more isolated fields that have the advantage of being located along the route of the Sino–Kazakh pipeline (North Buzachi, North Kumkol and Karazhanbas). In less than a decade, Chinese companies have successfully launched themselves on the Kazakh market (in 2006, China was managing approximately 24% of Kazakh production),²⁴ mainly by accepting the authorities' requirement that the state firm KazMunayGas be systematically associated with all activities.

The general Chinese strategy is to connect all the acquired fields with the gigantic Sino–Kazakh pipeline, which is presently under construction, and which will connect the shores of the Caspian to the Dostyk/Alashankou border post. The first section, which became operational in 2003, connects the Kenkiyak field to Atyrau; the second connects the pumping station and railway terminal in Atasu in the Karaganda region to the Dostyk/Alashankou

station and was opened in May 2006. The third and last section is to be completed in 2011, and it will increase the pipeline's overall export capacity to 20 million tonnes per year. On the Chinese side, this pipeline is connected to an intra-Chinese pipeline, namely the Alashankou–Dushanzi Crude Oil Pipeline, which connects the border post refinery at Dushanzi to Xinjiang.²⁵ The strategy of the CNPC in Kazakhstan can be understood only when placed in its intra-Chinese context: the objective of these acquisitions is not simply to provide energy to Xinjiang, but also to the densely populated, maritime East China. But Kazakhstan is in no position to supply a massive amount of China's energy needs: the pipeline will secure around 5% of the total volume of Chinese imports – a figure that could double (to 40 million tonnes out of the 400 that China will require in about a decade) after work is completed to increase the flows.

In addition, China is interested in the gas deposits in Uzbekistan and Turkmenistan. In spite of the challenging regional situation, China has succeeded in convincing Kazakhstan, Turkmenistan and Uzbekistan of the idea of building a shared pipeline and jointly selling gas resources to Beijing. In 2006, the Kazakh authorities signed an initial agreement for the construction of a gas pipeline with the CNPC, while Turkmenistan signed an energy agreement with China, according to which Ashgabat has agreed to deliver 30 bcm of gas in 2009 (with expectations of around 50 bcm by 2010).²⁶ The CNPC is the first foreign gas company in Turkmenistan to gain the right to carry out onshore gas extraction activities on the basis of a production-sharing agreement.²⁷ In April 2007, Beijing and Uzbekneftegas agreed on the construction of the Uzbek section of the gas pipeline, as Beijing and KazMunayGas did in July 2008 for the construction and operation of the Kazakh section. Scheduled to be operational by the end of 2009, this gas pipeline will have a capacity of 30 bcm per annum, with Kazakhstan, Uzbekistan and Turkmenistan supplying about a third each. The overall cost of the project is \$7 billion – a demonstration, as if one were needed, that Beijing has no hesitation in raising the bidding when it comes to energy matters. The Russian monopoly on Central Asian gas will soon end with this Sino–Central Asian gas pipeline.

Beijing is also interested in the Central Asian hydroelectricity sector. It eyes the region as a possible cheap source of electricity that could make up for the energy shortfall in Xinjiang. Many such Sino–Central Asian projects play a very important role in local economic development. In Kazakhstan, Chinese companies are constructing the Dostyk hydroelectric station on the Khorgos River, a tributary of the Ili that serves as an international border between the two countries. They are also constructing the Moinak hydroelectric station on the Charyn River,

located approximately 200 km from the former capital Almaty. The Moinak hydroelectric station constitutes the first 'turnkey' construction project for a new station since Kazakhstan's independence (other projects have hitherto involved upgrading stations built in the Soviet era). Astana and Beijing are currently discussing the construction of an electrical coal power station on the Irtysh River near the city of Ekibastuz. In Tajikistan, the Chinese company Sinohydro Corporation was in the process of building the Zarafshan station near Pendzhikent, but Uzbekistan's opposition has stalled the project for the time being. The firm is also erecting several electric lines in the south heading towards Afghanistan. In Kyrgyzstan, a series of hydroelectric stations has been planned in the Tian-Shan mountains on the border with Xinjiang. And negotiations are currently underway for Chinese financing for the construction of three stations on three cross-border rivers that run from the Kyrgyz glaciers towards China.²⁸

Meanwhile, China is progressively expanding its presence in the mineral industry. Central Asia has significant reserves of gold, uranium, copper, zinc, iron, tungsten and molybdenum. Beijing is very attracted by Kazakh and Kyrgyz gold. In 2005, the China National Gold Group Association and the metallurgic complex Kazakhaltyn Mining signed a contract for a joint venture to exploit Kazakhstan's gold deposits.²⁹ In June 2006, China proposed the formation of a Sino-Kyrgyz joint venture in order to extract Kyrgyz gold deposits, 10-20 tonnes of which would be held at the Chinese Development Bank as a credit guarantee. The offer, however, was rejected by Kyrgyzstan.³⁰ In May 2008, China followed in Russia's tracks by becoming involved in the development of the Tursunzade aluminium smelter (aluminium forms Tajikistan's main industry). The Tajik Aluminium Company (TALCO) and the Chinese National Corporation for Heavy Machinery signed an agreement for the construction of two factories in the Yavan district that will supply TALCO with raw aluminium for further refinement.³¹ China also needs uranium, chiefly to complete the construction of several tens of nuclear power plants. A number of agreements have been signed with Kazakhstan, notably that between the China Guangdong Nuclear Power Holding and Kazatomprom for the supply of nuclear fuel. The 2005 strategic cooperation treaty fosters the strengthening of ties between the two countries in the atomic energy sector and mentions "the unification of more segments of the industrial cycle for the production of enriched uranium".³² Kazatomprom will therefore be the sole foreign supplier to the Chinese nuclear market, entailing a certain strategic recognition of which the authorities in Astana are especially proud.

The Chinese presence is likewise important with respect to infrastructure, where Beijing is implementing a two-pronged strategy: first, to improve the border-bound

routes in order to increase cross-border transactions; and, second, to open up the most isolated regions in order to facilitate internal communication. Thus, Chinese companies are having a noticeable impact on the road networks. They are currently restoring the road from Irkeshtam to the large town of Osh, as well as a section of the Osh-Dushanbe road. They are also constructing two tunnels in Tajikistan, namely the Char-Char tunnel between Dushanbe and Kuliab, and the Shakhristan tunnel on the road connecting the Tajik capital to Khodzhen.³³ In addition, Turkmenistan, Kazakhstan and Uzbekistan are buying ever more railway equipment from China, including locomotives, passenger carriages and goods wagons. Finally, the seven border posts open for trade with China play an important role in the local economies and are starting to change the outlook for development in some border regions. Sino-Central Asian trade is for the most part in the hands of either large state-run enterprises or those of the Hans from Xinjiang (particularly the Xinjiang Production and Construction Corps), or lastly those of private entrepreneurs from Zhejiang, especially from the city of Wenzhou, considered one of the largest centres of Chinese entrepreneurs. More than 80,000 traders from Wenzhou have established themselves in Xinjiang, principally at Kashgar, and half of these engage in trade with Central Asia.³⁴

What conclusions can be drawn from the Chinese economic presence in Central Asia? This presence is, of course, of benefit to the Central Asian economies, but in an ambiguous way, since above all else it privileges the heavy industry sectors, which are in the hands of the oligarchs and clans in power. Small and medium-sized Chinese enterprises are rare, since the Central Asian market is very limited and the investment climate is regarded as negative. Only trade has given rise to private enterprises, whether Chinese or Central Asian, or joint ventures owned by the middle classes. Here too, this business benefits corrupted milieus, customs officers, the police, etc. Furthermore, the Chinese methods of economic settlement are increasingly decried by Central Asian actors: Chinese firms come with their own equipment and materials, and do not give work to local enterprises. Their personnel is mostly comprised of Chinese workers who live in isolation at their place of work, without much interaction with the host society, and the few locals who are employed are often submitted to appalling working conditions. So does the Chinese presence bring development with it? Does it contribute to spreading know-how and techniques, to training the locals, to interaction with the settlement country? Similar questions are being raised in Africa and closer by in Afghanistan, and the response is paradoxical indeed.

Moreover, in Sino-Central Asian trade as a whole, the

Uighurs, Dungans and China's Central Asian minorities have limited room for trade and their competitiveness remains modest. These cross-border minorities nonetheless play a role in the development of bilateral economic relations and in the cultural mediations between the two worlds.³⁵ The long-term implications of China's engagement for landlocked Central Asia in relation to transit and transport will partially determine the future of the region. Chinese investments in infrastructure will enable the Central Asian states to escape from the increased isolation from which they have suffered following the disappearance of Soviet-era infrastructure networks. They benefit from consumer products that are appropriate for their low standard of living, but which are also capable of satisfying the growing technology-related consumption of the middle classes, particularly in Kazakhstan. The massive influx of Chinese products will also give the peoples of Central Asia the opportunity to reassume their traditional role as a transit culture exporting goods as far as Russia – something that the Kyrgyz and Uzbek migrants situated in Russia are already starting to do.

The Russia–China–EU triangle in Central Asia

The pragmatism of Chinese businessmen is often exulted by the Central Asians and contrasted with the indecision and unkept promises attributed to their Russian and European colleagues. That notwithstanding, their view of China is far from being entirely positive and Sinophobia is rapidly growing. Central Asian experts express concern about the potential problems that their Chinese neighbour might cause in the long term. On a geopolitical level, the alliance between Moscow and Beijing in the SCO is considered positive insofar as it has a stabilising, supervisory role in Central Asia. At the same time, this alliance limits the foreign policy options of the region's states, which consequently struggle to make their differing viewpoints heard. In the energy sector, Central Asian states see their opening up to countries other than Russia as a way of guaranteeing autonomy from Moscow. Concerning the military domain, Central Asian elites prefer to rely on Russia, which, in cases of destabilisation, is considered the only really possible partner, whereas fears of the Chinese military and secret services are on the rise. When fielding questions of identity, hardly any Central Asian experts can be classified as Sinophile. This is the case whether at issue is the interpretation of the history of relations with China, the Uighur problem, the question of Chinese cultural influence or demographic concerns. In more or less radical terms, all experts articulate the same query: How can the small peoples of Central Asia preserve their autonomy over the long term

and avoid Sinicisation, whatever form that may take? As a 'civilisation', China is perceived as being foreign, and even as incompatible, whereas there is still a dominant feeling of proximity and even of intimacy with Russia: compared with potential Chinese domination, Russia continues to be seen as the 'lesser evil'.

The future of the Chinese presence in Central Asia and its impact on EU policy in the region depends in part on the development of Sino–Russian relations. The Russo–Chinese alliance in Central Asia is based upon very real but only temporarily common interests. Even so, it is possible to discern the contours of a potential rivalry emerging over energy interests on the not too distant horizon, one provoked by China's exponential consumption needs and Moscow's preference for exporting Central Asian production to Western Europe instead of reinvesting in its own fields and infrastructure. This rivalry is also likely to extend to uranium, precious minerals and electricity. Similarly, there are doubts about the future solidity of the Russo–Chinese military partnership: at present China needs to import advanced Russian technology, but once it has attained a status nearly equivalent to Moscow's, Russian suspicions about Chinese ambitions are likely to greatly increase. Moreover, the Russo–Chinese partnership functions in Central Asia because Beijing wishes to preserve Russian domination in the region. China prefers to let Russia pay the heavy costs of military security and of guaranteeing the survival of unstable regimes.³⁶ If, however, China were one day to decide to take up the primary role in the political, military and cultural domains, it would likely encounter fierce opposition from Moscow. Within the next few years, it is predicted that China will eclipse Russian dominance in the economic arena. Indeed, China represents the most credible option for freeing Central Asia from Russian political tutelage within the coming decade. For the Central Asian elites, China's rise to power is the mirror reflection of the forthcoming decline of Russia.

But do China's goals extend beyond the economic domain and the preservation of stability in Central Asia? The Chinese authorities have no interest in visibly ratcheting up their pressure on the states of Central Asia. At any rate, in the event of one of the Central Asian states destabilising, of the Taliban's returning to power in Afghanistan, of an overthrow of the government in Pakistan or of riots in Xinjiang, Beijing has all the necessary tools at its disposal to rally the Central Asian regimes to its side and does not seem to want more. Yet, this does not mean that, broadly speaking, China has no long-term objective in the region. Beijing is in the process of rapidly setting itself up in Afghanistan: to ensure its influence in the country, it has placed its bets on establishing close political relations with Kabul, assisting with the reconstruction effort, and

on developing trade and economic relations. China's role is particularly noteworthy in the area of exports to Afghanistan. According to Afghan statistics, in 2007–08, 21% of Afghan imports came from China. Overall, China has apparently moved into second place, just behind Pakistan, as Afghanistan's second largest economic partner.³⁷ Having become a new target for Afghan drug networks, China intends to become one of the key players in the Afghan game between now and 2015, regardless of political developments in Afghanistan. The chief aim behind the Chinese strategy of a large-scale settlement in Central Asia is therefore, in the short term, to secure the failing states of the region, namely Afghanistan, Kyrgyzstan and Tajikistan. In the longer term, the goal is to open the region up to Iran and Turkey. Beijing sees this region as a primer to develop a regional dynamic that could be extended to the West and which would open up the doors of the Middle East and the markets of the Persian Gulf; a Chinese revalorisation of continental routes to the detriment of maritime routes, again, must be understood as part of a long-term historical evolution on which the EU should learn to take a position.

All in all, the real losers of the current Russo–Chinese alliance in Central Asia at present seem to be the US and the EU. Not only does this alliance limit their capacity for action in the region, it also complicates political relations with local governments over questions of good governance and democratisation, and slows down the establishment of Western companies in the Central Asian economies. The often-raised idea that the Chinese presence is of benefit to the West because it unsettles Russian domination appears short-sighted: although China does provide a balance of power, it is by no means favourable to Western political or economic settlement in Central Asia. On the contrary, with some degree of finesse, China has dissembled its policy of containment of the West in Central Asia by letting Moscow take the largest role. It can thus only be hoped that Western countries develop an awareness of their potential to generate positive feelings in Central Asia, and to endeavour to return to a region whose long-term stability necessitates the presence of a third actor to counterbalance the Russo–Chinese partnership.

Recommendations

In spite of their differences, China and the EU could collaborate in Central Asia in the following areas:

On the formation of elites. China has implemented scholarship programmes for Central Asian students, principally centered on the learning of the Chinese language, economics and managerial training, and technical positions related to hydrocarbons. Given that

one of the EU's objectives in Central Asia is to contribute to the development of higher education, the EU could consider establishing university and research partnerships with Chinese universities designed for Central Asian students.

On sustainable development. This topic has been an element of the EU–China partnership for several years. The Chinese authorities are open to the argument for action and the EU has turned it into a spearhead of its internal and external policy. Beijing and Brussels could therefore consider setting up joint programmes in Central Asia on matters such as the formation of state organs to deal with the prevention of natural risks, epidemiological coverage and food risks.

On improving the transport infrastructure. Both China and the EU are participating in large projects to develop trans-Eurasian continental relations in the framework of TRACECA (the Transport Corridor Europe–Caucasus–Asia). The European Bank for Reconstruction and Development and the Asian Development Bank could come together more regularly on projects for financing road construction, tunnels, bridges and railways. One of the major problems of these sorts of projects is not the construction of the infrastructure per se, but their commercial viability, which is reduced by burdensome levels of customs bureaucracy. Moreover, as mentioned above, the Chinese way of building infrastructure without any transfers of technology or training for locals is based on a conception of 'development' that is largely divergent from that held by the EU; for the latter, the chief emphasis is placed on the human factor.

On hydroelectric stations. In contrast to Russia, China is willing to finance small-scale hydroelectric stations in Central Asia, which create less tension among the region's states and present fewer security problems in relation to seismic risks. These small stations can positively influence local development in Tajikistan and Kyrgyzstan, and hence form part of a response to the objectives that the EU has set itself, namely development and the fight against poverty.

On border control and the fight against drug-trafficking. Beijing is greatly concerned about the porosity of Central Asian borders and the trafficking of acetic anhydride, which is produced by the Chinese chemical industries and enables opium to be turned into heroin. Border cooperation is often difficult to arrange in a multilateral framework and tends to work solely in bilateral relations. Still, the progressive formation of Sino–Kazakhstani border patrols could lead the way to developing collaboration with the teams of the EU's Border Management Programme for Central Asia, and exchanges among experts and

specialists for the training of customs officers could be envisaged. Development projects in Afghanistan might also be set up conjointly by the EU and China.

Conclusions

With respect to Central Asia, it will be very difficult for the EU to find areas of political understanding with China, since Beijing does not encourage a greater democratisation of the region. Also, some economic sectors, such as gas and, to a lesser extent, oil and uranium, constitute the core of Sino–European competition. Thus, on subjects related to the formation of Central Asian elites, risk management, sustainable development and countering the landlocked character of the region, Brussels and Beijing share the same reading of the situation. The EU could consider, in the medium term, acquiring observer status in the SCO. The ability of Central Asian societies to withstand security threats is also a major concern and a possible area of understanding between the EU and China. Collaborative actions in precise areas concerning the strengthening of border controls are theoretically foreseeable, although the analysis of both actors diverges on some basic questions: while both China and the EU want stabilisation for the region, the former considers the established regimes to be stabilising elements, and thus provides them with support, while the latter sees these regimes as motors of potential destabilisation. When new political destabilisations occur, as in Andijan in 2005 – and it is likely that Uzbekistan as much as Kyrgyzstan, or indeed Tajikistan, will experience some turmoil in the coming years – then the EU and China will find it difficult to make their analyses converge.

Endnotes

1 See “China” on the European Commission’s External Relations website (http://ec.europa.eu/external_relations/china/intro/index.htm).

2 On the diplomatic relations between the PRC and Central Asia, see T. Kellner, *L’Occident de la Chine, Pékin et la nouvelle Asie centrale (1991-2001)*, Paris: PUF, 2008.

3 China claimed 2,235 km² of territory in Kazakhstan divided into eleven zones, some of which comprised only tens of km². In Kyrgyzstan, it claimed 3,728 km² divided into five zones, but originally continued to insist on nearly all of its claims in Tajikistan, from which it demanded a large part of the Pamirs (28,430 km²), equal to one-fifth of the country’s overall surface area.

4 For more on Sinophobia in Central Asia, see M. Laruelle and S. Peyrouse, *China as a Neighbor: Central Asian Perspectives and Strategies*, Silk Road Monograph, Central Asia and Caucasus Institute, Washington, D.C., April 2009 (retrieved from <http://www.isdp.eu/files/publications/books/09/ml09chinaneighbor.pdf>).

5 Zh. Huasheng, *Kitai, Tsentral’naia Aziia i Shankhaiskaia Organizatsiia sotrudnichestva* [China, Central Asia, and the

Shanghai Cooperation Organisation], Working Paper No. 5, Carnegie Endowment for International Peace, Moscow, 2005.

6 I. Facon, “L’organisation de coopération de Shanghai. Ambitions et intérêts russes” [The Shanghai Cooperation Organisation: Russian ambitions and interests], *Le courrier des Pays de l’Est*, no. 1 055, 2006, pp. 26–36.

7 A. Iwashita, “The Shanghai Cooperation Organization and Its Implications for Eurasian Security: A New Dimension of ‘Partnership’ after the post-Cold War Period”, in *Slavic Eurasia’s Integration into the World Economy and Community*, Slavic Research Center, Hokkaido University, 2004, pp. 259–281.

8 K.L. Syroezhkin, *Problemy sovremennogo Kitaia i bezopasnost’ v Tsentral’noi Azii* [The problems of contemporary China and security in Central Asia], KISI, Almaty, 2006.

9 For instance, when the second Turkmen president, Gurbanguly Berdimukhammedov, reopened Internet cafes in February 2007, he signed contracts with Chinese companies for software designed to control access to websites.

10 S. Peyrouse, “Le tournant ouzbek de 2005. Eléments d’interprétation de l’insurrection d’Andijan”, *La Revue internationale et stratégique*, no. 64, 2006, pp. 78–87.

11 G. Gleason, “The Uzbek Expulsion of U.S. Forces and Realignment in Central Asia”, *Problems of Post-Communism*, Vol. 53, No. 2, 2006, pp. 49–60.

12 S. Peyrouse, “The Issue of Separatism: The European Union, Central Asia and the Uyghur Issue”, *European Union-Central Asia Monitor*, No. 3, 2009.

13 Only Turkmenistan has yet to make an application; Kyrgyzstan has been a WTO member since 1998.

14 See the article “China loans 10 bln dlrs to Kazakhstan”, 17 April 2009 (retrieved from http://www.energy-daily.com/reports/China_loans_10_bln_dlrs_to_Kazakhstan_state_media_999.html).

15 V. Paramonov and A. Stokov, *Ekonomicheskoe prisutstvie Rossii i Kitaia v Tsentral’noi Azii* [The economic presence of Russia and China in Central Asia], Central Asian Series, Conflict Studies Research Center, Defence Academy of the United Kingdom, Shrivenham, 07/12, 2007, p. 3.

16 It is difficult to obtain a precise assessment of China–Central Asian trade figures because the Central Asian official statistics take little account of the extent of cross-border trade, and cannot measure the amount of illegal trade, particularly in metals. See G. Raballand and B. Kaminski, “La déferlante économique chinoise et ses conséquences en Asie centrale”, *Monde chinois*, no. 11, 2007, pp. 129–134.

17 V. Paramonov and A. Stokov, *Ekonomicheskoe prisutstvie Rossii i Kitaia v Tsentral’noi Azii* (2007), op. cit., p. 4.

18 G. Raballand and A. Andrésy, “Why should trade between Central Asia and China continue to expand?”, *Asia Europe Journal*, Vol. 5, No. 2, 2007, pp. 235–252.

19 Hsiu-Ling Wu and Chien-Hsun Chen, “The Prospects for Regional Economic Integration between China and the Five Central Asian Countries”, *Europe-Asia Studies*, Vol. 56, No. 7, 2004, pp. 1059–1080.

20 V. Paramonov and A. Stokov, *Ekonomicheskoe prisutstvie Rossii i Kitaia v Tsentral’noi Azii* (2007), op. cit., p. 5.

21 See the article “Xianjiang’s border trade to Kazakhstan on the fast track” on the website of the Government of the Xinjiang Uygur Autonomous Region, January 2006 (retrieved from [http://www.xinjiang.gov.cn/1\\$002/1\\$002\\$013/352.jsp?articleid=2006-1-3-0003](http://www.xinjiang.gov.cn/1$002/1$002$013/352.jsp?articleid=2006-1-3-0003)).

22 V. Paramonov and A. Stokov, *Ekonomicheskoe prisutstvie Rossii i Kitaia v Tsentral’noi Azii* (2007), op. cit., p. 4.

23 G. Raballand and B. Kaminski, “La déferlante économique

chinoise et ses conséquences en Asie centrale" (2007), op. cit.

24 But this proportional share of total Kazakh oil production will decrease in the forthcoming years as the exploitation of Tengiz and Kashagan increases the size of the pie to China's disadvantage.

25 See the article, "Kazakhstan-China oil pipeline opens to commercial operation", *People's Daily Online*, 12 July 2006 (retrieved from http://english.people.com.cn/200607/12/eng20060712_282194.html).

26 See the article, "Turkmenistan: Gas pipeline to China is ready", *Asia News*, 22 August 2006 (retrieved from <http://www.asianews.it/index.php?l=en&art=6997>).

27 J. Šír and S. Horák, "China as an Emerging Superpower in Central Asia: The View from Ashkhabad", *China and Eurasia Forum Quarterly*, Vol. 6, No. 2, 2008, pp. 75–88.

28 S. Peyrouse, "The Hydroelectric Sector in Central Asia and the Growing Role of China", *China and Eurasia Forum Quarterly*, Vol. 5, No. 2, 2007, pp. 131–148.

29 See the article, "Kitaiskaia i kazakhstanskaia kompanii sozdali SP po dobyche zolota v Kazakhstane" [Chinese and Kazakh companies create a joint venture for the extraction of gold in Kazakhstan], *RosInvest*, 7 September 2005 (retrieved from <http://www.rosinvest.com/news/126039/>).

30 See the article, "Kitai gotov investirovat' 900 millionov dollarov v Kyrgyzstane v obmen na resursy i stroitel'stvo zh.d." [China is ready to invest 900 million dollars in Kyrgyzstan in exchange for resources and the construction of a railway], *CentrAsia*, 29 January 2005 (retrieved from <http://www.centrasia.ru/newsA.php4?st=1106979480>).

31 S. Peyrouse, "China's Recent Advance in Central Asia", *Central Asia and Caucasus Analyst*, 12 December 2008 (retrieved from <http://www.cacianalyst.org/?q=node/5001>).

32 A. Schmidke, "Atomnaia promyshlennost' Kazakhstana: sovremennoe sostoianie i perspektivy razvitiia", 2006 (retrieved from http://www.pircenter.org/data/publications/06-05-31Schmidke_Article.pdf).

33 For more details, see S. Peyrouse, *The Economic Aspects of the Chinese-Central Asia Rapprochement*, Silk Road Papers, Central Asia and Caucasus Institute, Washington D.C., September 2007 (retrieved from www.silkroadstudies.org/new/docs/Silkroadpapers/2007/0709ChinaCentral_Asia.pdf).

34 G. Raballand and A. Andrésy, "Why should trade between Central Asia and China continue to expand?" (2007), op. cit.

35 M. Laruelle and S. Peyrouse, "Cross-border Minorities as Cultural and Economic Mediators between China and Central Asia", *China and Eurasia Forum Quarterly*, Vol. 7, No. 1, 2009, pp. 93–119.

36 Based on interviews conducted among the main Chinese think tanks and research centres with an interest in the former USSR, in Shanghai, Beijing, Lanzhou and Xi'an, September–December 2008.

37 T. Kellner, "Le 'dragon' et la tulipe': les relations sino-afghanes dans la période post-11 septembre," *Asia Papers*, Brussels Institute of Contemporary China Studies, Brussels, January 2009 (retrieved from [http://www.vub.ac.be/biccs/documents/APaper_Kellner_Thierry_\(2009\)_Le_dragon_et_la_tulipe_vol.4\(1\).pdf](http://www.vub.ac.be/biccs/documents/APaper_Kellner_Thierry_(2009)_Le_dragon_et_la_tulipe_vol.4(1).pdf)).

Related publications by the author

- Sébastien Peyrouse, *Des chrétiens entre athéisme et islam. Regards sur la question religieuse en Asie centrale soviétique et post-soviétique*, Paris, Maisonneuve & Larose, 2003.
- Sébastien Peyrouse and Marlene Laruelle, *Les Russes du Kazakhstan. Identités nationales et nouveaux Etats dans l'espace post-soviétique*, Paris: Maisonneuve & Larose, 2004.
- Sébastien Peyrouse and Marlène Laruelle, eds., *Islam et politique en ex-urss (Russie d'Europe et Asie centrale)*, Paris, L'Harmattan, 2005.
- Sébastien Peyrouse, ed., *Gestion de l'indépendance et legs soviétique en Asie centrale. Les Cahiers d'Asie centrale*, (no. 13-14), Edisud, 2004.
- Sébastien Peyrouse and Marlène Laruelle, *Asie centrale, la dérive autoritaire. Cinq républiques entre héritage soviétique, dictature et islam*, Paris, Autrement - CERI, 2006.
- Sébastien Peyrouse, *Turkménistan. Un destin au carrefour des empires*, Paris, Belin, 2007.
- Pierre Chuvin, René Letolle, Sébastien Peyrouse, *Histoire de l'Asie centrale contemporaine*, Paris, Fayard, 2008.
- Sébastien Peyrouse, *Facing the Challenges of Separatism: The EU, Central Asia and the Uyghur Issue*, EUCAM Policy Brief No. 4, January 2009.
- Sébastien Peyrouse, *Business and Trade Relationships between the EU and Central Asia*, EUCAM Working Paper No. 1, June 2009.

The EUCAM initiative is an 18-month research and awareness-raising exercise which aims: to raise the profile of the EU-Central Asia Strategy; to strengthen debate about the EU-Central Asia relationship and the role of the Strategy in that relationship; to enhance accountability through the provision of high quality information and analysis; to promote mutual understanding by deepening the knowledge within European and Central Asian societies about EU policy in the region; and to develop 'critical' capacity within the EU and Central Asia through the establishment of a network that links communities concerned with the role of the EU in Central Asia.

EUCAM is sponsored by the Open Society Institute (OSI) and the Netherlands Ministry of Foreign Affairs. The project is also supported by the Czech Republic Ministry of Foreign Affairs, the Spanish Ministry of Foreign Affairs and Cooperation and the United Kingdom Foreign and Commonwealth Office.

FRIDE is a think tank based in Madrid that aims to provide original and innovative thinking on Europe's role in the international arena. It strives to break new ground in its core research interests – peace and security, human rights, democracy promotion and development and humanitarian aid – and mould debate in governmental and nongovernmental bodies through rigorous analysis, rooted in the values of justice, equality and democracy.

Founded in Brussels in 1983, the Centre for European Policy Studies (CEPS) is among the most experienced and authoritative think tanks operating in the European Union today. CEPS serves as a leading forum for debate on EU affairs, and its most distinguishing feature lies in its strong in-house research capacity, complemented by an extensive network of partner institutes throughout the world. CEPS aims to carry out state-of-the-art policy research leading to solutions to the challenges facing Europe today and to achieve high standards of academic excellence and maintain unqualified independence. CEPS also provides a forum for discussion among all stakeholders in the European policy process and builds collaborative networks of researchers, policy-makers and business representatives across the whole of Europe.