

Economic Aspects of the Chinese–Central Asia Rapprochement

Sébastien Peyrouse

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The Economic Aspects of the Chinese-Central Asia Rapprochement

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Executive Summary

In the 1990s, Central Asia appeared to be the playing field of an emerging competition between Russia and the United States. But now China has gradually emerged as one of the region's main partners. This rapprochement raises questions about the geopolitical changes in the aftermath of the Soviet Union's demise and the consolidation of China's new power. The Central Asian states, politically adrift since the collapse of the Soviet Union, are now set to play a major part in energy policies and in the war on terror, but they are still largely under the influence of their two great neighbors, namely Russia and China. The Chinese implication in Central Asia will have a major impact in the long term since it permits the reinforcement of Beijing's political influence on Central Asian regimes and the reinforcement of their geopolitical alliance. It will also provide a discreet counterbalance to traditional Russian domination, which neither Turkey nor Iran was able to achieve in the 1990s. If Sinophilia is reinforced in the Central Asian states, the Russian Federation could risk losing its perceived "right" to oversee this region and Moscow could enter into fierce competition with Beijing, an action which could have significant geopolitical consequences.

Therefore, the strategic gains for Central Asia with China's increased presence are important. Beijing is trying to check the trans-nationalization of arms and drug networks in the Xinjiang-Afghanistan-Tajikistan-Kyrgyzstan area. The future of Central Asia will largely depend on the region's ability both to avoid the destabilization experienced in the neighboring Middle East and to use Chinese influence as a means of integration into the Asia-Pacific region, which is set to become one of the 21st century's main economic and political centers. At the same time, the struggle against "religious extremism" is being used to justify the repression of dissident movements (Uyghur separatists in Xinjiang and the political opposition in Central Asia) and to reject, on the grounds that they would be destabilizing, the democratizing measures requested by the West. In the economic realm, China will also modify the geographic situation of Central Asia. While the

region is hampered in its growth by its landlocked character and only its historic opening towards the Russian north is effectual, the Chinese presence will balance exchanges with the south. Indeed, Beijing sees Central Asia not only as a border region, but also as an intermediary and transit area, which facilitates trade with Iran, Afghanistan, India, and Pakistan. Such a strategy will reinforce Central Asia's historical role on the Silk Road.

These geopolitical and economic objectives remain intrinsically linked. For many years, China militated for the Shanghai Cooperation Organization to become a free-trade zone, which would transform Central Asia and Russia into new markets for Chinese products. This Chinese commercial domination over the region, which is predicted to eclipse Russia in only a few years, will also have a cultural impact that remains, for the time being, difficult to assess. Exchanges of people, the learning of the Chinese language, and the entrance of Central Asia into the sphere of Chinese cultural influence, will grow, creating a totally new situation in Central Asian history in a millennium. It is the global geopolitical equilibrium of the region that will change the way Central Asia is perceived as one of the economic "provinces" of the Peoples' Republic of China.

In this paper, I aim to analyze the development of China's economic engagement with Central Asia, which will determine the future of their relations. Without bracketing the geopolitical aspects of this rapprochement (the Shanghai Cooperation Organization, Uighur separatism in Xinjiang, etc.), I intend to shed light on economic issues that are no less relevant and are likely to play a crucial role in their future relations. Indeed, Sino-Central Asian rapprochement, particularly evident in the political and strategic realms, also contains an important economic element.¹ Commercial exchanges between China and Central Asia are still in their infancy but they already show a lot of promise and have burgeoned over the last few years: between 2002 and 2005, the volume of trade between the two zones tripled. For landlocked Central Asia, China is thus destined to play a major role in the 21st century in opening-up the region—as Russia played it in the 19th and 20th centuries—and represents the most credible economic alternative to freeing Central Asia from Russian tutelage.

¹ I express my sincere thanks to Gaël Raballand (World Bank) for his help and valuable comments.

I. Preliminary Remarks on Sino-Central Asian Trade

In the rapid growth of Sino-Central Asian exchanges, several strategies are at play. First, the PRC, using a voluntary implantation policy in vital economic sectors, is seeking to consolidate its political influence in Central Asia. Secondly, it wishes to contribute to regional development and opening in order to avoid political and social destabilization, 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: the Chinese authorities have even mentioned several projects for merging the SCO and the Eurasian Economic Community.

To manage these strategies well, China utilizes several different approaches in developing both bilateral relations and collective structures like the SCO. Many Western companies consider the states of Central Asia, with the notable exception of Kazakhstan, as risky countries where investment conditions are unfavorable 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 in small- and medium-sized ones. Though they may not be profitable, these projects can profoundly change the lives of local populations who benefit from them. The Chinese authorities have understood the extent to which poverty and the decay of basic state infrastructure constitute the key elements of the potential destabilization 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 Beijing. With the exception of Kazakhstan, however, the countries of the region have a

particularly weak banking system. Kazakh banks have increasingly established themselves in Kyrgyzstan, as well as invested in the rest of Central Asia. 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 infrastructure collective projects worth up to five billion dollars. Kazyna also hopes to send representatives to Beijing, Hong Kong, and Urumqi and to gain privileged access to the Hong Kong Stock Exchange.²

It is also necessary to mention the conjoint desire of the Chinese and Central Asian authorities to participate together in large projects to develop trans-Eurasian continental relations. Thus, when at the start of the 1990s the USSR imploded and China opened-up, the European Union, in the TRACECA (Transport Corridor Europe Caucasus Asia) framework, decided to give more than 100 million euros to rail and road infrastructure projects with the intention of opening-up Central Asia and the Caucasus and restoring them to their former roles as trade crossroads. International organizations such as the World Bank, EBRD, and the Asian Development Bank have, for their part, invested more than a billion dollars in the development of port, road, and railway infrastructure. Further, the Transit Asia Europe (TAE) Fiber Cable System has assisted the states of Central Asia and China in strengthening their cooperation in the telecommunications sector. Very much a part of the current logic of globalization, the development of Sino-Central Asian economic relations is bound to profoundly transform the societies of the five new states.

History of Trade Relations Since 1991

Trade relations between China and Central Asia have had to overcome many obstacles. The first of these problems is geographical: the Tian-Shan mountains, the Pamir mountains, and the Taklamaklan desert hardly facilitate the development of relations and the rapid opening-up of the region. On both sides of the border, the regions in question are relatively

² D. Satpaev. "Kitai na provode. K kazhdoi strane TsentrAzii u Pekina svoi podkhod," [China on the way. Beijing has a specific approach to each Central Asian country], *CentrAsia*, January 22, 2007, <www.centrasia.ru/newsA.php4?st=1169450220> (April 11 2007).

sparsely populated (less than 60 million inhabitants in the five post-Soviet states and 20 million inhabitants in Xinjiang) and the distances to reach major urban centers, whether situated in Oriental China or in Siberia, are particularly long. The second factor curbing development has its roots in the history of the 20th century: the Sino-Soviet border has always been one of the most secure borders in the world. Not even a single regular trading route was ever opened between the federated republics of Central Asia and the autonomous region of Xinjiang, despite some tentative agreements in the beginning of the 1960s and the 1980s. The border towns were considered strategic zones: special permits were required for them; they contained several military installations; the inhabitants were subject to rigorous controls; and both central powers, Moscow and Beijing, regarded these populations as likely to be disloyal. After the demise of the USSR in 1991, the new states thus had to set up the necessary infrastructure to enable the development of trade: border posts, roads, railways, electrical grids, pipelines, etc.

Since the fall of the USSR, Chinese and Central Asian trade has gone through three principal phases. The first period covers the years 1992-1996 and is marked by the opening of the first Sino-Kazakh border post at Dostyk-Alatau and the signing of multiple Friendship Treaties and accords for Cooperation between the new states and China. The Uighurs largely managed initial shuttle trade on the Chinese side. On the Central Asian side, meanwhile, the Dungans played an important role, since their knowledge of Chinese facilitated relations. The volume of trade exchanges at the time was between 350 and 700 million dollars per year.³ Although the magnitude of these exchanges was unprecedented, they do bear a certain historical continuity: despite the fact that the borders were officially closed during the second half of the 20th century, limited relations between the local populations were maintained due to familial, clan, and regional networks.⁴

³ V. Paramonov, A. Stokov. *Economic Involvement of Russia and China in Central Asia*, Central Asian Series, Conflict Studies Research Center, Defence Academy of the United Kingdom, 7/12 (2007), p. 2.

⁴ Field research undertaken in June 2004 in Pamir: the Kyrgyz populations of the Murghab region confirm that they traded with the Kyrgyz in the PRC and in Afghanistan during the Soviet era and have regularly organized barter trade through family networks.

The second period concerns the years 1997-2001, during which exchanges between China and Central Asia underwent a slow but appreciable increase of approximately 25 percent. After a first phase of promises and hopes, the setting up of Chinese firms was somewhat hindered by the economic crises of the Central Asian states, which were further exacerbated by the Russian crash in the summer of 1998. Diplomatic relations had become complicated, furthermore, due to border disputes and renewed separatist claims in Xinjiang. The political pressure that Beijing was putting on Central Asian governments spread a negative image of China in the region. Beijing indeed compelled Kazakhstan, and to a lesser degree Kyrgyzstan, to dissolve the associations the Uighur Diaspora set up on their territories and forced the Institute of Uighur Studies, which had been created within the Institute of Oriental Studies in Almaty, to close down.⁵ During this second phase, the Uighurs were stripped of their major role in the development of border trade and were replaced by the Han, the reason being that Beijing did not want to see these exchanges reinforce the political and cultural links between the newly independent states and its own Muslim minority.

The third phase in the history of relations between China and Central Asia began in 2002: with the difficult political problems either resolved (border issues) or obviated (Uighur separatism), dealings henceforth became much more pragmatic, i.e., based on mutually advantageous economic cooperation. This third phase is marked by several factors: the trade boom; the consolidation of Chinese economic ventures in Central Asia in key sectors such as hydrocarbons and infrastructure; the economic development of Xinjiang; and the strengthening of the role of the SCO. Between 2002 and 2003, trade increased by more than 200 percent, going from about one billion dollars per year to more than three billion. An exponential increase of 150 percent followed between 2004 and 2006, with trade reaching a value of more than ten billion dollars.⁶ This dynamic, which till then had mainly been limited to Kazakhstan and Kyrgyzstan, now spread to all the states: it happened in 2004 for Tajikistan with the opening of a border post; in 2005 for Uzbekistan following its geopolitical turnaround after the events in Andijan

⁵ Interview conducted at the Institute of Uighur Studies (Institute of Oriental Studies, Academy of Sciences, Almaty), March 2005.

⁶ G. Raballand, A. Andréy. "Why should trade between Central Asia and China continue to expand?," *Asia-Europe Journal*, to be published.

in the same year; and is now likely to be occurring in Turkmenistan following the death of President Saparmurad Niyazov in December 2006, which has so far had the effect of re-opening up Turkmenistan to regional developments and to Chinese economic influence.

Structure of Sino-Central Asian Trade

Despite the good will of the authorities, there is still a lot of wariness on both sides resulting from political fears (Uighur separatism for the Chinese) and social fears (the “unleashing” of Chinese migrants for the authorities of Central Asia who are largely supported in this by their populations). The Central Asian states and China have maintained a visa system in place which does not make business travel easy, even if strategies of facilitation have been put in place (cf. *infra*). In addition, at present only China and Kyrgyzstan are members of the WTO and so only they benefit from trade agreements facilitating issues like customs duties and tariff obligations. With the exception of Uzbekistan, which has a high level of protectionism, the level of customs duties the Central Asian states impose on goods is relatively low, which in itself is favorable to developing trade, but they often subject the most widespread Chinese products to special regulations (textiles, toys, shoes, small electrical and electronic goods).⁷ Furthermore, Chinese traders complain that the legislative environments of these states are not conducive to investment and denounce in particular the level of corruption and the recurrent absence of contracts.

In order to facilitate trade, Beijing has vigorously supported the applications of Kazakhstan, Uzbekistan, and Tajikistan to join the WTO (only Turkmenistan has yet to make an application). Kyrgyzstan has done likewise; its wish is that all the members of the Eurasian Economic Community are admitted to the WTO so that the ballooning trade with China will be subject to consistent regulations. It is in the interests of the Central Asian states, as much as it is in China's, to develop their mutual relations because their economies are more complementary to, rather than in direct competition with, one another. China, for example, has the capacity to export consumer products to Central Asia at low prices, i.e., at prices suited

⁷ G. Raballand, A. Andréy. “Why should trade between Central Asia and China continue to expand?”

to the low standard of living of the Central Asian populations, whereas Russian, Turkish, and Iranian, not to mention Western, products are too expensive. The result is that more than 85percent of Chinese exports to Central Asia consist of finished goods. The reverse is true for the Central Asian states: more than 85percent of their exports consist of raw materials, petrol, and ferrous and nonferrous metals.⁸ As Hsiu-Ling Wu and Chien-Hsun Chen have shown, there is a particular lack of diversification in Central Asian exports: a quarter of Kazakhstan's exports to China consist of petrol, a quarter of nonferrous metals, and a quarter of iron, steel, and other metals. Metals constitute one third of Kyrgyzstan's exports to China, whereas chemical products and nonferrous metals comprise 20percent and 25percent, respectively.⁹ By contrast, Chinese exports are much more diversified consisting of consumer products, machinery, processed foodstuffs, textiles, shoes, electronic goods, pharmaceutical products, automobile spare parts, etc.¹⁰

According to Gaël Raballand and Agnès Andrésy, trade between China and Central Asia can be divided into three categories: First, border trade which is dominated by shuttle trade. Bartering, for example the trading of skins for foodstuffs, appears to have retained its importance in China's trade with the border populations of Kyrgyzstan and Tajikistan, who live in partially demonetarized economies. The second category consists of trade organized by the Xinjiang Production and Constructions Corps or the XPCC (Xinjiang shengchan jianshe bingtuan), one of Beijing's political instruments. This trade is thought to account for more than a third of total trade between China and Central Asia. The third category, private entrepreneurs, is no longer made up of the Uighurs, who were ousted in the second half of the 1990s, but are rather ethnic Han from the maritime provinces. The majority of them originate from Zhejiang province, especially from the city of Wenzhou, considered to be one of the biggest centers of Chinese entrepreneurs. In fact, more than 80,000 traders from Wenzhou have established themselves in

⁸ V. Paramonov, A. Stokov. *Economic Involvement of Russia and China in Central Asia*, p. 6.

⁹ Hsiu-Ling Wu, Chien-Hsun Chen. "The Prospects for Regional Economic Integration Between China and the Five Central Asian Countries," *Europe-Asia Studies*, 56, 7 (2004), pp. 1059-1080.

¹⁰ For a break-down by product, *Ibid.*, pp. 1069-1070.

Xinjiang, principally at Kashgar, and half of these engage in trade with Central Asia.¹¹

It is, however, difficult to assess the trade figures between China and Central Asia, since these are official statistics that take little account of the realities of border trade, and even less of the contraband networks. In addition, the information provided by China, on the one hand, and the Central Asian states, on the other, are not often in agreement. It seems preferable, however, to go with the Chinese statistics, since Chinese exporters have very little incentive to undervalue their sales to Central Asia because the customs duties are practically non-existent. Thus, Chinese statistics include petty trade, which the Central Asian authorities do not count. Thus, for 2006, China announced trade figures of 13 billion dollars, that is, 23 percent more than the official figures given by the Central Asian republics. For the two countries with which China's border trade is the greatest, Kazakhstan and Kyrgyzstan, the figures are especially divergent. Thus, in 2005, Kazakhstan is, according to Astana, supposed to have imported goods worth 1.2 billion dollars from China, but Beijing puts the figure at close to 4 billion; Astana estimated exports to be worth 2,423 million dollars, while Chinese figures include an additional 500 million.¹² With Kyrgyzstan, the divergences are even greater: for 2005, Chinese figures are ten times higher than Kyrgyz figures (30 million in exports and 100 million in imports according to Bishkek; 300 million and 1 billion respectively according to Beijing).¹³

The divergences are smaller (around 10 percent) with the three other states, Tajikistan, Uzbekistan, and Turkmenistan. China and Tajikistan's figures are in relative agreement: 350 million dollars according to Beijing; 37 million less, i.e., 11 percent less, according to Dushanbe. For the two others, the relatively small divergences in calculations can be explained by the fact that most trade is organized at the level of the state and that there is a low level of small business, a result of them not sharing a border with China. Beijing has

¹¹ G. Raballand, A. Andréy. "Why should trade between Central Asia and China continue to expand?"

¹² V. Shevchenko. "Sindrom Khorgosa?" [The Khorgos syndrome?], *Kazakhstanskaia pravda*, May 27, 2005, <<http://www.nomad.su/?a=13-2006052901192>> (April 19 2005).

¹³ "MinProm o razvitii ekonomicheskikh otnoshenii mezhdu Kyrgyzstanom i Kitaem," [Minister of Industry's statement on the development of the economic relations between Kyrgyzstan and China], *AKI-Press*, June 23, 2006, <<http://www.akipress.org/news/29316>> (March 14 2007).

declared trade figures of 900 million dollars with Tashkent and 133 million with Ashgabat. According to Vladimir Paramonov and Aleksei Stokov, trade not taken into account by official statistics would have reached somewhere between 4.5 and 6.5 billion dollars in 2006 for the five states, of which nearly two-thirds was with Kazakhstan, between 500 and 800 million dollars with Kyrgyzstan, approximately half a million with Uzbekistan, between 100 and 200 million for Tajikistan, and less for Turkmenistan.¹⁴ Thus, the total value of trade between China and Central Asia for 2006 would have amounted to approximately 18 billion dollars and not 13 billion.

Massively Unequal Trade Relations

Trade between China and Central Asia mostly concerns trade between China and Kazakhstan (70 percent of the total), or more precisely, trade between Kazakhstan and the Xinjiang region, which amounted to 3 billion dollars in 2004. Astana quickly rose to become the second largest of China's trading partners in the CIS after Moscow and has for quite some time already held the mantle of being Xinjiang's largest foreign trading partner.¹⁵ Between 1992 and 2002, the total of Chinese investments in Kazakhstan reached 800 million dollars. This amount is continuing to grow rapidly, placing China among the five largest foreign investors in the country.¹⁶ In 2005, trade between the two countries reached close to 7 billion dollars, an increase of 50 percent over the previous year.¹⁷ The volume of trade between China and Kazakhstan is much higher than for the rest of Central Asia. Of the total trade, Uzbekistan and Tajikistan each have 9 percent, Kyrgyzstan 7 percent, and Turkmenistan only 2 percent. However, trade with Turkmenistan is likely to become much greater in volume if the gas contracts signed between Ashgabat and Beijing are confirmed.

¹⁴ V. Paramonov, A. Stokov. *Economic Involvement of Russia and China in Central Asia*, *op. cit.*, p. 8.

¹⁵ "Xianjiang's border trade to Kazakhstan on the fast track," *The Government of the Xinjiang Uygur Autonomous Region* web site, January 2006, <[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)> (March 12 2007).

¹⁶ Central Asia Human Development Report. *Bringing Down Barriers: Regional Cooperation for Human Development And Human Security*, UNDP, 2005, p. 189.

¹⁷ D. Satpaev. "Ten' 'kitaiskogo dragona' zhestkie storony miagkoi ekspansii," [The Shadow of the "Chinese Dragon" or The Hard Realities of a Soft Expansion] *Evraziiskii dom*, January 18, 2007, <<http://www.eurasianhome.org/xml/t/digest.xml?lang=ru&nic=digest&pid=1816>> (March 12 2007).

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 weaknesses intrinsic to the Kyrgyz economy. However, this situation is likely to be offset by the development of transit: Kyrgyzstan is earmarked to become one of the main transit centers for the re-exportation of Chinese products throughout the rest of Central Asia. The Dordoi Bazar in Bishkek, for example, is already a kind of crossroads for Chinese products that are being expedited to Kazakhstan and Uzbekistan. Similarly, the Karasuu Bazar in the Ferghana Valley directly feeds into the Uzbek market. Indeed, it is likely that in reality Sino-Uzbek trade is far greater than the official figures suggest, but this trade is difficult to measure precisely because it is transited through Kyrgyzstan. According to some economists, one can now estimate that 75 percent 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 one of the two largest economic activities of Kyrgyzstan.¹⁸

Xinjiang is set to become the main economic power of wider Central Asia (the five post-Soviet States, Afghanistan, and Xinjiang). Its GDP (220 million dollars in 2004) is already four times that of the combined total of the five Central Asian States.¹⁹ Though Xinjiang is the least developed of the 13 provinces of the Great West, it nevertheless benefits from some special economic conditions (abolition of taxes and duties for Chinese and foreign companies setting up there) that are designed to enable it to become a regional economic power, specializing mostly in hydrocarbons, metals, electricity, and textiles. This dynamism is in large part the fruit of a project launched in 2000 to develop the Far West (*xibu dakaiifa*): Beijing has injected more than 8 billion dollars into the road, railway, gas, petrol, and hydroelectric sectors of this autonomous region. In the coming years, a great deal of this financial “manna” will flow into the Central Asian states, such that Xinjiang will be the door not only to the rest of China but also to Pakistan, South Asia, and the Pacific edge. Since September 1995, Beijing has

¹⁸ G. Raballand, B. Kaminski. “La déferlante économique chinoise et ses conséquences en Asie centrale,” *Monde chinois*, no. 4, 2007, to be published.

¹⁹ G. Raballand, A. Andréys. “Why should trade between Central Asia and China continue to expand?”

allowed Kazakhstan the use of the Lianyungang port so it can transit commodities arriving from the Pacific.

Inequalities in political and geopolitical relations between China and Central Asia are thus also present in the economic sphere: while the Chinese state is investing in the strategic sectors of the five Central Asian states, and small and very dynamic Chinese enterprises are setting themselves up in the Central Asian market, the Central Asians themselves have very little presence in China.²⁰ In 2005, a census taken revealed that 744 Chinese enterprises have been established in Kazakhstan (40 large companies and close to 700 small ones), one hundred in Uzbekistan, a dozen in Kyrgyzstan, and a similar number in Tajikistan.²¹ The role of the various Chambers of Commerce of each of the countries in facilitating meetings between traders has proven to be crucial. But even in the cases of states with significant economic development such as Kazakhstan, the inequality in Sino-Central Asian relations is not going to be easy to reduce. In 2006, Central Asia only represented 0.6 percent of the foreign trade of the People's Republic of China, far behind the United States and Russia. *A contrario*, the position of China in Central Asia is already major, as it accounts on average for 12 percent of Central Asian foreign trade. Differences between Central Asian countries are, however, still particularly glaring: China accounts for 34 percent of Kyrgyzstan's foreign trade, 15 percent of Kazakhstan's, 10 percent of Tajikistan's, 5 percent of Uzbekistan's, and only 1 percent of Turkmenistan's.²²

²⁰ A. Umarov, D. Pashkhun. *Tensions in Sino-Central-Asian Relations and their Implications for Regional Security*, Central Asian Series, Conflict Studies Research Center, Defence Academy of the United Kingdom, 06/02 (2006).

²¹ *Ibid.*

²² V. Paramonov, A. Stokov. *Economic Involvement of Russia and China in Central Asia*, p. 4.

II. The Key Role of Border Posts

One of the main thoroughfares between Central Asia and China is the Urumqi airport, which offers a large number of flights to the capitals of Central Asia—Almaty, Astana, Bishkek, Tashkent, and Dushanbe are served, the first three by China Southern Airlines and Hainan Airlines, the latter two by Uzbekistan Airways and Tajikistan Airlines. Ashgabat does not currently enjoy any direct flights with Urumqi, but this may quickly change in the course of 2007. Despite Urumqi's superior position, Kashgar is also fast staking out a place as one of the main crossroads for trade between China and Central Asia. The capital of Uighur culture, the city has for this reason aroused the concern of the Chinese authorities who prefer the largely Hanized Urumqi. Yet Kashgar's proximity to the Torugart Pass and the Karakorum Highway may prove to be one of the driving forces of Sino-Central Asian trade, particularly after the revitalization of the Karakorum Highway in Sino-Pakistani relations. For Central Asian countries this remains the one and only point of access to Pakistan so long as the situation in Afghanistan prevents the establishment of more direct connections.

The Sino-Central Asian border posts that were opened during the 1990s are all situated in isolated and mountainous regions, and so are not as such conducive to the development of large-scale trade. Of the eight posts currently in operation, only four—Dostyk, Khorgos, Irkeshtam, and Torugart—have actually succeeded in making an impression on regional trade, while the others have mainly served only as points of passage for the local populations. River trade is still quite marginal, and the Premier Secretary of the CP of Xinjiang, Van Lentsiuan, has made no attempt to hide his skepticism concerning the possibility of establishing river trade in the cross-border rivers.²³ So, in a bid to counter the geographical situation of the

²³“Sotrudnichestvo v oblasti sudokhodstva dlia Kitaia i Kazakhstana mozhet byt' vzaimovgodnym,” [Cooperation on river navigation could be advantageous for China and Kazakhstan], *Professional*, 97, November 2005, <<http://www.inform.kz/showarticle.php?lang=rus&id=140231>> (April 11 2007).

border posts and their distance to large urban centers, China has opened many free trade zones. Xinjiang includes 17 special economic zones with a Republican statute. The regional government has also opened its own free trade zones, the main function of which is to be home to large industrial exhibition parks, such as is the case with, for example, the capital Urumqi (3,000 m² of exhibition space), the town of Yining, and the small railway town of Kuytun. The Chinese authorities have also granted the town of Shihezi a special status. Situated 150 km from Urumqi, Shihezi serves as a *carrefour* both on the road between Xinjiang and Central Asia and on the Urumqi-Almaty railway.

The development of cross border trade also depends in part on the existing visa system between China and the Central Asian states, which is slowly becoming more simplified. Kazakhstan and Kyrgyzstan, for example, have opened consulates in Urumqi to accelerate the visa process for Chinese businessmen who were otherwise obliged to get one in Beijing. Lastly, several measures have been implemented to make it easier for the border populations to obtain visas, and persons who travel to the free trade zones of the border posts on a day-trip can now do so without a visa. The simplification of these procedures would truly facilitate the flow of persons between the two borders and make China a destination as accessible as Russia is now. Yet for the present time, security issues are paramount for the Central Asian states and China, which hope above all to avoid destabilization caused by border traffic they cannot control, like drugs, arms, and terrorism.

Sino-Kazakh Border Posts

The first border post, at Dostyk-Alatau (Alashankou), was opened in 1992. Located in the Almaty region close to the town of Zharkent and the regional capital of Taldy-Kurgan, it quickly became the main transit point between the two countries: in 2003, it was responsible for 50 percent of the total trade between Kazakhstan and Xinjiang and 90 percent of the border and petty trade. The commodities that pass through there are not only bound for the Kazakhstan market but also for the Russian, Azerbaijan, Uzbek, Kyrgyz, and even Afghan markets.²⁴ The exponential rise in economic growth Dostyk-

²⁴ Precursor Control on Central Asia's Border with China, United Nations, Office on Drugs and Crime, Regional Office for Central Asia, p. 9.

Alatau has enjoyed in only fifteen years was made possible by the willingness of the Kazakh and Chinese authorities to increase the means of trade: the post in effect manages highway trade, rail trade, and, as of 2006, the Atasu-Alashankou pipeline, which has freed up railway freight to make room for other types of commodities. The small city of Dostyk is home to more and more small companies. The Kazakh Deputy Minister for the Economy, Berdibek Saparbaev, stated in 2006 that the authorities would like to create an economic free trade zone in order to accelerate development in the region.²⁵ In 1993, the first free trade zone was scheduled with the support of companies based in Hong Kong, but the city's retrocession to China in 1997 and fears of a "flood" of Chinese products onto the Kazakhstan market, which was very weak at the time, put an end to the project.²⁶

China, as much as Kazakhstan, would like to transform the Dostyk-Alatau post into a veritable transit point of international proportions. In terms of road systems, several major works are in need of being undertaken because of the bad condition of the road leading from Dostyk to Zharkent. In the railway sector, the railway track linking Almaty to Urumqi also passes through Dostyk. The first railway line going to the border was constructed in the 1930s. The idea of linking up the Soviet and Chinese lines was toyed with in 1969 but quickly abandoned due to the deterioration in relations between the two communist countries. Opened in 1990, this link is at present the only railway line connecting Kazakhstan to China, and in fact the only one linking Central Asia and China. This railway carries 75 percent of all Sino-Central Asian trade. The journey between Almaty and Urumqi lasts forty hours, eight of which are spent at the border crossing, during which time customs formalities are undertaken and the train's wheels are changed because of the differences in Chinese and Soviet gauge-widths. For the

²⁵ "Prigranichnyye ambitsii," [Borders Ambitions], *Ekspert Kazakhstan*, 18 (120), May 14, 2007, <http://www.expert.ru/printissues/kazakhstan/2007/18/news_ekonomicheskaya_zona_dostyk/> (June 03 2007).

²⁶ S. Bel'gibaev. "Otkrytie zonovoi dyry: SEZ na granitse s Kitaem mogut stat' 'vostochnym vorotami' dlia deshevoi rabochei sily," [Opening breaches: the free trade zones on the border with China may become the 'oriental doors' to a cheap labour force], *Gazeta.kz*, 42, March 14, 2006.

merchandise, the wait at customs and manual off-loading takes several days.²⁷

The rail trade going through Dostyk is increasing exponentially: it reached 7 million tonnes in 2004, around 13 in 2005 (about 10 million tonnes going from China to Kazakhstan and 3 million in the opposite direction) and will reach an estimated 16 million in 2007. The authorities hope to be able to handle as much as 25 million tonnes by 2010.²⁸ To achieve this, the Kazakh Prime Minister, Danial Akhmetov, announced in April 2006 that the line linking Dostyk to Aktogai—a major rail point for redistribution to the South, the North and the East of the country—would be reinforced by 2011. The aim is to increase the passenger and freight traffic and to implement simplified customs procedures to reduce transit time.²⁹ This rail development is part of Kazakhstan's strategy to become one of the transport links of the old continent, a wish that will be realized by the existence of a transcontinental line joining the Lianyungang port on the Pacific side to Lanzhou, Urumqi, Dostyk, Russia, and then Western Europe. This line would have a total transport capacity of 40 million tonnes per year and would cost Astana approximately 3 billion dollars, a sum that would in large part be financed by Hong Kong firms interested in having land and not only maritime links with Europe.³⁰

The second Sino-Kazakh border post was opened at Khorgos in 2004. It is located further south on the Khorgos River (a tributary of the Ili), not far from the Chinese town of Yinin and around 90 km from Kuldja. By contrast to Dostyk, the road joining Khorgos to Zharkent (33 km) and then to Almaty (370 km) is in good condition. For this reason Khorgos has quickly become the foremost Sino-Kazakh road transit point, and far outstrips Dostyk. In

²⁷ N. Swanström, N. Norling, Zhang Li. "China," in F. Starr (ed.) *The New Silk Roads. Transport and Trade in Greater Central Asia*, Central Asia-Caucasus Institute & Silk Road Studies Program, Johns Hopkins University-SAIS, 2007, p. 406.

²⁸ Z. Bakhautdinova. "Dostyk-Alashan'kou, stantsiia budushchego," [Dostyk-Alashan'kou, the train station of the future], *Izvestia.kz*, July 9, 2006, <<http://www.izvestia.kz/news.php?date=07-09-06&number=4>> (April 15 2007).

²⁹ "Prem'er Kazakhstana odobril programmu razvitiia pogranichnogo perekhoda Dostyk na granitse s Kitaem i zheleznodorozhnogo uchastka Aktogai-Dostyk na 2006-2011 g.," [The Kazakhstan Prime Minister validated the projects for the development of the Dostyk Border Post on the Border with China and of the Aktogai-Dostyk railway link for 2006-2011], *ITLS* web site, April 18, 2004, <http://www.itls.kz/index.php?p=news_more&id=11> (March 19 2007).

³⁰ "New railway linking China, Europe to be built," *People's Daily*, March 18, 2004, <www.chinadaily.com.cn/english/doc/2004-03/18/content_315973.htm> (April 15 2007).

2006, freight passing through Khorgos was worth an estimated billion dollars, an increase of 35 percent over the previous year.³¹ Once the Shihezi-Yining-Khorgos route is rehabilitated, the distance between Urumqi and Almaty will be reduced by 200 km, which accentuates the profitability of the route. In 2003, the Kazakh and Chinese authorities announced the creation of a free trade zone in order to boost trade. Khorgos thus became the first free trade zone in Xinjiang and China's foremost cross-border free trade zone.³² It includes a tax-free trading zone and an industrial zone whose area straddles both states—on the Kazakh side, it includes the Panfilov district, and on the Chinese side, the autonomous Kazakh region of Ili. An ethnographical park presenting the various cultures of Central Asia and of Russia is to be created on the Chinese side. And a system of one-day travel without visas has been set up. Again on the Chinese side, more than 200 companies, including China's largest leather company, are to be set up, and a number of them are specialized in new technologies and manufactured products.

In order to keep the momentum going, both countries raised the possibility, in 2004, of linking up their railway lines using Dostyk-Alatau as a model. An office representing the Chinese national company of railways opened in Almaty, and a branch of the Kazakhstan Temir Zholy is now in operation in Beijing.³³ In 2005, Chinese railways proposed extending the already existing Lyanyungan-Lanzhou-Urumqi line by adding a section between Urumqi-Kuldja-Khorgos-Sary-Ozek, this last town being situated half way between Almaty and Taldy-Kurgan.³⁴ Despite opposition from the executive director of Kazakh Railways, Erlan Atamkulov, who thinks the project too difficult to implement given the mountainous nature of the zones to be traversed,³⁵ both

³¹ "Voprosy razvitiia tsentra Khorgos i zheleznodorozhnogo perekhoda Dostyk-Alashan'kou obsuzhdeny v pravitel'stve RK," [Kazakhstan Government studies questions concerning the development of the Khorgos center and the Dostyk-Alashan'kou railway link], *KazInform*, May 4, 2007, <<http://www.nomad.su/?a=3-200705070234>> (June 05 2007).

³² "Work on free trade zone on the agenda," *People's Daily*, November 2, 2004, <http://english.peopledaily.com.cn/200411/02/eng20041102_162447.html> (March 06 2007).

³³ "China, Kazakhstan sign agreement to strengthen railway transport cooperation," *People's Daily*, May 18, 2004, <http://english.people.com.cn/200405/18/eng20040518_143586.html> (April 05 2007).

³⁴ "Zheleznye dorogi ozabotilis' tranzitom," [Railways are kept busy with Transit Issues], *Blotter*, March 14, 2006, <<http://blotter.ru/news/article089Ao/default.asp>> (April 15 2007).

³⁵ "Kazakhstan protiv dorogi Khorgos-Sary-Ozek," [Kazakhstan is opposed to the Khorgos-Sary-Ozek railway], *KazInform*, May 31, 2005, <www.apn-kz.ru/?chapter_name=events&data_id=3399&do=view_single> (April 11 2007).

countries signed an agreement in February 2006 making provision for the linking up of their respective railways at the Khorgos Pass by 2009. When finished, this electrified line of nearly 300 km in length on Kazakh territory will run parallel to the existing highway and will have a capacity of 25 million tonnes per year. It will permit the opening of a connection to the main network that passes through Almaty and will enable a second Sino-Central Asian railway line to be opened so that capacity can be freed up in Dostyk.³⁶

As in Dostyk, this connecting section will be accompanied by the construction of a dry port which will be home to a logistical center for redistribution, significant storage facilities, communications services, enterprises for product certification, and insurance companies.³⁷ Before 2010, Kazakhstan thus wishes to provide itself with a capacity of 50 million tonnes for rail freight to be set aside for Chinese products, half of which will pass through Dostyk and half through Khorgos. This strategy is part of the CATIC project (Development of Uniform Transport and Logistical System of Central Asian Transport and Industrial Corridor), which the political authorities in Kazakhstan are backing so that three large border logistics centers can be developed, with one in Khorgos, one in Taskal (on the border with Russia), and one in the Aktau port on the Caspian sea.³⁸ Astana's desire to become an essential thoroughfare for trans-Eurasian highway trade was given confirmation in 2006, when China and Kazakhstan reached agreement on six new roads joining Urumqi to Ust-Kamenogorsk, Semipalatinsk, and Almaty to run variously through Dostyk and Khorgos. China has officially opened 22 roads linking it to Kazakhstan.³⁹

In addition to the two main posts at Dostyk and Khorgos, which are open all year round, Kazakhstan and China have three other border posts, which are

³⁶ "Propusknaia sposobnost' zheleznodorozhnykh perekhodov mezhdru Kazakhstanom i Kitaem budet uvelichena vdvoe," [The transit capacity of railways between Kazakhstan and China will double], *KazInform*, December 13, 2005, <<http://www.apk-inform.com/showart.php?id=31764>> (April 1 2007).

³⁷ "Kazakhstan, China Plan Additional Border Railroad-Link in 2009," *Almaty Region web site*, <<http://www.almaty-reg.kz/almaty/investeng.phtml>> (May 28 2007).

³⁸ M. Junussova. *Global Market Needs New Cities or Development of Border Trade Ports of Kazakhstan*, REAL CORP 007 Proceedings, Vienna, May 20-23, 2007.

³⁹ "China Opens New Transport Links to Kazakhstan," *RFE/RL*, September 1, 2006, <<http://www.rferl.org/featuresarticle/2006/09/22of685e-15cc-4019-ao42-87471f670071.html>> (April 05 2007).

presently limited to border trade and which are not always open to foreigners. The Kolzhat-Dulart border post, located further to the south between Narynkol and Khorgos, however, seems to have a bright future ahead of it: The section of road running through Aksai-Chundzha-Kolzhat presently being reconstructed passes through several small towns in the autonomous Uighur region that are all well-placed to benefit from this trade, and once completed the old capital of Almaty, 340 kilometers away, will be reachable in less than 5 hours.⁴⁰ On the Chinese side, Durlat has been regarded as an international port since 1994 and in 1999 a free trade zone was opened there. The passage of freight and people through it is nonetheless minimal: in 2002, a total of 6,000 persons, 3,000 vehicles, and 24,000 tonnes of freight transited through it.⁴¹

Further to the north, above Dostyk in the region of Eastern Kazakhstan, two other posts were opened, those of Bakhty-Tacheng and Maikapchagai-Jeminay, both close to Lake Zaisan. These two border posts have the capacity to service the whole of North-East Kazakhstan, and also Altai on the Russian side of the border. The Kazakh authorities are financing the reconstruction of the Taskensken-Bakhty highway (35 km) so its freight transport capacity can be augmented, while on the Chinese side, at the Tasheng post, a small airport was opened to enable it to handle commercial flights. The Maikapchagai-Jeminay post is likewise in full development. In March 2006, the Chinese authorities made it into a free trade zone. It is the second largest after Khorgos, and is capable of handling a maximum of 10,000 stands and 3,000 tonnes of freight.⁴² A sixth post at Narynkol-Muzart, situated in the area surrounding the Kyrgyz border 320 km away from Almaty, was made official in 1992. Prior to 1953, it had only ever been partially opened for temporary trade between the two countries. It has a potential capacity of up to 50,000 tonnes of freight and 30,000 passengers annually but has been closed due to a lack of traffic, the existing traffic being redirected to other more efficient

⁴⁰ "Stroitel'stvo i rekonstruktsiia avtodorogi Aksai-Chundzha-Kolzhat nachalis' v Almatinskoi oblasti," [The building and reconstruction of the Aksai-Chundzha-Kolzhat road began in Almaty region], *Professional*, 121, April 24, 2006, <<http://www.professional.kz/?mod=text&tx=067075>> (April 15 2007).

⁴¹ See the Xinjiang's Land Port and Border web site, <<http://www.china.org.cn/english/features/Xinjiang/114781.htm>> (May 28 2007).

⁴² "China Boosts Trade Ties with Kazakhstan," *Washington Profile*, February 2, 2006, <<http://www.washprofile.org/en/node/4593>> (March 06 2007).

posts. A seventh point of passage might be opened at Alekseevka-Aheytubiek, which is located more than 800 km away from Urumqi. Both countries officially agreed to open it in 1992, but it is still not yet operational. It has a potential capacity for 20,000 tonnes of products and 10,000 passengers annually.

Sino-Kyrgyz Border Posts

The main Sino-Kyrgyz border post is that at the Torugart Pass, situated on the Bishkek-Naryn-Kashgar stretch of highway. At an altitude of 3,900 meters, the post is not easy to access and is often closed during the floods in spring. Indeed, between Torugart and Naryn the highway is not even asphalted: it takes trucks around 16 hours to complete a journey of only 190 km. And the pass is always only ever open in one direction at a time: during the morning, the traffic is authorized to flow from Kyrgyzstan to China, and in the afternoon from China to Kyrgyzstan. It is closed on weekends and on public holidays, and private automobiles are rarely given authorization to use it. Authorized companies on the Chinese side of the border must meet foreign tourists. Nor are Kyrgyz trucks allowed into China, which means that all commodities must be unloaded and then reloaded onto Chinese trucks. Neither the geographical nor the technical conditions at the Torugart Pass, then, are particularly optimal for the development of Sino-Kyrgyz trade.

A second post at Irkeshtam in the south of the country was opened only in 1997. China and Kyrgyzstan had wanted it to be operational much earlier but the Sino-Kyrgyz border was at the time run by Russian troops as part of CIS agreements and they were not favorable to the idea. From 1997 to 2002, Irkeshtam was opened uniquely to commodity transit and not to passengers, and even then only for a few months a year. In the summer of 2002, authorization was given to allow individuals to cross. Situated 240 km from Osh and 250 km from Kashgar, the Irkeshtam post is the most direct road between the Ferghana Valley and Xinjiang. It is not, however, the quickest, since the road is not always asphalted and it winds through a particularly mountainous region. So, it takes on average four hours to get to the town of Sary-Tash only 45 km away and a whole day to get to Osh. Irkeshtam's strategic position, however, has aroused the interest of the international

community. Hence, the Chinese Development Bank has decided to provide 7 million dollars to finance the reconstruction of the first 18 km of the highway. The Asian Development Bank for its part has approved a loan of 32 million dollars for the reconstruction of the 80 km section from Osh to Irkeshtam, and the China Road & Bridge Corporation won a tender for it in March 2007.⁴³ The Islamic Development Bank is also contributing with financing for a 44 km stretch.⁴⁴

Once the works are finished, sometime around 2010, travel time between the border post and the markets of Osh and Karasuu will be cut in half. Irkeshtam, in fact, seems destined to enjoy a really substantial economic boom: whereas the Torugart Pass supplies Bishkek and the northern regions of Kyrgyzstan, Irkeshtam provides Chinese products with access to the rich Ferghana Valley, to the Tajik provinces, and to a substantial Uzbek market (more than 25 million people). Indeed, more than 2,000 small Chinese companies are reported to be already registered in Osh.⁴⁵ The Uzbek authorities have had their sights on the Irkeshtam Pass since the end of the 1990s, since it is Uzbekistan's quickest route to China. The idea of a road linking Ferghana and Andijan to this border post has been backed by Tashkent because it would lower the costs of Chinese products entering its markets. The Uzbek authorities are also favorable to the construction of a section of railway connecting Andijan to Irkeshtam and Torugart, a particularly expensive project (three billion dollars).⁴⁶

A feasibility study, undertaken at China's expense in 2001, has not as yet led to anything concrete, since deteriorating political relations have put a halt to the plans. In addition, Kazakhstan has made an effort to hold up the project because once it is finished Astana will lose part of its transit traffic, i.e., traffic bound for Uzbekistan. However, the 2006 rapprochement between the

⁴³ "Kitaiskaia kompaniia budet reabilitirovat' trassu Osh-Sarytash-Irkeshtam," [A Chinese Company will rehabilitate the Osh-Sarytash-Irkeshtam road], *Informatsionno-analiticheskii portal pr.kg*, March 13, 2007, <<http://www.pr.kg/n/detail.php?id=15431>> (April 15 2007).

⁴⁴ T. Maekawa. "Silk Road Opens Up New Routes to Prosperity in Central Asia," *Asian Development Bank*, November 2006, <<http://www.adb.org/Media/Articles/2006/11091-Central-Asia-Silk-Road/default.asp>> (March 06 2007).

⁴⁵ "Bumpy Road to the People's Republic of China," *ADB Review*, October 2005, <http://www.adb.org/Documents/Periodicals/ADB_Review/2005/vol37-5/bumpy-road.asp> (April 04 2007).

⁴⁶ J. W. Garver. "Development of China's Overland Transportation Links with Central, South-West and South Asia," *The China Quarterly*, 185 (2006), p. 3.

Uzbek and Kyrgyz Presidents, respectively Islam Karimov and Kurmanbek Bakiev, has made the project more likely. In addition, Beijing has given financial backing to the project, allocating to it part of the 900 million dollars of credit offered to the Central Asian states under the auspices of the SCO. The rapid construction of a road from Irkeshtam to Osh is likewise vital for Tajikistan and will be a key element in a much larger project, namely the reconstruction of the Kyrgyzstan-Tajikistan corridor connecting Irkeshtam to Dushanbe (550 km). Financed to the tune of 25 million dollars by the Asian Development Bank,⁴⁷ this project would allow Tajikistan to “disenclave” itself and to strengthen its ties with Kyrgyzstan so it can by-pass its Uzbek neighbor.

Sino-Tajik Border Posts

At present there is a single Sino-Tajik border post, which was opened at Kulma-Kalasu in May 2004. Located in Far East Pamir on the Kulma Pass at an altitude of 4,300 meters, access to it is difficult and due to climatic conditions it is only open from May through November. In 2006, close to 10,000 tonnes of freight were transited through it: Tajikistan’s exports totaled more than 200,000 dollars and its imports valued over 800,000.⁴⁸ The volume was thus modest. In order to increase its trade potential, China would like to create a free trade zone based on those already in operation close to the Kazakh and Kyrgyz borders, one for which Tajikistanis would not need a visa. While the Tajik government is researching strategies that would allow it to disenclave the autonomous Republic of Gorno-Badakhshan, this border post will be called upon to play a major role if commerce with China along the border grows. The main town of the region, Murghab, mainly populated by Kyrgyz, is 140 km from the border and more than 85 percent of the products sustaining the population are from other regions.⁴⁹ The road is bad between Kulma and Toktamysch but the stretch to Murghab has already been

⁴⁷ “Azië: Regional Road Corridor Improvement Project (PRC/KGZ/TAJ),” <<http://www.evd.nl/info/zoeken/ShowBouwsteen.asp?bstnum=186966&location=>> (May 28 2007).

⁴⁸ V. Dubovitsky. “The Tajik-Chinese relations: the period of wariness over, the era of cooperation begins,” *Ferghana.ru*, January 30, 2007, <<http://enews.ferghana.ru/article.php?id=1810>> (February 06 2007).

⁴⁹ S. Aksakalov. “A New Silk Road? Tajikistan-China Border Crossing Opens,” *Central Asia-Caucasus Analyst*, June 2, 2004, <http://www.cacianalyst.org/view_article.php?articleid=2417> (April 15 2007).

reconstructed. In addition, Murghad itself is the main thoroughfare on the Pamir Highway on the way to Khorog, the capital of Gorno-Badakhshan: the potential market for Chinese products could in this way extend as far as the Tajik-Afghan border.⁵⁰ Despite geographical conditions that are on the face of it quite unfavorable, the development of Sino-Tajik trade relations along the Pamir Highway would enable the country to be at least partially disenclaved and allow it to access consumer products that are otherwise unobtainable via its neighbors, Uzbekistan and Afghanistan.

⁵⁰ F. Starr. "Central Asia's Reemerging Transport Network: Promise and Perils for Mountainous Regions," Paper for the International Workshop Strategies for Development and Food Security in Mountainous Areas of Central Asia," Dushanbe, June 6-10, 2005.

III. Chinese Investments in Central Asian Infrastructure

China's economic presence does not only bear on the trade sector: beyond the consumer products that are now supplying Central Asian markets, China is likewise setting itself up in the domain of infrastructure. Infrastructure has often been neglected by the Central Asian states, because since independence they have not had the means to invest the large sums of money required, and so have ended up relying on infrastructure inherited from Soviet times. It is precisely in this area that Beijing has many trump cards up its sleeve. Its companies, whether public or private, have cutting-edge expertise in numerous technology sectors and at the same time offer much more attractive prices than other international companies. Backed by political power, Chinese firms can also offer the Central Asian states particularly advantageous financial conditions: the Development Bank, the State Bank, and the Import-Export Bank of China manage these investments through low-interest loans, essential for Central Asian states which often have only little by way of banking resources. These foreign ventures may be undertaken by Chinese firms either as part of bilateral agreements or within the framework of the SCO. The proposal made by Beijing in June 2004 to grant 900 million dollars of credit to the five states in order to finance projects that involve Chinese companies, has already enabled several large projects to get up and running. China is in this way staking out an increasingly stronger position for itself within strategic sectors like ferrous and nonferrous minerals, hydroelectricity, railways and roads, and telecommunications. The geopolitical impact of this Chinese strategy should not be overlooked. These sectors are vital for the economies of Central Asia states and make up key elements for a commercial opening-up—again still in its infancy—toward southern countries.

Exports of Ferrous and Nonferrous Metals

Central Asia possesses considerable reserves of minerals: not only does it possess gold, uranium, and silver, but also aluminum, copper, zinc, and lead as well as rare minerals like tungsten and molybdenum—minerals necessary for the blossoming development of China's industries. China is especially interested in Kyrgyzstan's gold reserves. In January 2005, the Chinese government offered Bishkek an investment of several hundreds of millions of dollars as part of the "investments for natural resources" scheme. The terms of the offer were that Beijing would buy gold, tungsten, and tin in exchange for the construction of a section of railway linking Uzbekistan to Kyrgyzstan and China, investments in the hydroelectric stations of Eastern Tian-Shan, and the construction of two metallurgic complexes.⁵¹ In June 2006, China made a new offer: to form a joint Sino-Kyrgyz venture that would be responsible for extracting Kyrgyz gold deposits, between 10 and 20 tonnes of which would be held at the Chinese Development Bank as a guarantee. Many Kyrgyz politicians and economists, including for example the director of the Entrepreneurs Union, Omurbek Abdrakhmanov, protested at the proposal citing the security risk that the country might run: according to them, in getting rid of its gold reserves too quickly and allowing other countries control over its strategic minerals, Kyrgyzstan would risk losing its political autonomy.⁵²

Tajikistan is in a similar situation to Kyrgyzstan: it cannot do without foreign investment to exploit its reserves. In 2005, this led to an 11 percent drop in the exportation of precious minerals from 2004 levels, yielding the authorities the meager sum of 18 million dollars. To develop the sector, a meeting with businessmen from Xinjiang was organized in Dushanbe in November 2005, and several projects were raised, although for the moment none have been finalized.⁵³ In Kazakhstan, cooperation in this sector has

⁵¹ "Kitai gotov investirovat' 900 millionov dollarov v Kyrgyzstane v obmen na resursy i stroitel'stvo zh.d.," [China wants to invest 900 million dollars in Kyrgyzstan in exchange for resources and the construction of a railway], *CentrAsia*, January 29, 2005, <<http://www.centrasia.ru/newsA.php4?st=1106979480>> (March 06 2007).

⁵² "China Offers Assets-for-Investment Deal," *IWPR web site*, November 13, 2006, <http://iwpr.net/?p=bkg&s=b&o=325357&apc_state=henbbkgdate200611> (March 05 2007).

⁵³ "Tadzhikistan i Kitai sozdaiut novye sovместnye predpriiatiia po razrabotke mestorozhdenii zolota," [Tajikistan and China create new joint-ventures for the extraction of gold desopits], *Mineral.ru*, December 2005, <<http://www.mineral.ru/Chapters/News/20700.html>> (March 24 2007).

turned out to be easier because the country has enough financial capacity to participate in the exploitation of its own reserves. Thus, 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.⁵⁴

China requires uranium to complete the construction of the many tens of nuclear power plants designed to respond to its growing energy needs. In 2020, it is projected that Chinese nuclear electrical stations will produce approximately 40 million kw/h, or four percent of global electrical production. Beijing therefore seeks to diversify its partners. It already buys uranium from the world's foremost producers, Australia and Canada, and is becoming increasingly interested in Kazakhstan's reserves. As of 2001, negotiations have been underway between Kazatomprom and the China National Nuclear Corp. (CNNC) concerning a joint-venture to extract and export uranium from the deposits in the south of Kazakhstan.⁵⁵ In the summer of 2004, the Ulbinsk metallurgy plant owned by Kazatomprom and based in Ust-Kamenogorsk opened a branch in Shanghai so it could sell its beryllium on the Chinese market.⁵⁶ The first contract—valid until 2020—for uranium extraction was signed between Kazatomprom and CNNC in November 2004, and was accompanied with a strategic cooperation treaty designed to strengthen Sino-Kazakh ties in matters of atomic energy.⁵⁷

The two countries signed a new strategic cooperative agreement in December 2006. Within this framework, in June 2007, the China Guangdong Nuclear Power Holding (CGNPC) and Kazatomprom signed an agreement to supply nuclear fuel to Chinese stations. According to the terms of the contract, Kazakhstan will send natural uranium to China, which will enrich it, and

⁵⁴ “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*, September 7, 2005, <<http://www.rosinvest.com/news/126039/>> (April 15 2007).

⁵⁵ “Kazatomprom vedet peregovory o prodazhe Kitaiu urana,” [Kazatomprom holds negotiations over the sale of uranium to China], *BusinessPress*, August 24, 2001, <http://www.businesspress.ru/newspaper/article_mId_21960_aId_80147.html> (March 24 2007).

⁵⁶ “Ul'binskii metallurgicheskii zavod zaregistroval predpriiatie v Kitae,” [The Ulbinsk metallurgic complex opens an office in China], *Infogeo.ru*, August 30, 2004, <<http://www.infogeo.ru/metalls/news/?act=show&news=5432>> (March 29 2007).

⁵⁷ “Iadernomu Kitaiu nuzhen importnyi uran,” [A Nuclear China needs to import uranium], *Iranatom.ru*, September 2005, <<http://www.iranatom.ru/news/media/year05/september/chiur.htm>> (April 19 2007).

then send it to Ulbinsk, where it will be converted into fuel. By this contract, Ulbinsk will become the first foreign firm to obtain rights to supply nuclear fuel to China National Nuclear Corp.⁵⁸ Kazatomprom will therefore be the sole foreign supplier to the Chinese nuclear market, a strategic recognition of which the authorities in Astana are especially proud.

China is also looking to shore up its supply of rare metals, particularly from Kyrgyzstan. Bishkek presently exports mercury to the PRC produced by the Khaidarkan factory, which resumed its activities in 2004 after a failed attempt at privatizing it. China is likewise seeking to import tungsten: its own reserves, as well as its molybdenum mines, were destroyed by the floods in Yangtze and Huang He. Nevertheless, a tender put out in October 2006 for the exploitation of the tungsten mine in Kensu was not won by a Chinese company. On the other hand, the Western Mining Co., China's second largest lead production company, made a proposal in June 2006 for the exploitation of the Kyrgyz tin mines for a cost of 24 million dollars and a predicted annual extraction of 330,000 tonnes.⁵⁹ Beijing would also like to get involved in extracting the silver deposits in Zhetymyskoe, which are situated in the Naryn region: presently underexploited, it has the advantage of being situated along the Sino-Kyrgyz-Uzbek railway line that Beijing would like to construct, thus facilitating the export of silver to China. Moreover, China is interested in the deposits of tin, tungsten, molybdenum, and gold to be found along the Enylchek and Sarydzhaz Rivers in Eastern Tian-Shan, which is precisely where some Beijing-financed hydroelectric plants are due to be constructed.⁶⁰

After Kyrgyzstan, Tajikistan has turned out to be the second most promising country for China in terms of precious minerals. Beijing's interest has been piqued by the country's deposits of tantalum and niobium in the Kuristik mine. Of the overall total of Chinese investments in Tajikistan, investments

⁵⁸ T. Tashimov. "Kazatomprom propishetsia na kitaiskom rynke," [Kazatomprom is registered on the Chinese market], *Ekspert Kazakhstan*, 21, 123 (2007) <http://www.expert.ru/printissues/kazakhstan/2007/21/atomnaya_energetika/> (April 25 2007).

⁵⁹ "Kitai budet dobyvat' olovo v Kirgizii," [China will extract tin in Kyrgyzstan], *apn.kz*, June 30, 2005, <www.apn-kz.ru/?chapter_name=events_print&data_id=3389&do=view_single> (April 19 2007).

⁶⁰ "Almazek Atambaev izbran predsedatelem Soveta direktorov ZAO Sarydzhaz Energo," [Almazek Atambaev elected president of the ZAO Sarydzhaz Energy director's council], *Tatar.kg*, July 6, 2006, <<http://www.tazar.kg/news.php?i=1230>> (April 19 2007).

in the mineral sector already stand at 29 percent.⁶¹ China has also been asked, notably by the economist Hajimahmat Umarov, to participate in the construction of the Dushanbe cement factory. In the case of Turkmenistan, Chinese cooperation has so far not focused on the extraction of metals but on industrial cooperation in the chemical industry. In January 2007, for example, the companies Capital-Lonqji Sci-Tech Co. Ltd and SINOMASCH won a tender launched by the government for the turnkey construction of a glass factory which will be the largest in Central Asia; it is to be operational by 2009. The 67 million dollar cost of the project is to be financed by a low-interest loan from the Import-Export Bank of China to the Turkmen authorities. Indeed, the total loan is close to 300 million dollars over a period of 20 years, and should also enable the modernization of the Maryazot chemical complex and the construction of a carbamide factory in the Mary region.⁶²

Hydroelectric System

Hydroelectric issues between Central Asia and China have not been extensively discussed.⁶³ However, the possibilities for cooperation between these two regions in this sphere are numerous. The Central Asian hydroelectricity sector, still relatively underdeveloped, appears promising. With demand for electricity expected to remain weak due to a industrial crisis coupled with high production potential, exports of electricity are destined to experience considerable growth. Beijing effectively views Central Asia as an area capable of supplying it with cheap electricity.⁶⁴ Contrary to its hydrocarbon policy, the aim of the Chinese here is not, at least not primarily, to have this hydroelectricity delivered to its large cities in the east (the electrical lines required would need to stretch over at least 6,000 km) but rather to make up for the energy shortfall in Xinjiang. China would also like

⁶¹ V. Dubovitsky. "The Tajik-Chinese relations: the period of wariness over, the era of cooperation begins," *Ferghana.ru*, January 30, 2007, <<http://enews.ferghana.ru/article.php?id=1810>> (February 25 2007).

⁶² "Kitai postroit v Turkmenii stekol'nyi kombinat – krupneishii v Tsentral'noi Azii," [China is constructing a glass factory in Turkmenistan, the largest in Central Asia], *Ferghana.ru*, January 31, 2007, <www.ferghana.ru/news.php?id=4948&mode=snews> (February 25 2007).

⁶³ This section on hydroelectricity is taken from S. Peyrouse. "The Hydroelectric Sector in Central Asia and the Growing Role of China," *The China and Eurasia Forum Quarterly*, 5, 2 (2007), pp. 131-148. For further details, consult the article.

⁶⁴ R. Dwivedi. "China's Central Asia Policy in Recent Times," *The China and Eurasia Forum Quarterly* 4, 4 (2006), p. 158.

to be able to sell Central Asian hydroelectricity to countries of the meridional corridor (Afghanistan, Pakistan, Iran, and India) because of the significant transit fees it would accrue. The establishment of Chinese companies in the region, like those it has set up in Russia and Mongolia, has thus been centered on two axes: First, the construction of new hydroelectric stations and second, the installation of new electricity lines, in particular high-voltage ones.

The majority of Kazakhstan's hydroelectric stations date back to the Soviet era and require costly repairs. Astana and Beijing are currently discussing the construction of an electrical power station (between 5,500 and 7,000 MW capacity) on the Irtysh near the city of Ekibastuz in the Pavlodar region. Its cost (estimated between four and seven billion dollars) will be totally covered by Beijing.⁶⁵ The production will be exclusively destined for China via a high-voltage line of 1500 kV, which will export the electricity produced as far as Xinjiang, 4,000 km away. The second project involves the Khorgos River at the Sino-Kazakh border. The construction of a Sino-Kazakh hydroelectric station called Dostyk ("friendship") was negotiated in 2005. The station will consist of a cascade of small stations with a combined capacity of 21 MW and will be situated near the village of Baskunchi 20 km from Khorgos.⁶⁶ An 11 km long canal will also provide irrigation for more than 40,000 hectares of land on both sides of the border.⁶⁷ The third common project concerns the hydroelectric station in Moinak, situated on the Charyn River approximately 200 km from the former capital, Almaty. During a summit of the Shanghai Cooperation Organisation in June 2006, the Kazakh President N. Nazarbayev signed the final contract to finance the Moinak station with the National Development Bank of China. The total cost of constructing this station is an estimated 310 million dollars.⁶⁸ The project is scheduled for

⁶⁵ "Kazakhstan, China to jointly build large-scale power plant," *People's Daily Online*, April 1, 2006 <http://english.people.com.cn/200604/01/eng20060401_255104.html> (May 25 2007).

⁶⁶ "Kazakhstano-kitaiskuiu granitsu razmyvaet. Na Khorgose budut stroit' damby," [Eroding the Kazakhstan-Chinese frontier. Dams will be built on Khorgos] *CentrAsia*, August 11, 2003, <<http://www.centrasia.ru/newsA.php4?st=1060553880>> (March 05 2007).

⁶⁷ G. D. Bessarabov, A. D. Sopianin. "Vodnye problemy KNP: kazakhskii i rossiiskii aspekty," [PRC Hydraulic problems: Kazakh and Russian Aspects], *China databases web site*, <http://www.chinadata.ru/china_water.htm> (May 03 2007).

⁶⁸ G. Feller. "Central Asian Power Rapid Development of Coal And Hydroelectric Power For Export - Financed by Russia, Iran & China," *Eco World*, September 25, 2006, <<http://www.ecoworld.com/home/articles2.cfm?tid=403>> (May 03 2007).

completion in 2009 and the station will have a capacity of 300 MW, meaning it will partly be able to make up for the electricity deficit in the south of the country.⁶⁹ The Moinak hydroelectric station represents the first Chinese turnkey construction project for a new station since Kazakhstan's independence.

In Tajikistan, China has decided to invest mainly in the Zarafshan River, which is located in the Penjikent region in the north, while Russia is dominant in the meridional projects. In December 2005, Tajik Prime Minister Oqil Oqilov received a loan from the Chinese Development Bank for three investment projects involving hydroelectric stations on the Zarafshan.⁷⁰ Out of three proposals, only one has been signed.⁷¹ The state-run Sinohydro Corporation will take on the construction of the Yavan power station, which is supposed to supply close to 600 million kWh per year.⁷² Once operational, the Penjikent region, which currently imports its electricity from Kyrgyzstan and Uzbekistan, will be energy-independent. The project includes the construction of a 60 km long electric line of 220 kV from the station to the town of Penjikent. In September 2006, the Tajik Minister for Energy, Abdullo Yorov, and the Chinese Prime Minister, Wen Jiabao, formalized the signing of two contracts between Tajikistan's state-run company Barki Tojik and the Chinese Theban Electric Apparatus Stock Company (CTEAS) to construct electric lines.⁷³ The first contract is for the construction of an electrical line (Lolazor-Obi Mazor) in the Khatlon region in the country's south. With a length of 93 km and a capacity of 220 kV, it will be capable of transporting four billion kWh per year for a cost estimated at 59 million dollars. The second contract is for a 350 km long, 500 kV high-

⁶⁹ "Po itogam peregovorov liderov Kazakhstana i Kitaia v Shankhae podpisani dvukhstoronnikh soglashenii," [Several bilateral agreements signed following Kazakhstan and Chinese leaders talks in Shanghai], *KazKommertsbank news*, June 14, 2006, <<http://news.kkb.kz/news/show.asp?no=447469>> (March 15 2007).

⁷⁰ "China, Tajikistan Set to Strengthen Economic Cooperation," *News Eurasia*, January 19, 2007, <<http://tajikistan.neweurasia.net/?p=155>> (April 04 2007).

⁷¹ "Chinese to Build Tajik Hydroelectric Plant," *RFE/RL*, January 18, 2007, <<http://www.rferl.org/featuresarticle/2007/01/C7ECA5D9-67F9-4659-88F9-696875AC873E.html>> (April 25 2007).

⁷² "K Rossii i Iranu, stroiashchim krupnye GES v Tadzshikistane, prisoedinilsia novyi investor," [A new investor joined Russia and Iran to build the large hydroelectric stations in Tajikistan], *Varorud*, August 20, 2007, <<http://www.tajinfo.ru/news/1153973007/pindex.shtml>> (April 25 2007).

⁷³ "South-North' Electric Main to be Key Link in Tajikistan's Electric System, Says President Rahmonov," *The Times of Central Asia*, September 18, 2006.

voltage line that will connect the north and the south of the country. Estimated to cost 281 million dollars, it will have the capacity to transfer eight billion kWh to Afghanistan, Iran, and Pakistan. Out of a total cost of 340 million dollars, the Exim Bank of China has put forward 300 million. The Tajikistan state budget will pay for the remaining 40 million.⁷⁴

A primary agreement to supply electricity in exchange for oil was signed between Beijing and Bishkek in 1995.⁷⁵ In June 2006, the two countries reached a new principle agreement for the export of 50 MW to Xinjiang, but so far they have been unable to agree on the price per kWh. The Kyrgyz authorities would like a consortium to be created that would include Kazakhstan, Russia, and China for the joint financing and exploitation of the new stations Kambarata I and II. It is therefore possible that Chinese companies will become involved in one way or another in the Kambarata I and II projects, but that this will happen without undermining the supremacy of Russian companies. The second zone after the Naryn for the Chinese-Kyrgyz hydroelectric cooperation is in Oriental Tian-Shan, in the region of Lake Issyk-Kul on the border with China.⁷⁶ The privately owned company Sarydzhaz-Energo plans to begin the construction of a cascade of five stations with a capacity of 750 MW (thirteen million kWh). Negotiations are currently underway for the Chinese financing of the construction of three stations for three cross-border rivers—the Sarydzhaz, the Enilchek, and the Akshirak—which run down from Kyrgyz glaciers toward China.⁷⁷ The Chinese would like also to construct high-voltage lines, starting at these stations and heading toward Xinjiang. In July 2006, Chinese

⁷⁴ “Pravitel'stvo Kitaia vydelit Tadjikistanu v seredine iunia bolee 603 millionov dollarov,” [The Chinese government will give Tajikistan, in mid-June, more than 603 million dollars], *SNG News*, June 5, 2006, <<http://www.cawater-info.net/news/06-2006/05.htm>> (April 25 2007).

⁷⁵ T. Kellner. *La République populaire de Chine et l'Asie centrale post-soviétique : étude de politique étrangère* (Ph.D., Institut Universitaire de Hautes Études Internationales, Genève, 2004), p. 462.

⁷⁶ “Kirgiziia predlagaet Kitaiu sovместno dostroit' kaskad Narynskikh GES,” [Kyrgyzstan proposes to China joint construction of Naryn Hydroelectric Cascad] *CentrAsia*, September 22, 2004, <<http://www.centrasia.ru/newsA.php4?st=1095883140>> (April 11 2007).

⁷⁷ “Almazek Atambaev izbran predsedatelem Soveta direktorov ZAO Sarydzhaz Energo,” [Almazek Atambaev elected president of the ZAO Sarydzhaz Energo director's council], *tatar.kg*, July 6, 2006, <<http://www.tatar.kg/news.php?i=1230>> (March 20 2007).

experts visited the Kyrgyz sites, and at present the most promising seems to be that of Sarydzhaz.⁷⁸

As is the case in the hydrocarbon sector, China has arrived somewhat late on the Central Asian hydroelectricity market. The largest projects for hydroelectric stations were already launched during Soviet times and are today in the hands of Russian companies, in particular RAO-UES. Beijing is thus mostly concentrating on projects of small to medium size. Though they may not meet expectations for large-scale export, these projects nevertheless play a very important role in local economic development. China does not pretend, in any case, to be able to take possession of the Central Asian market in exclusivity. The financial weakness of Kyrgyzstan and Tajikistan quite often requires the alliance of several foreign investors to guarantee the feasibility of these costly projects.

Transportation: Roads, Tunnels, and Railways

Chinese presence in the railway sector is particularly important, so much so that China appears to be on the verge of dethroning the traditional predominance of Russia in the sector. Turkmenistan is turning out to be China's main client: in 2005, the first contract was signed between Ashgabat and a Chinese company, Capital-Longji Sci-Tech Co, Ltd., for the purchase of 48 diesel locomotives diesel and 50 carriages adapted to local climatic conditions (air conditioned). They are intended mainly for the new Ashgabat-Dashoguz line, and on some other sections. So that they could afford the purchase, the Chinese firm granted the Turkmen authorities an eight-year loan. The first carriages and locomotives were delivered in 2006. In the same year, another contract was signed with the CITIC Company. The terms of the contract will see Turkmenistan purchase more than 200 carriages, 160 of which are passenger carriages, for a total of around 80

⁷⁸ "MinProm o razvitii ekonomicheskikh otnoshenii mezhdru Kyrgyzstanom i Kitaem," [Minister of Industry's statement on the development of the economic relations between Kyrgyzstan and China], *AKI-Press*, June 23, 2006, <<http://www.akipress.org/news/29316>> (April 15 2007).

million dollars.⁷⁹ Uzbekistan also seems interested in Chinese expertise in the rail sector and has ordered a dozen locomotives.

Kazakhstan for its part began by buying only three electric locomotives, saying that it wanted to wait to test their compatibility with its network.⁸⁰ The authorities in Astana had in fact yielded to pressure from Moscow, which until then had enjoyed a quasi-monopoly over Central Asian railway infrastructure. Indeed, Russia today refuses to allow Kazakhstan trains that include Chinese carriages into its territory, arguing that they are incompatible with the security standards in place in the post-Soviet space.⁸¹ All the same, in 2006, the national company Kazakhstan Temir Zholy, concerned by the increasing shortage of carriages in operation in the country, decided the step needed to be taken. Astana had not bought any new foreign carriages for more than 10 years, and if this had continued by 2010, it would have had a shortage of more than 1,200 units.⁸² The Kazakh State company has therefore ordered 152 passenger carriages from the Chinese factory Tian-Shan for a total cost of 60 million dollars, financed thanks to a loan from the Kazakhstan Development Bank and the Import-Export Bank of China.⁸³ Astana is also studying a proposal to buy carriages from China Railway New Express Transportation Equipment Co., as well as some carriages intended for agricultural products.⁸⁴

⁷⁹ “Kitai osnachshaet Turkmeniiu novymi passazhirskimi vagonami i teplovozami,” [China supplies Turkmenistan with new carriages and locomotives], *CentrAsia*, August 11, 2006, <<http://www.centrasia.ru/newsA.php4?st=1155278340>> (April 15 2007).

⁸⁰ “Rukovoditeli KNP i RK podpisali soglasheniia o rasshirenii investitsii KNP v neftegazovuiu otrasl’,” [The Leaders of the PRC and of Kazakhstan have signed agreements to increase Chinese investments in the hydrocarbon sector], *Kazakhstan Today*, June 3, 2003, <<http://www.gazeta.kz/art.asp?aid=29631>> (March 24 2007).

⁸¹ “Peregovory o priobretenii kitaiskikh passazhirskikh vagonov vedet Kazakhstan,” [Kazakhstan holding discussions about the purchase of Chinese passenger carriages], *Professional*, 93, October 9, 2005, <<http://www.pr.kg/n/detail.php?id=15431>> (April 15 2007).

⁸² A. Ismagulova. “Defitsit passazhirskikh vagonov v Kazakhstane v 2010 g. sostavit bolee 1200 edinits,” [The shortage of passenger carriages in Kazakhstan will exceed 1,200 units by 2010], *RDZ-Partner*, April 20, 2007, <<http://www.rzd-partner.ru/news/2007/04/20/303219.html>> (May 28 2007).

⁸³ “Po itogam peregovorov liderov Kazakhstana i Kitaia v Shankhae podpisan riad dvukhstoronnykh soglashenii,” [Several bilateral agreements signed following Kazakh and Chinese leaders’ talks in Shanghai], *KazKommertsbank news*, June 14, 2006, <<http://news.kkb.kz/news/show.asp?no=447469>> (March 06 2007).

⁸⁴ “Kazakhstan rassmatrivaet vozmozhnost’ priobretenii 38 passazhirskikh vagonov u kitaiskoi kompanii,” [Kazakhstan studies the possibility of purchasing 38 passenger carriages from a Chinese firm], *Kazakhstan Today*, January 14, 2006, <<http://www.gazeta.kz/art.asp?aid=69950>> (March 06 2007).

China has also invested in the Central Asian road system. It has a twofold strategy: it is seeking to improve the roads heading toward border posts in order to increase the rhythm of trade and to disenclave the most isolated regions so as to facilitate internal communications. In Kyrgyzstan, as previously stated, Beijing has partly financed the reconstruction of the Irkeshtam-Osh highway, and the company China-Road & Bridge Corp. won the tender to construct a section of nearly 80 km on the Osh-Dushanbe highway for a cost of 15 million dollars.⁸⁵ Beijing has also financed two strategic tunnels for Tajikistan. In March 2006, the Chinese railway company, in collaboration with some Tajik firms, began construction on the Shar-Shar tunnel located 80 km from Dushanbe. With a length of 2 km, it will allow half an hour to be saved on the road connecting the capital to Kuliab. Its cost is estimated at 40 million dollars and is to be completely financed with a loan to the Tajik government from China. The China Road Company is, for its part, involved in a different tunnel construction project at Shakhristan, situated 180 km from the capital on the road leading to Khujand. The reconstruction of the Dushanbe-Khujand-Chanak highway on the Uzbekistan border has also been financed with a Chinese loan of 280 million dollars, 70 million of which is for the tunnel.⁸⁶ These two projects are being carried out as part of the 900 million dollars in credit that China has offered to the countries of Central Asia.⁸⁷ In both cases, Chinese aid will help communication between the capital and the remote regions of Tajikistan—Khujand in the north and Kuliab in the south—which will reinforce the country's stability. Finally, the Chinese company ECI has declared its interest in reconstructing a section of the 56 km-long railway linking Dushanbe, Kurgan-Tiube, and Nizhnii Piandzh, a project that has yet to be realized.⁸⁸

⁸⁵ "Kitaiskaia kompaniia vyigrala tender po stroitel'stvu avtotrassy Dushanbe-Osh," [A Chinese company wins the tender for the construction of the Dushanbe-Osh road], *SNG News*, November 26, 2006, <<http://sngnews.ru/articles/5/55549.html>> (April 05 2007).

⁸⁶ "Kitaitsy postroiat v Tadzhikestane dva strategicheski vazhnykh tonnelia," [China to construct two strategically important tunnels in Tajikistan], *SNG News*, <http://www.sngnews.ru/frame_article/5/66196.html> (April 05 2007).

⁸⁷ "Kitai vydellil tri kreditnye linii dlia Tadzhikestana," [China extends three lines of credit to Tajikistan], *Regnum*, April 10, 2006, <<http://www.regnum.ru/news/620951.html>> (April 05 2007).

⁸⁸ "Kitaiskaia kompaniia ECI namerena uchastvovat' v rekonstruktsii TadAza," [Chinese company ECI has decided to participate in reconstructing TadAz], *SNG News*, May 11, 2006, <www.sngnews.ru/archive/2006/05/11/63362.html> (April 05 2007).

Telecommunications

The telecommunications market is experiencing rapid expansion in Central Asia. The Central Asian states have not only to modernize their inherited Soviet-era telephone systems but also to respond to growing demands for the internet as well as to the explosion in the market for mobile telephones. In October 1998, China Telecom, a participating member of the Transit Asia Europe (TAE) Fiber Cable System, a link connecting Shanghai to Frankfurt-am-Main, is developing a telephone network for four of the Central Asian states (Turkmenistan only came on board the project in 2004). The negotiations are today being undertaken principally within the SCO, which has decided to implement an Information Highway enabling better connections between the networks of member states so that they can buy and sell telephone services from each other. Thus, in 2005, all the national telecommunications operators, Rostelecom, Kazaktelecom, Tojiktelecom, Kyrgyztelecom, Uzbektelecom, and China Telecom held the first work meeting about coordinating their activities.⁸⁹ The Sino-Central Asian rapprochement in this sector can be partly explained by Chinese expertise but also by the political situations in the two zones. That is, the Central Asian authorities are keen to buy technology limiting access to the Internet; so more and more Central Asian internet providers are functioning with Chinese software capable of blocking dissident sites. That is why, in February 2007, when the new Turkmen President Gurbanguly Berdymukhammedov reopened internet cafes, this act was accompanied by the signing of contracts with Chinese companies for software designed to control access to sites.

The principal Chinese firms in the market are, for the service sector, China Telecom and Shanghai Bell-Alcatel, and, in the technology domain, ZTE (Shenzhen Zhongxing Telecom Equipment Corporation) and Huawei Technologies. Thanks to its strong economic development, the Kazakhstan market has turned out to be the most substantial. In 2001, Kazaktelecom decided it should take advantage of the Transit Asia Europe Fiber Cable System to access the Internet via Chinese channels and not via European

⁸⁹ "Rostelekom priniial uchastie vo vstreche operatorov stran ChOS Regional Carrier Meeting," [Rostelecom participated to the Regional Carrier Meeting of the SCO members operators], *Rostelecom web site*, August 25, 2005, <<http://www.rt.ru/press/news/detail.php?ID=35207>> (March 24 2007).

ones, which it considered too costly.⁹⁰ In 2002, ZTE signed a contract with Kazaktelecom for the development of wireless telephone networks in the republic and for the installation of a more effective system of message switching (commutation system). In 2004, it invested more than 200 million dollars in setting up the CDMA-450 (Code Division Multiple Access) network in Kazakhstan as part of a joint Sino-Kazakh venture, Kazakhstan Engineering, 51 percent of which is owned by Astana.⁹¹ In June 2006, as part of the “Go beyond China” strategy, the national company China Telecom opened an office in Almaty. Its aim here is not simply to establish itself in the Central Asian market but, above all, to be able to provide the necessary services to Chinese companies setting up in Kazakhstan.⁹²

The second largest market is the Uzbek one: even if the standard of living in Uzbekistan is well below that of Kazakhstan, the population is larger and the demand for mobile communications is considerable. In June 2005, the Chinese Information Industry Minister, Si Gohua, went on an official visit to Tashkent accompanied by representatives from several large Chinese firms to discuss a range of agreements. During the visit, Shanghai Bell-Alcatel signed a contract with Uzbektelecom to modernize the Uzbek capital’s telecommunications system. The Information Technologies University of Tashkent also plans the creation of a training center for 600 specialists from CIS countries to be partly financed by China.⁹³ China Mobile Communications Corp. has expressed its desire to become a shareholder in Uzbekistan Telecom, which the authorities are in the process of privatizing.⁹⁴ Several meetings between representatives from both companies took place in the summer of 2005, but appear not to have resulted

⁹⁰ “Kazakhstan zakupaet deshevyyi Internet v Kitae,” [Kazakhstan buys cheap Internet from China], *Netoscope*, January 8, 2001, <<http://www.netoscope.ru/news/2001/08/01/3052.html>> (March 06 2007).

⁹¹ “ZTE budet vypuskat' apparaturu CDMA-450 v Kazakhstane,” [ZTE will set up CDMA-450 system in Kazakhstan], *Onliner*, June 21, 2004, <<http://www.onliner.ru/news/21.05.2004/20.25n/>> (March 06 2007).

⁹² “A Grand Opening of Middle Asia Representative Office of China Telecom (HK) International Ltd.,” *China Telecom web site*, June 2006, <<http://www.chinatelecom.com.hk/en/newshow.jsp?id=43>> (April 15 2007).

⁹³ “V TUIT otkroetsia uchebnyi tsentr Huawei Technologies,” [A Huawei Technologies formation center to open at TUIT], *Security.uz*, June 15, 2005, <<http://www.security.uz/news/default.asp?id=10667&do=print>> (April 15 2007).

⁹⁴ “China Mobile eyes expansion to Uzbekistan,” *People's Daily*, August 2005, <http://english.people.com.cn/200508/10/eng20050810_201431.html> (April 24 2007).

in anything concrete. At the end of the same year, the Uzbek company Perfectum Mobile, one of the principal operators of the CDMA link in Uzbekistan, signed a contract with Huawei Technologies, the terms of which engage the latter to supply the necessary material to permit the whole of the country's CDMA network to be modernized.⁹⁵

In Kyrgyzstan, the privatization of the state-run Kyrgyztelecom, a process begun in 2001, has experienced many twists and turns, with many potential buyers later retracting offers or demanding conditions unacceptable to the authorities. In June 2006, the Kyrgyz Parliament authorized the sale of part of Kyrgyztelecom's state-held shares in order to modernize the company without privatizing it *in toto*. According to its director K. Zhumaliev, since the Russian firm Rostelecom is no longer interested, the principal bidders for this new tender ought to be Chinese companies.⁹⁶ Indeed, during a visit by the Kyrgyz President Kurmanbek Bakiev to China in June 2006, ZTE Corp. expressed its wish to buy parts of Kyrgyztelecom. The government intends to make a final decision on the matter in the second half of 2007. In addition, Huawei Technologies has been working in the country since 1998 in partnership with Kyrgyztelecom and supplies materials to all of the republic's mobile communications companies.⁹⁷

In Tajikistan, ZTE's installation attracted major attention. In 2002, it received an order from Tojiktelecom for a commutation station between Dushanbe and Kurgan-Tiube. Then, in 2003, it won the bid for codification of the Tajik national network (CDMA), a project made possible by a loan from the EBRD and special financing from the Chinese government. And, in 2004, it became the sole shareholder of TK Mobile, which is the fifth largest mobile communications company in Tajikistan, while the third largest in

⁹⁵ "Huawei Technologies i Perfectum Mobile uspešno zapustili set' CDMA v Uzbekistane," [Huawei Technologies and Perfectum Mobile successfully established CDMA system in Uzbekistan], *HTCom.ru*, June 27, 2006, <<http://www.htcom.ru/news-pc/newsd-19193/>> (April 15 2007).

⁹⁶ "Privatizatsiia nedoprivatizirovannogo. Kirgizskii parlament odobril prodazhu Kyrgyztelecom," [A privatisation not followed through on. The Kyrgyz Parliament enables the sale of Kyrgyztelecom], *ComNews.ru*, June 6, 2006, <www.comnews.ru/index.cfm?id=22902&caid=print> (April 17 2007).

⁹⁷ "V Pekine Prezident Kurmanbek Bakiyev oznakomilsia s rabotoi krupnoi kompanii Huawei Technologies," [In Beijing, President Kurmanbek Bakiyev gets familiarized with the work of Huawei Technologies], *Kyrgyz Presidential Administration web site*, June 10, 2006, <www.president.kg/press/news/1222/> (April 17 2007).

terms of the number of subscribers, Babilon-Mobile, made a decision to buy its supplies exclusively from Huawei Technologies.⁹⁸ In May 2006, Huawei Technologies and the Vypelkom firm, which is active in many countries within the CIS, came to an agreement about installing GSM BTS networks in Tajikistan.⁹⁹ In June of the same year, during a visit by Tajik President Emomali Rakhmonov to Shanghai, ZTE announced its intention to invest 70 million dollars in three large telecommunications projects, the details of which have not yet been released.¹⁰⁰

The situation is very similar in Turkmenistan. Mobile communications in the country still being very limited, Chinese companies have been able to invest primarily in the domain of modernizing standard telephone networks. At the beginning of 2000, for example, ZTE won the tender for the codification of Turkmenistan's national network.¹⁰¹ In 2004, Huawei Technologies supplied Ashgabat with modern equipment for a total of nearly 5 million dollars. This Chinese company has committed itself to establishing new telephone cable networks for the capital and the main cities in the country. It has also agreed to modernize the commutation systems and to link Turkmenistan to the Transit Asia Europe Fiber Cable System. These projects are being carried out as part of an agreement signed between both countries in December 2002, which makes provision for interest-free loans from China to Turkmenistan in order to facilitate cooperation in the telecommunications sector.¹⁰² In April 2006, both countries signed a new cooperation agreement which provides Ashgabat with a credit of 200 million

⁹⁸ "Dochka ZTE stala piatym operatorom mobil'noi svyazi v Tadjikistane," [A TZE branch is now the fifth largest operator of mobile communications in Tajikistan], *3Gnews.ru*, June 7, 2004, <http://www.3gnews.ru/news/200406/07/1518/index.html?r=calendar_day> (April 15 2007).

⁹⁹ "Vypelkom i Huawei zapustili set' HSDPA v Tadjikistane," [Vypelkom and Huawei set up HSDPA system in Tajikistan], *ITNews*, April 2, 2007, <<http://itnews.com.ua/31585.html>> (June 05 2007).

¹⁰⁰ "Kompaniia ZTE namerena vlozhit' v kommunikatsii Tadjikistana eshche 70 millionov dollarov," [ZTE intends to invest \$70 million in the communication system in Tajikistan], *SNG News*, June 20, 2006, <<http://www.sngnews.ru/archive/2006/06/20/64820.html>> (April 15 2007).

¹⁰¹ "ZTE nadvigaetsia," [ZTE approaches], *ComNews.ru*, December 21, 2003, <www.comnews.ru/index.cfm?id=9119&caid=print> (March 24 2007).

¹⁰² "Kompanii iz Germanii i Kitaia pomogut Turkmenistanu modernizirovat' sistemy svyazi," [German and Chinese companies help Turkmenistan to modernize its communication system], *Turkmenistan.ru*, July 6, 2004, <www.turkmenistan.ru/?page_id=3&lang_id=ru&elem_id=2993&type=event&layout=pri> (March 05 2007).

yuans from the State Bank of Foreign Trade and Import-Export Bank of China so that it can buy Chinese supplies for fixed telephony, mobile communications, and radio networks.¹⁰³

¹⁰³ “Kitai predostavil Turkmenistanu l'gotnyi kredit v razmere 200 millionov iuanei na razvitie sviazi i telekommunikatsii,” [China offers Turkmenistan a low-interest loan of 200 million yuans to develop its connections and telecommunications], *Market.ru*, December 17, 2006, <<http://www.finmarket.ru/z/nws/news.asp?id=555517&rid=1>> (April 11 2007).

IV. The Hydrocarbon Question

The Chinese appetite for energy contributes to the strengthening of relations with the Central Asian regimes, which are all in search of new export markets for their hydrocarbons in order to loosen their reliance on Russia.¹⁰⁴ Even if production costs for Central Asian hydrocarbons prove higher than those in the Middle East, they hold two advantages: Beijing considers them reliable long-term investments and insists on political alliances and solid coordination of interests between the involved states.¹⁰⁵ However, the construction of gas and oil pipelines connecting Central Asian fields to Chinese markets is a technically and financially complex affair. The distances involved range from 3,000 to 10,000 km, and the costs run up to several billion dollars. In addition, China arrived several years after the main international companies, which established themselves on the most promising sites. Beijing failed to take part in the exploitation of the Kashagan field, one of the five largest in the world with an estimated production of 1.5 Mbbls/d in 2015, and of Tengiz, the production of which should reach 700 kbbls/d in 2015.¹⁰⁶ China can certainly continue to be an actor in the Central Asian and Caspian petroleum sectors without these fields, but one with only secondary importance. Chinese firms tend to acquire second-rate fields and seek to establish themselves in countries like Uzbekistan, which are somewhat overlooked in petroleum and gas matters. However, China's breakthrough, accomplished in just a few short years, is still very visible. With various pipeline start-up projects, it is also considered quite significant. This Chinese presence, increasingly visible on those markets more marginal

¹⁰⁴ M. B. Olcott. "Is China A Reliable Stakeholder in Central Asia?," Testimony before the U.S.-China Economic and Security Review Commission, August 4, 2006, <<http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=18606&prog=zr>> (April 15, 2007).

¹⁰⁵ N. Swanstrom. "China and Central Asia: a new Great Game or traditional vassal relations?," *Journal of Contemporary China*, 14 (2005), pp. 569-584.

¹⁰⁶ G. Raballand, R. Gente. "Oil in the Caspian Basin: Facts and Figures," in B. Najman, R. Pomfret, G. Raballand. (ed.), *The Economics and Politics of Oil in the Caspian Basin. The Redistribution of Oil Revenues in Azerbaijan and Central Asia*, London, Routledge, 2007.

than Kazakhstan, like Uzbekistan, could profoundly modify the geopolitics of the entire region, reorienting it, and its hydrocarbons, to the south and to the east.

A. The Continued Expansion of Chinese Demand

Until 1993, the People's Republic of China was petroleum self-sufficient, even becoming a net exporter of oil in the 1980s. But its exponential economic development, with growth rates nearing ten percent per year, suddenly highlighted China's dependence on foreign suppliers. Today the country imports more than 40 percent of its energy consumption, a figure that could rise to 85 percent by 2030. In a few years, China became the second-largest consumer of energy in the world after the United States. It also passed Japan as the world's No. 2 importer of energy, after the United States, buying more than 140 Mt of oil in 2004. According to the U.S. Department of State, Chinese demand for petroleum will more than double by 2020, reaching 11 million b/d, while that of natural gas will triple to 3.6 bcm per year.¹⁰⁷ Though the country still consumes massive amounts of coal, petroleum represents a quarter of current energy consumption.¹⁰⁸ Natural gas remains scarcely utilized, around three percent, but the Chinese authorities hope to expand its use to ten percent of national energy consumption.¹⁰⁹

To address this increasing demand for energy, in 1997, Chinese authorities decided to put offensive strategies into place, of which their principle, unifying element is the purchase of oil fields abroad. The main state actors included the China National Petroleum Corporation (CNPC) and its affiliates, such as the China National Offshore Oil Corporation (CNOOC) specializing in foreign investment, the National Oil and Gas Exploration and Development Corporation (CNODC), and the firm Sinopec (China National Petrochemical Corporation), which invests in refineries. They benefited from the new resources allotted to them and the support from authorities to secure provisions for the country. Reinforcing Beijing's energy

¹⁰⁷ Sh. Shuja. "China's Energy Needs and Central Asia," *National Observer*, Council for the National Interest, Melbourne, 67 (2006), pp. 56-65.

¹⁰⁸ T. Kellner. "La politique pétrolière de la RPC : stratégies et conséquences internationales," *Puissance Chine ? Outre-terre. Revue de géopolitique*, 15 (2006), pp. 425-469.

¹⁰⁹ P. Andrews-Speed, S. Vinogradov. "China's Involvement in Central Asian Petroleum: Convergent or Divergent Interests?," *Asian Survey*, 40, 2 (2000), pp. 377-397.

choices was the war in Iraq, which was perceived as a threat to energy security. The priorities of China are thus clearly defined:

1. The authorities want to continue to develop the domestic production of oil and gas, a policy pursued since the 1980s. Indeed, China has its own crude oil reserves, estimated in 2005 by BP at 2.3 billion tonnes, or 1.4 percent of world reserves. They are located mainly in the north and west of the country, far from the centers of consumption in the east and south. The fields exploited since the 1960s and 1970s, mainly Daqing and Shengli, started to become exhausted or increasingly expensive to operate. Beijing thus decided to develop new fields in Tibet and especially in Xinjiang, which could contain up to one-third of the country's oil and gas reserves. The Tarim Basin, considered the most promising, opened for investment in 1993. Numerous multinational companies speculated, but the actual reserves there proved somewhat disappointing.¹¹⁰ However, Xinjiang quickly became the third-largest oil-producing province, at 35 million tonnes per year, and Beijing hopes to make it the energy center of the country by 2010. The authorities also expanded offshore oil exploration, in particular in the South China Sea, but these sites are both difficult to exploit and the object of territorial disputes with Vietnam, the Philippines, and Japan.

2. China wants not only to diversify its imports, but also to secure them by directly acquiring foreign oil fields. In less than one year, between 1997 and 1998, China spent more than eight billion dollars in purchasing oil fields in the Sudan, Venezuela, and Kazakhstan.¹¹¹ This strategy aims to decrease dependence on the states of the Persian Gulf (Saudi Arabia, Iran, Oman, Yemen, Kuwait, and Iraq), which currently supply more than half of China's petroleum imports. The authorities worry about the volatility of the Middle Eastern market and the risks of political destabilization. For this reason, Chinese firms seek to establish themselves in areas such as the former Soviet Union, sub-Saharan Africa (especially the Sudan), and Latin

¹¹⁰ Xiaojie Xu. "The Oil and Gas links between Central Asia and China: a Geopolitical Perspective," *OPEC Review*, March (1999), pp. 33-54.

¹¹¹ M. Kielmas. "China's Foreign Energy Asset Acquisitions: From Shopping Spree to Fire Sale?," *The China and Eurasian Forum Quarterly*, 3, 3, (2005), pp. 27-30.

America. However, these new markets cannot replace the dominance of the Middle East.¹¹²

3. China also seeks to reduce its dependence on energy importation by tankers, which are much too subject to the geopolitical risks of the market. The country worries about the risks of “energy containment” by the United States, in particular the control of the Strait of Malacca, through which 60 percent of Chinese oil exports pass.¹¹³ Therefore the Chinese strategy is to avoid tanker transportation as much as possible and give priority to continental oil and gas pipelines. This includes the expansion of gas consumption, as Chinese authorities see gas as less dependent on geopolitical issues and more in line with the continental logics that Beijing endorses. At the same time, this policy must remain marginalized because China does not have the ability to build the dozens of pipelines that would be necessary to satisfy the demands of consumption.

The Chinese “energy thirst” obliges the country to develop paradoxical commercial logics. As large Western companies already control the majority of exploitable oil fields, Chinese companies must specialize in old or difficult-to-exploit fields, or settle in countries seen as unstable or have sanctions imposed on them by the international community. In addition, they do not benefit from the same technical skills as the large Western firms, and prefer to minimize the risks of exploration by utilizing already-known extraction sites. On their side, however, Chinese firms have the diplomatic and financial support of Beijing, which enables them to outbid competitors during negotiations and put forward complementary “good neighbor” measures. These strategies elicit angry reactions from competitors, who often perceive Chinese energy policy as overly aggressive.

B. Chinese Desire for Kazakh Oil

Sino-Kazakh negotiations over petroleum began in 1994, during the visit of Chinese Prime Minister Li Peng to Kazakhstan. Some preliminary

¹¹² B. M. Frolic, G. T. Chin. “The Challenge of Energy Security in Northeast Asia: China’s Rising Energy Needs and Northeast Asian Cooperation,” *North Pacific Region Advanced Research Center Publications*, 2000, <<http://www.norpac.or.jp/main2/follow/1999-4.pdf>> (May 10 2007).

¹¹³ C. E. Ziegler. “The Energy Factor in China’s Foreign Policy,” *Journal of Chinese Political Science*, 11, 1 (2006), pp. 1-23.

discussions with China National Offshore Oil Corporation took place over the common exploitation of offshore fields in the Caspian Sea. The real beginning of cooperation on petroleum dates to 1997, when two important contracts were signed within the framework of a general agreement between the two countries that invited the CNPC and its subsidiaries to invest in Kazakh fields. A second turning point in Sino-Kazakh energy relations occurred in 2003 with the start up of the Atasu-Alashankou pipeline project and the purchase of new fields. In less than one decade, Chinese companies thus succeeded with their grand entrance into the Kazakh market, mainly by accepting the authorities' requirement that all oil companies include the state firm KazMunaiGaz in their activities.

B.1. The Purchase of Fields

The Chinese strategy for the purchase of oil and gas fields is influenced by the fact that Beijing was late in its arrival in the Kazakh market, and can thus acquire sites only of relative marginal importance. In spite of this negative initial condition, China sought to follow logic in its acquisitions. It invests in fields located in the Aktobe region and near the Caspian Sea, so as not to be absent from the energy center of Central Asia, and is also involved in more isolated fields that have the advantage of being located along the path of the Sino-Kazakh pipeline.

Aktobemunaigaz, the Success of the CNPC

In 1997, the CNPC created surprise when it gained a tender from the Kazakh government. It thus acquired 60 percent of the shares of the oil company Aktobemunaigaz, based in the Aktobe region. It has a twenty-year user license for the Zhanazhol gas site and the Kenkiyak oil site. To gain this tender, the CNPC knew it had to win the favor of the Kazakh authorities for itself. It was committed to investing four billion dollars by 2010, of which 540 million came in the first five years, returning 71 million of company debt, guaranteeing pensions for 5,000 employees, and giving a 325 million dollar allowance to the Kazakh government.¹¹⁴ In 2003, the CNPC reinforced its presence in Aktobemunaigaz when it acquired an additional 25 percent of shares in the company, formerly held by the Kazakh government, for 150

¹¹⁴ K. Esimova. "Kazakhstan-Chinese Cooperation in the Energy Sphere," *Central Asia and the Caucasus*, 1 (2005), pp. 146-152.

million dollars.¹¹⁵ The Aktobemunaigaz Company currently controls one-seventh of oil production in Kazakhstan, and is essentially Chinese property, as CNPC owns more than 85 percent of it.

Since 2001, the company has increased its production by more than one million tonnes per year. In 2006, it produced nearly 10 million tonnes of oil and 1.5 bcm of gas. The CNPC functions in an autonomous way, because all of its extractive equipment comes from China. It manages the entire cycle (extraction, production, and infrastructure) and has built or renovated several gas processing plants (GPP) since 2002. In 2003, it opened the Zhanazhol GPP, with an annual capacity of 1.4 bcm. The following year it finished a 160 km pipeline connecting Zhanazhol to the compression station KS-13, a junction on the Bukhara-Ural gas pipeline.¹¹⁶ In 2003, the CNPC purchased a network of retail petroleum products at a cost of 25 million dollars. It planned to build factories producing asphalt and refined oil for Kazakhstan. In 2007, it announced an investment of more than a half-million dollars in production, that is to say one-third more than investments in 2006. The estimated total reserves of Zhanazhol and Kenkiyak are 570 million tonnes, less than five percent of the reserves in Kazakhstan.

Chinese Disengagement from Uzen

Also in 1997, the CNPC beat Amoco, Texaco, and Unocal-Petronas for a second tender to develop the Uzen oil structure, a field located on the Mangistau Peninsula (formerly Mangychlak). The CNPC accepted the terms, according to which the Kazakh state retained ownership of the field, and proposed to invest nine billion dollars in the development of the field and pipeline construction, a financial promise that has proved impossible to keep.¹¹⁷ These two acquisitions in 1997—Uzen and Aktobemunaigaz—were indeed accompanied by two pipeline construction projects, one of 3,200 km toward Xinjiang, the other toward Iran via Turkmenistan. However, the second project immediately ran afoul of US embargoes against Iran (the 1996

¹¹⁵ E. Watkins. "CNPC becomes sole owner of Kazakh-Chinese development JV," *Oil and Gas Journal Online*, June 6, 2003.

¹¹⁶ M. Barbasov. "An Oil Pipeline to China: An Element of Struggle for Caspian Resources," *Central Asia and the Caucasus*, 4, (2004), pp. 105-116.

¹¹⁷ Xiaojie Xu. "Oil and Gas Linkages between Central Asia and China," James A. Baker Institute for Public Policy, July 18, 2000, <<http://riceinfo.rice.edu/projects/baker/publications/xuchina/xuchina.html>> (March 20 2007).

Iran and Libya Sanctions Act, renewed in 2001). The first project was sidelined when the low price of hydrocarbons in the second half of the 1990s made its construction unprofitable. In 1999, Chinese authorities officially abandoned the idea because the reserves of the Uzen field were not sufficient to ensure the profitability of the pipeline.¹¹⁸ The CNPC ended up withdrawing from the project and yielded 100 percent of its shares to Uzenmunaigaz, a subsidiary of KazMunaiGaz. Since then, only the Kazakh authorities, with international financing, have exploited Uzen.¹¹⁹

The Collapse of Chinese Participation in Kashagan

In 2003, the CPNC launched a new wave of acquisitions in Kazakhstan. In May, the CNPC and Sinopec attempted to acquire 16.67 percent of the shares of the Agip KCO international consortium, or the North Caspian Sea Project (NCSP), which exploits several Caspian sites, including Kashagan. Indeed, the firm British Gas wished to sell its shares for 1.23 billion dollars, and had accepted China's offer, which also enjoyed the support of the Kazakh government. The other members of the consortium (Shell, Exxon-Mobil, TotalFinaElf, Conoco Phillips, and Agip) refused such Chinese participation, and requested to exert their right of pre-emption over British Gas' shares.¹²⁰ After repurchasing British Gas' shares, China sold half of them to KazMunaiGaz under pressure from the Kazakh authorities. This rejection of Chinese participation created a conflict between Shell and Beijing that threatened to block the investments of that company in China.¹²¹ China then failed to directly establish itself within the Kashagan structure, the most dynamic of the Caspian area, in spite of support from Astana.

The Purchase of North Buzachi

Not able to take part in Kashagan, the company decided to invest massively in onshore fields in order to prepare for the filling of the Sino-Kazakh

¹¹⁸ A. Chebotarev. "Kazakhstan: Priority Oil Routes," *Central Asia and the Caucasus*, 9, 3 (2001), pp. 29-30.

¹¹⁹ "Kazakhstan: Major Oil and Natural Gas Projects," US Energy Information Administration, <<http://www.eia.doe.gov/emeu/cabs/Kazakhstan/kazaproj.html>> (May 15 2007).

¹²⁰ P. Wonacott. "Western consortium shuts CNOOC out of oil project," *The Asian Wall Street Journal*, May 12, 2003.

¹²¹ F. William Engdahl. "China lays down gauntlet in energy war," *Asia Times*, December 21, 2005, <<http://www.atimes.com/atimes/China/GL21A001.html>> (April 14 2007).

pipeline. In August of that year, it repurchased 35 percent of its shares in the North Buzachi field, which is located in the Mangistau region north of Aktau, from the Saudi company Nimir Petroleum. Two months later, it repurchased the remaining 65 percent from Texaco North Buzachi Inc.¹²² For a total of 210 million dollars, the CNPC became the sole holder of this field, with reserves estimated between 40 and 70 Mt (approximately 10,000 b/d). It also acquired the Bars exploration site at 5,600 km² located around the Buzachi field. However, in December 2003, the CNPC suddenly decided to transfer half of its shares to a Kazakh-Canadian company, Nelson Resources Ltd.¹²³ The two companies planned to invest nearly 100 million dollars in the field and reach a maximum extractive capacity of 40,000 b/d in 2017. The site's reserves are estimated at 205 million tonnes of oil, that is to say one-eightieth of the total reserves in Kazakhstan. Nearly all, 85 percent, of the oil extracted there is sold to the West through the Atyrau-Samara pipeline. It is also suspected that some of the oil from Buzachi is exported to the Iranian port of Neka on the Caspian Sea, where it is then sold according to a barter agreement. The common management of the field was complicated when Lukoil (cf. *infra*) purchased Nelson Resources Ltd. The CNPC then announced its intention of acquiring the 50 percent stake belonging to Nelson Resources. According to them, Lukoil's repurchase broke a contract giving the CNPC a right to acquire Nelson's shares in a pre-emptive way.¹²⁴ The legal status of the field remains complex today.

The Contested Purchase of Petrokazakhstan

In 2005, the CNPC pulled off the most important foreign acquisition ever undertaken by a Chinese company, that of Petrokazakhstan (formerly Hurricane Hydrocarbons). The CNPC outbid its Indian competitor ONGC (Oil and Natural Gas Corp.) by offering to pay 4.2 billion dollars, regarded by some as an overvaluation. Kazakhstan thus became the second-largest foreign base of production, after the Sudan, for the CNPC. Petrokazakhstan,

¹²² "Chinese Company Takes Over Kazakh Oil Field," *Interfax-Kazakhstan*, October 21, 2003.

¹²³ B. Khusainov. "Severobuzachinskaia intriga," [The North Buzachi intrigue], *Ekspert Kazakhstan*, 1, January 19, 2004, <<http://www.expert.ru/printissues/kazakhstan/2004/01/oika-knelson/>> (March 01 2007).

¹²⁴ "Chinese oil giant goes on offensive as Kazakh energy assets battle heats up," *University of Alberta China Institute News*, October 29, 2005, <<http://www.uofaweb.ualberta.ca/chinainstitute/navo3.cfm?navo3=44364&navo2=43876&navo1=43092>> (March 05 2007).

based in Canada, possesses twelve percent of Kazakhstan's oil production at 150,000 b/d, or nearly 10 Mt. It manages twelve oil-bearing fields, including North Kumkol (entirely under its control) and Southern Kumkol (shared control with Lukoil).¹²⁵ Faced with this Chinese offensive, the Kazakh Parliament passed a law guaranteeing itself a right of pre-emption on energy issues, and thus preventing Petrokazakhstan from selling its shares without the agreement of the political authorities. Kazakh President Nursultan Nazarbayev finally agreed to this repurchase, but forced the CNPC to yield a third of its shares to KazMunaiGaz. The Chinese firm also sold half of the shares of the Chymkent refinery, the most modern in the country, which Petrokazakhstan had held up to that point.

However, the legal saga became particularly complex and quickly became internationalized. The transaction elicited the reaction of Lukoil, which shares a subsidiary with Petrokazakhstan—Turgai Petroleum. The two companies had already been in litigation since 2004 over questions of financial compensation. Since the announcement of the repurchase by the CNPC, Lukoil appeared before an Alberta court in order to block this transfer based on its 50 percent ownership of Turgai Petroleum. The court refused this request, but Lukoil appealed before the Court of Arbitration of Stockholm, which confirmed in 2006 that the Russian company had a right of pre-emption over half of Turgai Petroleum. The CNPC counter-attacked by invoking its right of pre-emption over half of the Buzachi field.¹²⁶ At the end of 2006, Lukoil acquired Nelson Resources Ltd. for two billion dollars. The firm controls one percent of Kazakh oil, and manages several fields, two of which, Alibekmola and Kozhasay, are located near Aktobe.¹²⁷ It includes several companies that are influential in Kazakhstan, such as Central Asia Industrial Holdings, Energy Investments International, and Cott Holdings. Competition between Chinese firms and Russian firms in Kazakhstan is likely to experience more fluctuation, as Lukoil announced its desire to continue its presence in Kazakhstan, where it has already invested 4.5 billion dollars.

¹²⁵ V. Socor. "Implications of China's Takeover of Petrokazakhstan," *Eurasia Daily Monitor*, 2, 165, 2005, <http://www.jamestown.org/edm/article.php?article_id=2370186> (April 14 2007).

¹²⁶ S. Blank. "China, Kazakh Energy, and Russia: An Unlikely Ménage à Trois," *The China and Eurasian Forum Quarterly*, 3, 3 (2005), pp. 99-109.

¹²⁷ M. Yermukanov. "Russian Lukoil Plans to Dig Deep for Kazakh Oil," *Eurasia Daily Monitor*, 2, 189 2005, <http://www.jamestown.org/edm/article.php?article_id=2370326> (April 21 2007).

Sinopec's Purchases

In 2003, Shengli Oilfield, a subsidiary company of Sinopec, purchased 50 percent of the shares of Big Sky Energy Kazakhstan, a company based in Canada that belongs to China Energy Ventures Corp. Big Sky has licenses to develop three small onshore sites: Morskoe, located near Tengiz, Karatal, and Dauletaty, close to Atyrau. In addition, China Energy Ventures Corp. owned two other blocks: Liman-2 and Atyrau. In 2004, Sinopec withdrew from Big Sky and announced its intention to invest itself in larger and more expensive projects. It did so by acquiring American First International Oil Company (FIOC), in Houston, for more than 160 million dollars. FIOC first established itself in Kazakhstan in 1997, buying the user licenses of small fields (like Fedorov, Mezhdurechensk, Sagiz, Begaidar, and Sazankurak) spread out over more than 17,000 km² in the west of the country, and often exploiting them with Russian partners. FIOC also manages, with Rosneft, the promising site of Adai. Its reserves are estimated at 100 million tonnes of oil and nearly 400 bcm of gas. This repurchase will thus make it possible for Sinopec to invest in several Kazakh fields and to eventually supplement acquisitions of the CNPC.¹²⁸

The Offshore Darkhan Site

In August 2005, CNOOC and KazMunaiGaz signed an agreement to jointly explore the Darkhan field in the Kazakh area of the Caspian Sea. Located east of the Kurmangazy site and 60 km south of Bautino, its reserves are estimated at 480 million tonnes of oil with approximately nine exploitable areas.¹²⁹ The Kazakh government long sought a partner for this venture, and only the Indian ONGC displayed interest. China hopes to attain a production of 60 million tonnes in 2015, a figure that seems particularly optimistic. Even if the Darkhan site is not Kashagan, its acquisition makes it possible for Beijing to finally be a player in the vast, offshore Caspian reserves after its failure to take part in the exploitation of Kashagan in 2003.

¹²⁸ M. Yakovleva. "China Thirsts for Kazakh Oil," *Russian Petroleum Investor*, June 2005, <http://www.wtexecutive.com/cms/content.jsp?id=com.tms.cms.article.Article_rpi_article_1> (March 28 2007).

¹²⁹ "KazMunaiGaz, CNPC to Jointly Develop Darkhan Field," *Interfax Information Services*, October 5, 2005, <<http://www.uofaweb.ualberta.ca/chinainstitute/navo3.cfm?navo3=44401&navo2=43876&navo1=43092>> (April 15 2007).

The Purchase of Energy Nations and the Karazhanbas Site

In December 2006, the Chinese state firm CITIC Group (China International Trust and Investment Company, based in Hong Kong) announced that it had just concluded the purchase of Nations Energy (Indonesia) for nearly two billion dollars. In 1997, Nations Energy acquired the KarazhanbasMunai firm, which holds twenty-year exploitation rights for the Karazhanbas field, located 230 km north of Aktau.¹³⁰ Nations Energy invested more than one billion dollars in this site, whose proven reserves are more than 340 million barrels of oil and whose production is more than 50,000 b/d. CITIC Group proposed that KazMunaiGaz buy half of the field at a discount, and promised the Kazakh government to build a refinery near Mangistau to make Kazakhstan independent in the production of asphalt.

B.2. The Construction of Pipelines

The two Chinese establishment strategies in Kazakhstan—the purchase of fields and the construction of pipelines—are intrinsically linked, as China seeks to insure its investments. The two objectives are, however, not entirely unified. For instance, Russian pipelines and the CPC (Caspian Pipeline Consortium) export westward the production of some Caspian sites acquired by Beijing, while the pipeline bound for China will not only be filled with the oil of Chinese companies, but also with oil coming from Russia or international firms in Kazakhstan. Overall, the Chinese strategy remains the connection of all of the acquired fields with the gigantic Sino-Kazakh pipeline under-construction.

The Competition over Siberian Projects

The Sino-Kazakh pipeline project quickly took form at the beginning of the 2000s, indirectly due to the difficulties China encountered in its negotiations with Russia. It seems that when the first pipeline project was abandoned in 1999, Beijing was clearly under the influence of Yukos, which wanted to be perceived as a priority, to the detriment of Kazakhstan. Boris Yeltsin launched the project of a Sino-Russian pipeline connecting Angarsk, in Yakutia, to Daqing, in the Heilongjiang province, at the beginning of the

¹³⁰ “CITIC to buy Kazakhstan oil assets,” *Beijing Invest*, October 2006, <<http://www.bjinvest.gov.cn/english/bn/200610/t141833.htm>> (May 03 2007).

1990s.¹³¹ A feasibility study was carried out in 2000. Moscow and Beijing had agreed to a 2,400 km pipeline at an estimated cost of nearly three billion dollars. However, since 2002, the project underwent several important changes. Japan pressured the Russian authorities to give priority to a competitor project that would join the port of Nakhodka, giving a glimmer of hope in Russia to the possibility of reaching several prospective customers: Japan, China, South Korea, and Taiwan. Finally, as Yukos supported the Chinese project, the arrest of Mikhail Khodorkovsky in 2003 seems to have slowed the Angarsk-Daqing plans for the long term. This situation led the Chinese authorities to favor Kazakhstan and to restart their interest in the Caspian Sea. In the mid-term, imports from Russia remain the least expensive option, but complex Sino-Russian relations serve to weaken Moscow vis-à-vis Central Asian regimes, which are willing to grant more concessions in order to attract Chinese investment.

The Three Sections of the Atyrau-Alashankou Pipeline

In 1999, the first pipeline project proposed by China during its acquisition of the Aktobe and Uzen fields was shelved. After the discovery of the gigantic offshore Kashagan site, Kazakhstan returned this project to the negotiation table. The idea of a pipeline connecting the Caspian Sea to Xinjiang was revived in 2002. This pipeline, known as Atyrau-Alashankou, is divided into three sections.

The first, located in the west of the country, connects the Kenkiyak field to Atyrau over a length of 448 km. For its construction, the CNPC and KazMunaiGaz founded the company MunaiTas, held in equal portions by the two companies. Operational since 2003, the Kenkiyak-Atyrau section had the capacity to transport six million tonnes each year, but a new phase completed in 2006 has increased this to fourteen million.¹³² It allows the oil extracted from the Chinese fields in Kenkiyak and Zhanazhol to join the Atyrau-Samara pipeline and the CPC for export to European markets. The second section, located in the east of the country, connects the pumping station and railway terminal in Atasu, in the Karaganda region, to the Dostyk-Alashankou station on the Sino-Kazakh frontier. Atasu has the

¹³¹ G. Christoffersen. "China's Intention for Russian and Central Asian Oil and Gas," *NRB Analysis*, The National Bureau of Asian Research, 9, 2 (1998).

¹³² M. Barbasov. "An Oil Pipeline to China: An Element of Struggle for Caspian Resources".

advantage of being en route to the Omsk-Pavlodar-Chymkent pipeline, making possible a connection to Russian oil. The joint construction venture between CNODC and KazMunaiGaz was negotiated in 2003 and began in 2004.¹³³ The Atasu-Alashankou section, 988 km in length, cost 700 million dollars. It was inaugurated in December 2005, and has been operational since May 2006. The third section (KAK) will connect Kenkiyak to the Kumkol fields via the town of Aralsk over a length of 750 km and at an estimated cost of 511 million dollars. It will be complete in 2011. The last part of the pipeline, between Kumkol and Atasu, has existed since the Soviet period. Thus, once Kenkiyak-Kumkol is in operation in 2011, China will have a direct link with the Caspian Sea at its disposal.

During his December 2006 visit to China, President Nazarbayev, accompanied by his energy and mineral resources minister, Baktykozha Izmukhambetov, continued to promote energy cooperation between the two countries. Astana and Beijing signed two letters of intent. The first concerns the construction of the missing section of Kenkiyak-Kumkol. The second seeks to double the capacity of the Atasu-Alashankou pipeline to 400,000 b/d.¹³⁴ With the operational median section, the Sino-Kazakh pipeline will have a total length of more than 3,000 km, or 2,818 km in Kazakh territory and 270 km in Chinese territory. During this first phase, the export capacity of the pipeline will be approximately ten million tonnes, but this will increase to twenty million after 2011. On the Chinese side, it is supplemented by an intra-Chinese pipeline, the Alashankou-Dushanzi Crude Oil Pipeline, which connects the border-post refinery at Dushanzi to Xinjiang. In 2010, the refinery will become a petrochemical complex capable of treating over one million tonnes of oil per year.¹³⁵ Indeed, the strategy of the CNPC in Kazakhstan makes sense only when placed in its intra-Chinese context. The objective of these acquisitions is not only to provide energy to Xinjiang, but also to the densely populated, maritime East China. Thanks to the new east-

¹³³ Xuanli Liao. "Central Asia and China's Energy Security," *The China and Eurasia Forum Quarterly*, 4, 4 (2006), pp. 61-69.

¹³⁴ "The 'Great Game' goes on," *Petroleum Review*, February 26, 2007, <<http://www.uofaweb.ualberta.ca/chinainstitute/navo3.cfm?navo3=57276&navo2=57275&navo1=57272>> (April 14 2007).

¹³⁵ "Kazakhstan-China oil pipeline opens to commercial operation," *People's Daily Online*, July 12, 2006, <http://english.people.com.cn/200607/12/eng20060712_282194.html> (March 28 2007).

west, intra-Chinese pipeline, Kazakh oil can henceforth be expedited over 2,000 km to Lanzhou and its refinery.

The Issue of Filling the Pipeline

Once complete in 2011, the Sino-Kazakh pipeline will have the capacity to transport twenty million tonnes of oil each year—the amount necessary for it to be profitable. From that point, it could later be increased up to 50 million tonnes. Thus, the question of filling the pipeline is strategic as it ensures the profitability of the operation, justifies China's policies of purchasing fields, and requires negotiations with other operators.

The Chinese import of Kazakh oil seems exponential in its growth. In 2005, China exported 1.3 million tonnes of oil by rail via Alashankou, while in 2007, the country hoped to transport up to eight million tonnes of oil through Atasu-Alashankou. Since China will use only 80 percent of the pipeline capacity, it must be supplemented by Russian oil. In 2005, Chinese production in Kazakhstan reached six million tonnes, with 5.5 million tonnes coming from Aktobe and 500,000 tonnes from Buzachi. Such production in the west of the country will be difficult to export to China as long as the third missing section of the pipeline remains unfinished. A small part of the Chinese oil produced in Zhanazhol, Kenkiyak, and Buzachi is sold in Western Europe via the CPC; the majority is refined on the spot, however, and sold locally, and what remains joins Atasu by railroad. However, the CNPC hopes to direct most of this oil toward China after the completion of the pipeline in 2011.

For the moment, the Atasu-Alashankou section accommodates mainly oil from the Kumkol fields. They particularly interest Beijing because they are closest to the Chinese border and are located on the halfway point of the pipeline. Since 2001, Petrokazakhstan has delivered, by rail, nearly 500,000 tonnes of oil (128,000 b/d), extracted in Kumkol, to China. Since 2006, this flow passes by the pipeline, to which China hopes to add either the reserves managed by Petrokazakhstan, approximately five million tonnes, and those of Turgai Petroleum, at three million. Lukoil also wishes to use the Atasu-Alashankou section by re-orientating the production of its parts of Turgai Petroleum in the direction of China. Up to then, the CPC exported them westward. In addition, while purchasing FIOC, Sinopec awarded a contract

of one million tonnes of oil (and several bcm of gas) that will eventually be added to the fields the CNPC manages.¹³⁶ In 2010, Chinese production in Kazakhstan should reach 14 million tonnes, and therefore occupy approximately two-thirds of the pipeline's 20 million tonne capacity. For its part, KazMunaiGaz plans to transport nearly five million tonnes of oil from Kashagan to China.

But to be profitable, the Sino-Kazakh pipeline must find additional provisions from Russia. China hopes to convince Russian companies to launch barter operations, exchanging Chinese oil produced in Zhanazhol and Kenkiyak, exported via the Atyrau-Samara pipeline, for Russian oil exported to China via the Atasu-Alashankou pipeline. Several Russian companies have demonstrated interest. Because of this pipeline, they could enter the Chinese market well before the Siberian and Far East pipelines are complete.¹³⁷ Transneft, for example, indicated its desire to send a part of its production to China, via the Sino-Kazakh pipeline. Rosneft stated its interest in exporting its oil from Western Siberia to China by connecting Atasu at a junction with the Omsk-Pavlodar-Chymkent pipeline. The Russian company was also committed to building with the CNPC, and its PetroChina subsidiary, a refinery to treat Russian oil near to Beijing in 2010. The fields of Khvalynsk and Tsentralnoye, which Lukoil exploits with KazMunaiGaz, could also see part of their production shift toward China.¹³⁸

Thus, the issue of production volume is crucial for Kazakhstan. A few years ago, Kazakh production seemed insufficient to supply just one pipeline, which became profitable only with the participation of Russia. Since the discovery of Kashagan, as well as the exploitation of the onshore fields of Tengiz and Karachaganak, Kazakhstan has become an autonomous partner. Astana estimates that the country will produce 120 million tonnes of oil in 2007 and 180 million in 2015. Kashagan will be operational around the year 2010. By this time, the Atyrau-Samara pipeline and Caspian Pipeline Consortium, which connects Caspian fields to Russian ports on the Black

¹³⁶ M. Yakovleva. "China Thirsts for Kazakh Oil".

¹³⁷ M. Yermukanov. "Chinese Need Russian Oil to Fill Pipeline from Kazakhstan," *Eurasia Daily Monitor*, 2, 216, 2005, <http://jamestown.org/edm/article.php?volume_id=407&issue_id=3532&article_id=2370494> (May 03 2007).

¹³⁸ S. Smirnov. "The Chinese Dragon is Thirsty for Oil and Gas," *Central Asia and the Caucasus*, 6 (2004), pp. 67-76.

Sea, will no longer be sufficient to export all of Kazakhstan's production. However, the Atyrau-Alashankou pipeline could be partially in competition with the Baku-Tbilisi-Ceyhan pipeline (Kazakh oil has arrived by tanker at Baku from the port of Aktau.)¹³⁹

B.3. The Future of Sino-Kazakh Oil Relations

China's rise to power on the Kazakh energy market seems to elicit increasingly sharp reactions from official circles. By fall 2006, several members of the Kazakh parliament were worried about China's many purchases of Caspian fields. Deputy of the Parliament Valery Kotovich, member of the presidential party Otan, declared that the country was losing its energy independence. He presented distorted figures, according to which China will soon control 40 percent of Kazakh oil production.¹⁴⁰ Faced with the reactions that the announcement of the purchase of Energy Nations caused, Energy Minister Bakhytkozha Izmukhambetov declared that he would do everything possible to block the project; which proved not be the case. The deputies also worried about the announcement made by Central Asia Petroleum (Jakarta), which seeks to sell its shares in the company MangistauMunaiGaz (115,000 b/d) to China. In spite of these reactions, the authorities in Astana have done little to diminish their favor for Chinese investment in the country. At all costs, Kazakhstan wants to distance itself from Russia, which dominates the two principal export routes, Atyrau-Samara and the CPC. In addition, Astana did not appreciate the Kremlin's recent rejection of support for its project to buy a refinery in Lithuania. Russia also refused to increase the transport capacity of the CPC, which is likely to force Chevron Texaco to transport surplus production by rail instead of pipeline in the coming years.

The clearly Sinophile choice of the Kazakh authorities thus confirms that China will become a privileged partner of Kazakhstan; however, in its current state, Beijing cannot compete with the large Western companies that dominate the Caspian basin. Indeed, the consortiums Agip KCO and

¹³⁹ Guo Xuetang. "The Energy Security in Central Eurasia: the Geopolitical Implications to China's Energy Strategy," *The China and Eurasia Forum Quarterly*, 4, 4 (2006), pp. 117-137.

¹⁴⁰ "Kitaem vedetsia bol'shaia rabota po priobreteniu riada neftianykh kompanii, rabotaiushchikh v Kazakhstane," [China tries to acquire several oil companies working in Kazakhstan], *Nomad.su*, November 2, 2006, <<http://www.nomad.su/?a=3-200611020217>> (April 17 2007).

Tengizchevroil possess 67 percent of the total hydrocarbon reserves in the country. In 2006, China managed approximately 24 percent of Kazakh production: Aktobemunaigaz (5.8 million tonnes, or ten percent), Turgai-Petroleum (three million tonnes, or five percent), Kumkol Resources (3.1 million tonnes, or five percent), and KarazhanbasMunai (2.2 million tonnes, or four percent.)¹⁴¹ Even if the production figures of Chinese companies in Kazakhstan increases quickly, however, due to technical improvements, the exploration of still-undiscovered sites, and the strategic purchase of new fields, China's proportional share of total Kazakh oil production will decrease as the exploitation of Tengiz and Kashagan increases the size of the pie. For its part, Kazakhstan will play an increasingly important part in the supply of oil to China. In 2004, Astana represented less than one percent of Chinese supply, but it will reach five percent with the completion of the pipeline in 2011 (20 Mt out of the 400 that China will need to import). Still, in spite of this successful Sino-Kazakh cooperation, Central Asia will not be able to replace China's dependence on Middle Eastern oil.

C. Other Chinese Projects in the Central Asian Oil and Gas Sector

Kazakhstan largely dominates Sino-Central Asian oil sector cooperation; however, some new and more modest partners, such as Uzbekistan, are starting to make their appearance known. With large Western companies being absent from the Uzbek oil market, China can more easily establish itself there, and hopes that the under-developed Aral Sea and Ustiurt Plateau areas will fulfill their potential. From the beginning of the 2000s, Kyrgyzstan tried to interest China in its few oil and gas fields, too. In 2002, Beijing announced its desire to invest 300 million dollars in fields located in the south of the republic in order to help enhance its own energy independence. CNNC and Kyrgyzneftgaz signed a cooperative agreement.¹⁴² In 2004, Sinopec subsidiary, China's Shengli Oil Company, confirmed that it would participate in the reconstruction of Kyrgyzstan's outdated, eroding oil

¹⁴¹ E. Djantureyeva. "Oil and Gas Producers Sum up the Results," *Kazakhstan International Business Magazine*, 1 (2006), <<http://www.investkz.com/en/journals/46/70.html>> (April 17 2007).

¹⁴² "Natsional'naia neftianaia korporatsiia Kitaia i AO Kyrgyzneftegaz zakliuchili soglashenie o dobyche nefti na iuge Kirgizii," [The CNPC and Kyrgyzneftegaz signed a contract on extraction of oil in the South of Kirghizia], *Mineral.ru*, July 2002, <www.mineral.ru/Chapters/News/3593.html> (March 27 2007).

wells.¹⁴³ Nevertheless, the majority of these projects remain on paper, and Sino-Kyrgyz cooperation has moved to other sectors. In the oil sector, Kazakhstan is therefore destined to remain Beijing's premier partner, with Uzbekistan following as a distant second. The gas issue is more complex because its transportation is much more expensive than that of oil. It also necessitates a favorable regional context, since many countries must agree to allow the gas pipeline to cross their respective territories. In spite of a challenging regional situation, Sino-Central Asian gas projects continue to grow, and could be finalized in the years to come if Kazakhstan, Turkmenistan, and Uzbekistan are able to agree among themselves to jointly sell their gas resources to China.

Kazakh Gas

Sino-Kazakh gas negotiations began in 2002 between Kazakh Deputy Prime Minister Karim Masimov and Chinese National Oil and Gas Corporation President Mi Fucai. The first feasibility studies examined the possibility of a connection with Turkmen gas via the Central Asia-Center gas pipeline, although the latter could then enter into competition with Kazakh gas.¹⁴⁴ In 2006, the Kazakh authorities signed an initial construction agreement with the CNPC and its PetroChina subsidiary. A new feasibility study will take place during 2007 and construction will begin in 2008. The gas pipeline will have a capacity of 10 bcm in 2009, and then expand to 30 bcm in 2012. Two routes are currently being studied, one southern (Chelkar, Kzyl-Orda, Chymkent, Almaty) and one through the center (Astana-Karaganda). The southernmost route appears to be the most profitable because it would also fulfill the need for gas delivery to energy-poor southern Kazakhstan. The new layout could join with the already-existing Bukhara-Tashkent-Bishkek-Almaty gas pipeline.¹⁴⁵ The gas would come from the Kazakh Karachaganak, Tengiz, and Kashagan fields, and maybe from Turkmenistan. In 2010, Kazakhstan hopes to produce nearly 50 bcm annually, of which half would be intended for the domestic market and approximately 20 bcm for export.

¹⁴³ "China emerges as a major energy player," *Alexander's Oil and Gas Connections*, 9, 17 (2004), <<http://www.gasandoil.com/goc/news/nts43583.htm>> (April 04 2007).

¹⁴⁴ "Kazakhstan-China gas pipeline study to be ready in 2004," *Interfax Kazakhstan*, October 10, 2003.

¹⁴⁵ "China, Kazakhstan mulling gas pipeline construction," *China Daily*, April 14, 2006, <http://www.chinadaily.com.cn/china/2006-04/14/content_567792.htm> (March 28 2007).

These Central Asian gas pipeline projects have only made sense since China decided to build an intra-Chinese pipeline, the West-East Gas Pipeline. It goes from the Tarim Basin in Xinjiang (Lunnan gas field) to join Shanghai through Gansu, Ningxia, Shaanxi, Shanxi, Henan, Anhui, and Jiangsu over a distance of more than 4,200 km. The first section was started in 2003, and it was put in operation at the end of 2004. Plans exist to upgrade its capacity from 12 bcm to 17 bcm by 2007. The West-East Gas Pipeline will thus have sufficient capacity to accommodate a portion of Central Asian gas and to transfer it to Shanghai.

Turkmen Gas

Since 1992, the Japanese firm Mitsubishi has proposed a Sino-Turkmen gas pipeline project in the hope that it would then join Japan from the Chinese coast. The subject was broached in 1994 during meetings between former Turkmen President Sapamurat Niyazov and Chinese Prime Minister Li Peng.¹⁴⁶ The CNPC prepared a preliminary feasibility study in collaboration with Mitsubishi and Exxon-Mobil, which envisaged a gas pipeline of almost 6,000 km able to transport up to 30 bcm each year from the Turkmen Dauletabad field to Shanshan in Xinjiang.¹⁴⁷ The excessive cost of this project—more than ten billion dollars—and the need for negotiations with several transit states contributed to its eventual shelving, although, since 1999, Kazakhstan has declared itself ready to become a transit country. At the beginning of the 2000s, the rising price of oil and gas, the growth of the exploitation of the Tarim Basin fields, and the construction of the West-East Gas Pipeline renewed interest in the project. Indeed, the CNPC argued that additional provisioning from Central Asia would make it possible to guarantee the profitability of the West-East Gas Pipeline in the event of failure of the Tarim fields.

In 2004, Turkmengaz and the China Petroleum Technology and Development Corporation signed a 14.5 million dollar contract to supply equipment for repairs of gas wells in Turkmenistan.¹⁴⁸ Debate over the East Asia Gas Pipeline started again in 2005, when Niyazov announced that he

¹⁴⁶ T. Kellner, "La Chine et la nouvelle Asie centrale," Bruxelles, Groupe de recherche et d'information sur la paix et la sécurité (GRIP) (2002), p. 26.

¹⁴⁷ "China launches massive gas pipeline campaign," *Oil and Gas Journal Online*, June 5, 2000.

¹⁴⁸ "China emerges as a major energy player".

had negotiated the price of Turkmen gas with Beijing at approximately 80 dollars per 1,000 m³, and discussed the construction of a pipeline to China through Kazakhstan and Uzbekistan. In 2006, Beijing demonstrated its goodwill to the authorities in Ashgabat by financing the restoration of the Seidi oil refinery. In April of the same year, during Niyazov's visit to Beijing, the two countries signed an energy agreement according to which Turkmenistan will deliver 30 bcm of gas to China in 2009, hoping to reach 50 bcm in 2010.¹⁴⁹ During his trip to China in December 2006, Nazarbayev made it clear that the Sino-Turkmen gas pipeline could pass through Kazakhstan to avoid Uzbekistan, which is considered too unstable.¹⁵⁰ In addition, China calmed Russian fears by reaffirming that it did not plan to take over areas intended *a priori* for Gazprom, but rather new fields in the Amu-Darya region. Negotiations must be held during 2007 to determine the methods of implementation of the agreement with regard to the construction of the gas pipeline, but also the exploitation of four oil and gas blocks on the right bank of the Amu-Darya River. In March 2007, the Import-Export Bank of China and the Turkmen State Bank for Foreign Economic Affairs signed two loan agreements totaling 26 million dollars for the purchase of drill material.¹⁵¹

Chinese Investments in Uzbekistan

Energy relations between the PRC and Uzbekistan became extensive only after Chinese President Hu Jintao's visit to Tashkent in June 2004. On this occasion, the CNPC and the state firm Uzbekneftegaz signed several projects confirming that the CNPC, which had already exported 80 million dollars of equipment necessary for the exploitation of ten wells, hoped to establish itself in Uzbekistan in a more significant way. For instance, the Harbin Xiandai Group set up liquefied petroleum gas and water meter factories in Tashkent. Sino-Uzbek cooperation in energy matters became more extensive in 2005, after the geo-strategic rapprochement that followed the events in

¹⁴⁹ "Turkmenistan: gas pipeline to China is ready," *Asia News*, August 22, 2006, <<http://www.asianews.it/index.php?l=en&art=6997>> (April 17 2007).

¹⁵⁰ V. Socor. "Turkmenistan-China Gas Agreement Unrealistically Ambitious," *Eurasia Daily Monitor*, 3, 69, 2006, <http://jamestown.org/edm/article.php?article_id=2370964> (April 17 2007).

¹⁵¹ S. Blagov. "Itera Suggests Reviving Zarit Consortium for Caspian Exploration," *Eurasia Daily Monitor*, 4, 51, 2007, <http://www.jamestown.org/publications_details.php?volume_id=420&issue_id=4035&article_id=2372001> (May 05 2007).

Andijan. During Islam Karimov's visit to Beijing on May 25, 2005, the two leaders introduced several new projects.¹⁵² The CNPC and Uzbekneftegaz signed an agreement instituting UzCNPC Petroleum, a joint venture responsible for exploration and the exploitation of oil-bearing fields in Bukhara and Khiva areas. It proposes up to 600 million dollars of investment in a score of small fields located in eastern Uzbekistan. Beijing also granted a 35 million dollar loan to Tashkent for the improvement of its oil and gas transport system. Another joint venture was created in July 2005 between Uzbekneftegaz and Sinopec to develop still non-operational wells and to explore fields near Andijan. An overall investment of more than 100 million dollars over five years was agreed upon, half of which was intended for exploration, with the other half slated for the redevelopment of old sites.¹⁵³ However, the project was suddenly abandoned in April 2007, without explanation from Uzbek or Sinopec authorities.¹⁵⁴

This cooperation between the CNPC and Uzbekneftegaz continued in 2006 with two projects. The first was signed in June. One of the subsidiaries of the CNPC—CNODC—announced that it planned to invest 210 million dollars in Uzbekistan over the next five years for the exploitation of five gas and oil blocks located on the Ustiurt Plateau, the Bukhara-Khiva region, and in the Ferghana Valley. The drilling of about fifteen new wells and evaluations on a dozen others are also envisaged in several areas of the country. If prospects appear profitable, a joint venture will be established and a new contract of exploitation signed.¹⁵⁵ CNODC also committed itself to training the Uzbek personnel of Uzbekneftegaz for half a million dollars. The second agreement was signed on August 30, 2006, between the CNPC, Uzbekneftegaz, Lukoil, Petronas (Malaysia), and the National Company of South Korea. This production-sharing agreement stipulates that the international consortium in which these five companies take part will carry out the exploration of gas

¹⁵² T. Niazi. "The Ecology of Strategic Interests: China's Quest for Energy Security from the Indian Ocean and the South China Sea to the Caspian Sea Basin," *The China and Eurasia Forum Quarterly*, 4, 4 (2006), pp. 97-116.

¹⁵³ Huasheng Zhao. "Central Asia in China's Diplomacy," in E. Rumer (ed.), *Central Asia. Views from Washington, Moscow and Beijing* (London/ New York, M. E. Sharpe, 2007), p. 168.

¹⁵⁴ "Kitaiskii neftedobychik otkazalsia ot proekta v Uzbekistan," [A Chinese oil company refuses a project in Uzbekistan], *Ferghana.ru*, April 19, 2007, <<http://www.ferghana.ru/news.php?id=5806&mode=snews>> (May 05 2007).

¹⁵⁵ "CNPC to Tap Oil and Natural Gas in Uzbekistan," *Xinhua News Agency*, September 3, 2006, <<http://www.china.org.cn/english/2006/Sep/179963.htm>> (May 05 2007).

and oil fields located in the Aral Sea for the next 35 years. Uzbekistan places many of its energy aspirations in these three under-explored areas—the Aral Sea, the Ustiurt Plateau, and the right bank of the Amu-Darya River.

The Sino-Central Asia Gas Pipeline Imbroglia

China hopes to finalize its Central Asian pipeline project by the end of 2007. It is holding direct bilateral negotiations with Kazakhstan, but is struggling to find a viable solution for a Sino-Turkmen or Sino-Uzbek pipeline. In 2006, the Chinese authorities seemed to give preference to its Kazakh neighbor over Tashkent. Uzbekistan would then have lost an important market of transit duties and been at least partially marginalized from new export routes. However, the situation has dramatically changed since the April 30, 2007, meeting between Uzbek president Islam Karimov and Ma Kai, the Chinese minister of development and reforms. Tashkent and Beijing decided to sign an accord pertaining to the construction of a 30 bcm capacity, 530 km long pipeline.

Details remain unclear with regards to its path and construction. Two routes were proposed. The first, according to the experts at the Economist Intelligence Unit, would pass through the Ferghana Valley, then Kyrgyzstan, before entering China.¹⁵⁶ The advantage of this route includes the contract the CNPC signed with Uzbekneftegaz to exploit the Mingbulak field, located in the Namangan region, which would allow for the rapid export of this new production. The disadvantages include its passage through the mountainous regions of Kyrgyzstan, the fact that the main field of departure is not mentioned, and that it cannot depart from the Ferghana fields, which are too insignificant to warrant their own pipeline. Rather than pass through Kyrgyzstan, the second proposed route would pass through Kazakhstan. The pipeline would begin in the small town of Alata, 20 km from the Turkmen border in the Bukhara region, to join the already-existing Bukhara-Ural pipeline. Once in Kazakh territory, it will join the Sino-Kazakh pipeline east of Kumkol, that is to say the already-operational section that links to the Dostyk-Alashankou border post.¹⁵⁷ This second option seems more realistic.

¹⁵⁶ A. Krasinskaia. "Vse gazoprovody vedut v Kitai," [All gas pipelines lead to China], *CentrAsia*, June 4, 2007, <<http://www.centrasia.ru/newsA.php4?st=1178259540>> (June 09 2007).

¹⁵⁷ "Novyi uzbeksko-kitaiskii gazoprovod budet prednaznachen dlia tranzita turkmenskogo gaza," [The new Uzbek-Chinese gas pipeline is intended to transport Turkmen gas],

From the technical point of view, it is restricted to a non-mountainous steppe region, which reduces its cost. From the logistical point of view, it uses already-functional structures to its advantage. In addition, the Turkmen-Kazakh growing alliance facilitates *a priori* this second solution.

On May 7, 2007, the Kazakh energy and natural resources minister, Baktykozha Izmukhambetov, confirmed Astana's interest but acknowledged that the route was still under consideration. The negotiations between the different countries concerned will therefore be arduous. The Sino-Uzbek working group, established in April, will present its opinion on a final route by the end of 2007. In addition, the signed contract was never precise on the subject of Turkmen or Uzbek gas in the pipeline. In 2006, Uzbekistan produced 62 bcm of gas, of which 50 bcm went on domestic consumption. Only 12 bcm were exported, 9 of these by Gazprom to Russia, the rest to Kyrgyzstan and Kazakhstan. A pipeline limited to Uzbek production therefore seems overly ambitious. Tashkent is not able to dedicate 30 bcm, or half of its total production, to China, especially as Gazprom expects 13 bcm in 2007. It is thus likely that this pipeline will be a collaboration between Uzbekistan and Turkmenistan. In 2006, the latter produced approximately 65 bcm, of which 40 bcm were exported by Gazprom and 10 bcm by Iran. Again, no evidence exists that 30 bcm is free to redirect. Uzbekistan and Turkmenistan risk becoming *modus vivendi* by sharing this future Chinese pipeline, which supposes rapid political rapprochement between Tashkent and Ashgabat, estranged for many years.

Moreover, Gazprom continues to establish itself in the Central Asian market, such as the three-state agreement signed on May 12, 2007 between the Russian, Kazakh, and Turkmen presidents, which announced the construction of a Caspian gas pipeline (*prikaspii*). Although its capacity will be initially limited to 10 bcm, the agreement confirms Russian supremacy in matters of Central Asian gas export and puts concurrent Chinese and Transcaspian pipeline projects at a disadvantage. If the Caspian project is confirmed, China, like the West, will have to content itself in the hope that the new gas fields in South Yolotan and Osman live up to their potential claimed by Ashgabat. However, on August 18, 2007, Chinese president Hu

Jintao and his Kazakh counterpart signed two important agreements in Astana. The first one concerned the extension of the Atasu-Alashankou oil pipeline: its final section which is to be completed by 2011, will link the Kenyiaq fields to those in Kumkol, and thus directly connect Xinjiang to the Caspian Sea. The second deal related to the construction of the Sino-Kazakh-Turkmen gas pipeline, which will be managed in equal parts by KazMunaiGas and the Chinese company CNPC. Its cost is estimated at four billion dollars for a total capacity of 40 billion m³. According to the map presented at the press conference, it will run from the Sino-Kazakh border post of Khorgos to the city of Chymkent, and then split into two branches. One will head towards Uzbekistan and Turkmenistan in order to transport up to 30 billion m³ of Turkmen gas, as stipulated in the Chinese-Turkmen contract signed in April 2006; the other will link up to the Beineu field in Kazakhstan, and transport 10 billion m³.

These debates on Central Asian gas pipelines take place within a more global energy context. The vice director of Uzbekneftegaz, Shavkat Majitov, has recognized that China presents more attractive offers in terms of price than Gazprom, which refuses to this day to pay more than 100 dollars per 1,000 m³ for Uzbek or Turkmen gas. Thus, both Tashkent and Ashgabat have an interest in finding new buyers willing to pay the market price (like Iran in its purchases of Turkmen gas) or, more mundanely, convince Gazprom to accept higher tariffs. China will therefore be able to serve as an alibi to Central Asian states seeking to put pressure on Moscow. Moreover, the Sino-Turkmen gas pipeline project is in direct competition with the objectives of Russia, which continually reaffirms its sole control over Turkmen exports, by the terms of their April 2003 agreement. In addition, Moscow wishes to sell its own gas to China, and to build a new pipeline increasing Russian gas flowing to China to 80 bcm, to be finished in 2011. Thus for the first time, Russian and Chinese interests in Central Asian gas could be in direct competition.

Conclusion

China's economic presence in Central Asia is very multi-faceted. Beijing seeks to establish itself in as many sectors as possible with an eye to occupying the many economic vacuums left by the collapse of the Soviet Union. In the sphere of hydrocarbons, it is improbable that China will completely make up for lost time. Despite its political purchases of fields, it cannot become one of the major players on the Kazakh oil market with neither Tengiz nor Kashagan under its control. It has succeeded, however, in several years, in implanting itself on numerous onshore sites. Today, more than twenty percent of Kazakh oil production is Chinese. It also demonstrated its tenacity in constructing the Atyrau-Alanshankou pipeline, which many observers dismissed as too costly and too complex to finish, and will benefit in a few years from a direct liaison with the Caspian Sea. Though late in its arrival in the Central Asia energy market, China proves that it has the capacity to become an important regional actor, and it now seems poised to capture large parts of the Uzbek and Turkmen markets, which are less competitive and more neglected by large Western companies compared to Kazakh markets. China's increasing presence in the Central Asian energy market could gradually set the stage for an energy rivalry between Asia and Europe. The European Union, the United States, large Western oil companies, and China have increasingly conflicting interests in Central Asian hydrocarbons. Asia's booming economy will likely pull energy flows from the center of the continent toward Asia, even if such a result remains, for the moment, still virtual and late in its arrival on the Western radar.

For the time-being China finds itself more or less in agreement with Russian firms. The two powers are not in concurrence with one another, each having its own sphere of activity, but this situation could rapidly evolve in years to come. Both have a paradoxical vision of the Central Asian energy market: it is important for them politically and commercially, but it does not affect

their vital economic and strategic interests. Indeed, China will not be able to eliminate its dependence on the Middle East through Central Asian oil and gas, and Moscow has its own hydrocarbon riches, which it seeks to preserve by controlling Central Asian exports. However, Moscow and Beijing are on the same page when it comes to gaining economic and political influence. Both pragmatically try to reinforce their political leverage over weak Central Asian states through their growing economic presence. Such a strategy is made easier by the two countries' large, state-run energy companies, which are an extension of official political interests. Russia remains, for the moment, more present in Central Asia than China is, but this domination has been somewhat reduced. Thus, if China is not destined to become the premier actor on the Central Asian hydrocarbon market, it will soon, if not already, have more influence than Moscow in other crucial sectors, such as trade.

With the Sino-Central Asian trade boom over the last years, China is now second only to Russia among Central Asia's trading partners—well ahead of Iran and Turkey. In fact, in the three countries with which it shares borders, the volume of trade is already equal to that of Russia, and even superior when taking into account the importance of border trade and contraband. Recent developments, which are bound to increase in magnitude in the coming years, entail numerous changes for Central Asian societies. They will benefit from consumer products that are more fitting to the low standard of living of their populations, but which are also capable of satisfying the growing technological consumption needs of the middle classes, in particular in Kazakhstan. The massive influx of Chinese products will give the peoples of Central Asia the opportunity to reassume their traditional role as a transit culture by exporting goods as far away as Russia, as the Kyrgyz and Uzbek migrants situated in Russia are already starting to do.

The long-term implications of China's engagement for landlocked Central Asia in terms of transit and transport will partially determine the future of the region. Chinese investments in infrastructure like hydroelectricity, transport, and telecommunications will enable all the Central Asian states to escape from the increased isolation that they have experienced after the disappearance of infrastructure networks dating from the Soviet era. In the development and opening of Central Asia, China seems destined to play the

same major role in the South of Central Asia in the 21st century that Russia played in the North in the 19th and 20th centuries.

In terms of geopolitics, China may also rapidly replace Russia in its role as the dominant regional power facing the West. Thus, pipeline projects running westward to Europe, like the Transcaspian, could be considered as a threat by Beijing, as they are today by Moscow. The increased presence of China in Central Asia would also probably undermine several goals that the United States and the European Union have set themselves concerning energy security (oil, gas, and uranium), international stability, and democratization. In addition, Russia's and China's refusal to liberalize civil society could have a fundamental impact in Central Asia, meaning a strengthening of Islamism. The spreading of Islamist messages in Muslim societies since the Iraq war and the chronic instability of neighboring Afghanistan make already weak and corrupt Central Asian states, which enjoy little support from their societies, particularly vulnerable. The absence of a strong Western presence in the region, which both Moscow and Beijing refuse, could thus contribute to the heightening of regional instability.

Furthermore, the development of Sino-Central Asian relations, such as it is now taking shape, also entails the possibility that the economies of Central Asia will be encouraged into restrictive specializations: by being nearly exclusively exporters of raw materials, the new states run the risk of having their last processing industries disappear. Such a limited specialization coupled with the continued de-industrialization of the area could be factors of social destabilization, since they may well accelerate the rapid pauperization of the lower strata of the population. It therefore remains to be studied how the Central Asian societies will manage, in the years to come, the ever-increasing Chinese presence and evolutions in ways of life, economic development, and political and cultural influence that Beijing will exert over Central Asia. In all the cases, whatever the negative or positive consequences, with this massive economic presence of China in Central Asia, Beijing now represents the most credible economic alternative for the states of Central Asia to free themselves from Russian tutelage.

About the Author

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