

CHAPTER 3
CHINA IN ASIA
SECTION 1: CHINA IN AFGHANISTAN,
PAKISTAN, AND CENTRAL ASIA

“The Commission shall investigate and report exclusively on—

...

“ENERGY—The effect of the large and growing economy of the People’s Republic of China on world energy supplies and the role the United States can play (including joint research and development efforts and technological assistance), in influencing the energy policy of the People’s Republic of China. ...

“REGIONAL ECONOMIC AND SECURITY IMPACTS—The triangular economic and security relationship among the United States, Taipei and the People’s Republic of China (including the military modernization and force deployments of the People’s Republic of China aimed at Taipei), the national budget of the People’s Republic of China, and the fiscal strength of the People’s Republic of China in relation to internal instability in the People’s Republic of China and the likelihood of the externalization of problems arising from such internal instability. ...”

Introduction

China has deep security, economic, political, and strategic interests throughout Afghanistan, Pakistan, and Central Asia. As it strives to develop its economy and become a prominent actor on the world stage, China has taken steps to expand its relationships with the countries along its periphery. China’s interests in the region include maintaining the security of its borders and preventing extremism from destabilizing China domestically; ensuring energy security; balancing traditional powers in the region, such as India, Russia, and the United States; and increasing trade and economic investments.

Because of its strong historic military and political ties to Pakistan and its growing economic investments in Afghanistan, China is a key player in both countries. Sharing a border with Afghanistan and Pakistan, China has a particular interest in ensuring stability and protecting its western border from being subjected to the destabilizing effects of terrorism. Increasingly, Chinese companies have made investments in the war-torn region that are contrib-

uting to China's economic growth through greater trade and access to natural resources. The United States and China share several interests in the two countries, including promoting regional stability, fighting terrorism, and fostering economic development. However, China has been reluctant to intercede directly in the two neighboring countries; rather, it depends on U.S. and North Atlantic Treaty Organization (NATO) military forces and influence in Afghanistan and Pakistan to help secure China's investments, while keeping a watchful eye on the level and duration of their presence.

Figure 1: Afghanistan, Pakistan, and Central Asia



Source: Relief Web, "Map of Central Asia." http://www.reliefweb.int/map/cis/reg/centr_as.html.

In recent years, China also has developed stronger relationships with each of the countries in Central Asia. Through these ties, China has helped to promote regional security and to support the development of Central Asian economies, ultimately leading to stronger political and military relationships with China's western neighbors. Beijing has worked toward creating a strategy in the region that ensures its energy security and access to greater resources for the country's growing energy demands.

This section of the Commission's Report will help explain China's interests in Afghanistan, Pakistan, and Central Asia. It also will examine how China's interests in these countries may affect U.S. interests in the region.

China's Interests in Pakistan and Afghanistan

Historical Perspectives

Historically, China's relationships with Pakistan and Afghanistan have been markedly different. While Beijing established diplomatic ties with both of the countries nearly six decades ago, China's ties with Pakistan have developed into a strategic relationship

based upon mutually beneficial cooperation.¹ In February 2009, Pakistani President Asif Ali Zardari wrote, “No relationship between two sovereign states is as unique and durable as that between Pakistan and China. . . . It is a friendship that is rooted in the hearts and minds of the people of the two countries.”² China’s relations with Pakistan have been close since well before the end of the Cold War, with China supporting Pakistan’s anti-Soviet stance.³ During the Sino-Indian War in the early 1960s, the ties between China and Pakistan became more prominent. Even after the breakup of the Soviet Union, the Sino-Pakistani relationship matured based on a mutual desire to stymie India. According to Lisa Curtis, senior research fellow at the Heritage Foundation, “Chinese policy toward Pakistan is driven primarily by its interest in countering Indian power in the region and diverting Indian military force and strategic attention away from China.”⁴ As a result, China developed strong military ties to Pakistan, ultimately becoming Pakistan’s largest defense supplier.⁵ The strong relationship that Pakistan and China forged led to the settlement of border disputes between the nations, formal trade agreements, and privileged diplomatic ties.⁶

History of Sino-Pakistan Military Relations

While Beijing established diplomatic relations with Islamabad in 1951, the two countries first began cooperating militarily in 1962 with the start of the Sino-Indian border war. Since then, China has aligned itself with Islamabad and has made heavy military and economic investments in Pakistan to keep India under strategic pressure.⁷ When the United States imposed an arms embargo on Pakistan as a result of the 1965 Indo-Pakistani War, Beijing filled the void by providing Islamabad with large quantities of arms and ammunition, including Chinese-produced F-6 fighters, T-59 tanks, and anti-aircraft guns.⁸ According to Lisa Curtis of the Heritage Foundation, “The most significant development in China–Pakistan military cooperation occurred in 1992 when China supplied Pakistan with 34 short-range ballistic M-11 missiles.”⁹ Beijing also assisted Pakistan with the development of the solid-fueled Shaheen-1 ballistic missile and the construction of a ballistic-missile manufacturing facility in north-eastern Pakistan.¹⁰ Between 2003 and 2007, China’s weapons sales to Pakistan included JF-17 aircraft and production facilities, F-22P frigates with helicopters, K-8 jet trainers, T-85 tanks, F-7 aircraft, small arms, and ammunition.¹¹

History of Sino-Pakistan Military Relations—Continued

Sino-Pakistani nuclear cooperation began in the early 1980s. This cooperation has included both civil and military nuclear agreements. In 1983, U.S. intelligence agencies reported that China had transferred to Pakistan a complete nuclear weapon design and enough weapons-grade uranium for two nuclear weapons. In 1986, Beijing and Islamabad penned a comprehensive nuclear cooperation agreement, and China began assisting with Pakistan's uranium enrichment program.¹² Despite Pakistan's poor track record for preventing proliferation of nuclear materials and technology,* China continues to support Islamabad's nuclear development.¹³ Beijing recently agreed to assist with the construction of two new nuclear plants in Pakistan in addition to the three that China already has helped to build.¹⁴

Similar to its ties with Pakistan, China's relationship with Afghanistan derives from China's anti-Soviet stance during the Cold War. Following the 1979 Soviet invasion of Afghanistan, China worked with the United States to support the mujahideen and provide weapons to Afghan fighters.¹⁵ Although China broke off diplomatic relations with Afghanistan in 1993 as the country fell into factional fighting and civil war, it resumed those relations in 1996.¹⁶ Beijing adopted a policy of engagement with the Taliban in order to ensure the safety of its borders and engaged in low-level economic and technical cooperation.¹⁷ However, after the terrorist attacks on the United States in 2001 and the subsequent U.S. invasion in Afghanistan, China, as well as much of the rest of the world, considerably changed its relationship with both Pakistan and Afghanistan.

China's Current Interests in the Region

China's interests in Pakistan and Afghanistan are vast. While Beijing is concerned with the presence of major powers in the region, it is also interested in the security of its shared border with Afghanistan and Pakistan and ensuring that Islamic extremists do not penetrate into Chinese territory. In addition, having a stable Afghanistan and Pakistan enhances the security of Chinese economic interests in the region. By expanding its economic ties with the two countries, China is able to support its own domestic economic development and stability while helping to increase stability in the region as well.

*During the 1980s, Abdul Qadeer Khan, well-known as the founder of Pakistan's nuclear program, created a network of nuclear suppliers in order to develop the country's nuclear capabilities. Dr. Khan began to use this network to sell nuclear knowhow, technology, and materials to other countries seeking a nuclear weapons capability. Among these countries were Iran, Libya, and North Korea. Many nuclear proliferation experts assert that Dr. Khan had significant support from elements of the Pakistani military and civilian nuclear establishment. Richard P. Cronin, "Pakistan's Nuclear Proliferation Activities and the Recommendations of the 9/11 Commission: U.S. Policy Constraints and Options," Congressional Research Service (CRS) Report to Congress (Washington, DC: January 25, 2005).

Balancing Traditional Powers in the Region

One of the fundamental interests China has in strengthening relations with Pakistan and Afghanistan is balancing traditional powers in the region, such as India and the United States. Despite the warming of ties between India and China in recent years, China still remains concerned about India's rise and maintains a close military relationship with Pakistan in order to contain the perceived threat.¹⁸ Since 9/11, India has become more closely allied with Afghanistan in delivering aid and providing military support to the war-torn country.¹⁹ Given India's increasing presence and influence in Afghanistan, China wishes to strike a balance and ensure that India does not gain a preponderance of influence.

Beyond India, China's geopolitical strategy in Pakistan and Afghanistan involves countering the presence of the United States.²⁰ Since 2001, the war in Afghanistan and the growth of antiterrorism cooperation have increased the U.S. presence in continental Asia. In addition to stationing tens of thousands of U.S. troops in Afghanistan, the United States has provided Pakistan with billions of dollars in aid and proclaimed the country as a key ally in the U.S.'s fight against terrorism.²¹ President Obama's March 2009 white paper regarding Washington's new Afghanistan/Pakistan strategy recommended further increasing the U.S. presence in both of the countries.²² According to Michael Schiffer, deputy assistant secretary of Defense for East Asia, China is concerned that the U.S. presence in the two countries may lead to a long-term military encampment on China's borders.²³ Chinese researchers have echoed this sentiment. Li Li, a researcher with the China Institutes of Contemporary International Relations (a think tank affiliated with the Ministry of State Security), wrote in a *China Daily** opinion piece that

[t]he real intention of the [United States] in Afghanistan is widely doubted. The [United States] moves its anti-terror focus eastward. Whether it really aims to facilitate the war against terror, or is this just to veil its ambition of seeking hegemony [sic]?²⁴

Regional Security

Another one of Beijing's priorities in Pakistan and Afghanistan is establishing security along China's borders. Both countries are located on China's periphery and share with China a combined 371-mile border. Beijing is concerned deeply about maintaining stability on this border and ensuring that the region, specifically nuclear-armed Pakistan, is not overrun by Islamic extremists. Walid Phares, director of Washington, DC's, Future Terrorism Project, testified to the Commission that

[i]f the Taliban comes back to Afghanistan, there are 76 kilometers between Afghanistan and China that border [the northwestern region], leading to potential cross-border attacks between jihadists based in Afghanistan and in China. If Pakistan's northern areas are controlled by the Taliban

* *China Daily* is a government-owned newspaper and is widely regarded as the mouthpiece of the Chinese Communist Party.

*or if the government falls into the hands of the Taliban, the problem is even greater for the national security of China.*²⁵

Not only would this situation be a threat to China's physical security, but also it would jeopardize China's increased investments in the energy and commercial sectors.²⁶ Instability in the region already has led to greater risks for Chinese investors. In 2007, Islamic militants kidnapped six Chinese women working in Islamabad.²⁷ In August 2008, Islamist extremists abducted two Chinese engineers in Pakistan's Swat Valley. The Pakistani Army recovered one of the engineers in October 2008, while the other was released by the militants in February 2009 after vehement protests to Islamabad from the Chinese government.²⁸

While security within Pakistan and Afghanistan is a primary concern for the Chinese government, even more essential for Beijing is maintaining stability within China's borders. Pakistan and Afghanistan are located along China's Xinjiang Province—an area with a history of separatist movements and ethnic conflict between Uighurs, a Turkic-speaking Muslim people, and Han, the largest ethnic group in China.* The ethnic tensions and instability in the region were highlighted in July 2009 when protests by Uighurs in Xinjiang led to severe ethnic clashes, leaving at least 197 people dead and more than 1,600 injured. During past social upheavals in Xinjiang, local opposition movements were able to recruit additional members from the province and carry out operations against the Chinese.²⁹ Indeed, three months after the unrest in October 2009, one of Al Qaeda's top leaders, Abu Yahya al-Libi, called upon Xinjiang's Uighurs to prepare for a holy war against "oppressive" China.³⁰

Walid Phares illustrated the extremist threat in his testimony to the Commission in May 2008:

*The separatist claim in [Xinjiang] is a classical ethnic conflict, but in the last few years a Jihadist movement has made inroads inside the Muslim communities, indoctrinating and recruiting a significant number of Jihadi militants. Many 'Chinese Jihadists' have been recruited by Al Qaeda and have fought in Afghanistan. Some are now fighting in the ranks of the Taliban in Pakistan.*³¹

The most prominent separatist threat in Xinjiang is the East Turkestan Islamic Movement. This group has been labeled a terrorist organization by the governments of China, Kazakhstan, Pakistan, and the United States, as well as the United Nations. The U.S. State Department also has linked the group to Al Qaeda.³² Beijing has blamed the group for car bombings in Xinjiang and the murder of a Chinese diplomat in Kyrgyzstan. In 2008, Chinese authorities arrested members of the East Turkestan Islamic Movement for planning to execute terrorist attacks during the Beijing Olympics.³³ If Islamic extremists were to gain a stronger presence along China's border with Pakistan and Afghanistan,

* In Xinjiang, Uighurs make up 45 percent of the population, whereas Han make up 40 percent of the population. However, Han comprise 92 percent of the total population of China, whereas Uighurs comprise only 0.6 percent of the total. Preeti Bhattacharji, "Uighurs and China's Xinjiang Region," Council on Foreign Relations (New York: July 6, 2009). <http://www.cfr.org/publication/16870/#5>.

it could empower terrorist networks already in Xinjiang and threaten the economic and political stability of China. While the U.S. Department of Defense's Joint Intelligence Task Force—Combating Terrorism has found that the threat of an ideology-based global jihad to China is “relatively low,” China still presumably wants to continue to avoid attracting the attention of Islamic extremist groups.*

Another major regional security concern that could affect China's internal stability is drug trafficking. The transit of heroin and opium from Afghanistan via Pakistan poses a significant problem for China's western provinces. In 2008, local police in Xinjiang prosecuted 1,563 drug-related cases, arresting nearly 2,000 suspects and seizing 144 kilograms of heroin transported from Pakistan and Afghanistan.³⁴ Proceeds from the drug trade have been linked to the funding of Central Asian Islamic militant groups.³⁵ In addition, the drug trade into Xinjiang has contributed to rising HIV/AIDS rates. Figures from the Chinese Center for Disease Control and Prevention show that by September 2008, Xinjiang had reported 24,818 HIV-infection cases (up from 11,303 in 2005), ranking fourth among all provinces, municipalities, and autonomous regions in the country. Xinjiang has the highest infection rate in the country.³⁶ According to Chinese media, increased instability in Pakistan and Afghanistan has exacerbated the drug problem.³⁷

In order to counter these nontraditional security threats, Beijing has supported a number of measures to fight what it has labeled the “three evils”: terrorism, separatism, and extremism.³⁸ Among these measures, in 2006, China and Afghanistan signed an agreement of cooperation to support Afghanistan's efforts in “combating terrorism and safeguarding national stability.”³⁹ In April 2009, China announced that it would donate \$75 million in aid to Afghanistan in order to increase the capacity of its military to combat terrorism.⁴⁰

China has supported Pakistan's economic development through bilateral aid agreements. China offered a \$500 million loan for budgetary support to Pakistan and pledged \$1 million in cash in May 2009 for emergency humanitarian relief. In June 2009, Beijing agreed to provide an additional \$8.8 million.⁴¹ In addition, China also is part of the “Friends of Democratic Pakistan,” a 13-member group formed in September 2008 aimed at promoting economic development in Pakistan and preventing the Pakistani government from being overthrown by Taliban militants.† The group collectively has pledged more than \$5.28 billion to help secure the region.⁴² In addition, because China is Pakistan's biggest defense

*In the 1990s, China experienced a string of bombings and assassination attempts in Xinjiang. Chinese police subsequently arrested hundreds of Uighurs believed to be associated with the terrorist attacks. Martin I. Wayne, “Five Lessons from China's War on Terror,” National Defense University, *Joint Force Quarterly* 47 (4th Quarter 2007): 42. http://www.ndu.edu/inss/Press/jfq_pages/editions/i47/09.pdf. See also U.S.-China Economic and Security Review Commission, *Hearing on the Impact of China's Economic and Security Interests in Continental Asia on the United States*, written testimony of Michael Schiffer, May 20, 2009.

†The members of the Friends of Democratic Pakistan are Australia, China, the European Union, France, Germany, Great Britain, Italy, Japan, Saudi Arabia, Turkey, the United Arab Emirates, the United States, the European Union, and the United Nations. While this group has provided a forum for the member nations to discuss aid projects to promote stability and capacity building in Pakistan, most of the pledges made by members have been bilateral agreements between Pakistan and the donor country or agency.

supplier, it is likely that Chinese arms are being used in Pakistan's offensive against the Taliban.⁴³

During the Commission's May 2009 trip to China, representatives from the China Institutes of Contemporary International Relations stated that China is interested in engaging in counterterrorism cooperation with the United States to prevent the Taliban from gaining inroads in Xinjiang. However, they made it clear that China is not interested in sending military troops either to Afghanistan or Pakistan.

Economic Interests in the Region

The Chinese have been involved heavily in commercial and energy investments in both Pakistan and Afghanistan, including the building of key infrastructure that has, in addition to its primary purpose of providing access to resources in the region, helped to support U.S. and NATO security efforts. This involvement helps to augment China's economic growth, foster business opportunities for Chinese firms, and create a bridge to further investment in the Middle East. These investments also lead to increased economic development for Pakistan and Afghanistan, which can be a force for stability in the region.

Walid Phares testified before the Commission that one of the reasons China has developed its economic relationship with Pakistan is because the relationship serves as a "testing ground of influence" into the wider Muslim world.⁴⁴ It is significant for China to establish a working relationship with the greater Middle East in order to ensure China's energy security and increase its economic and political opportunities. Abraham M. Denmark of the Center for a New American Security stated in the Commission's May hearing that "China seeks to cultivate positive relations with Muslim-majority countries for their natural resources and their votes in multilateral fora."⁴⁵ Beijing's cooperation with Islamabad creates an opportunity to forge these relationships.

China has utilized its close relations with the region in order to obtain natural resources for its burgeoning domestic needs. In 2007, China signed a memorandum of understanding to enter into a joint venture for oil and gas exploration in Pakistan. The deal gave China Zhenhua Oil Co., Ltd., a wholly owned unit of China North Industries Corp. (NORINCO), production-sharing contracts to explore two oil and gas blocks in the country.⁴⁶

In Afghanistan, in 2007, the state-owned China Metallurgical Group Corporation invested \$3.5 billion to develop the Aynak copper deposit in Logar Province, located south of Kabul. The contract is the largest investment in Afghanistan's history. The China Metallurgical Group Corporation has agreed to build schools, clinics, markets, and mosques in exchange for a deal that may yield up to \$88 billion of copper ore.⁴⁷ The mine originally was estimated to sell for less than \$2 billion, but the Chinese firm far outbid four major Russian, British, Canadian, and U.S. competitors.⁴⁸ During the tender process, the China Metallurgical Group Corporation also agreed to the construction of an electrical plant and a railway from Tajikistan to Pakistan to support exploration and mining. The development of the mine is expected to provide the Afghan government with \$400 million annually—more than half of its current an-

nual state budget—and employ between 6,000 and 10,000 Afghans.⁴⁹ Because the mine is considered to be critical infrastructure for Afghanistan, it is under the protection of U.S. and NATO forces.*

A report by James R. Yeager, a former consultant to the Afghan Ministry of Mines and Industry in 2007, raises serious questions about the Aynak copper tender process. Among other problems, in his report, Mr. Yeager noted that the China Metallurgical Group Corporation, as a state-owned company, included infrastructure development in the bid package relying on funding support it received from the Chinese government. According to Mr. Yeager, this effectively gave the company a competitive advantage over western private firms.⁵⁰

While China's natural resource investments are significant, a lack of adequate infrastructure in the embattled region has made further projects difficult.⁵¹ For this reason, China has invested heavily in infrastructure construction as well. In 2008, Chinese companies had 33 infrastructure projects, valued at \$580 million, under way in Afghanistan. Many of these investments include roads through Afghanistan's mountainous regions that secondarily provide easier access to Kabul for U.S. and NATO forces.⁵² Also in Afghanistan, China has participated in water supply projects in Parwar Province, as well as in the reconstruction of public hospitals in Kabul and Kandahar.⁵³

In 2008, China and Pakistan entered into an agreement to upgrade and expand the Karakorum Highway, which was built by the two countries during the 1960s and 1970s and connects Pakistan with Xinjiang. With the goal of enhancing tourism and trade between the two countries, the Export-Import Bank of China provided a \$327 million credit line to finance the project's construction. Chinese state-owned China Road and Bridge Corporation and Pakistan's National Highway Authority jointly are undertaking the project.⁵⁴

One of the Chinese infrastructure investments that has gained the most media attention is the Gwadar Port on the Arabian Sea in southwestern Pakistan's Balochistan Province.⁵⁵ The construction of the Gwadar Port began in March 2002 and consisted of two phases. The Chinese government provided \$198 million of the \$248 million needed for the first phase, which was completed in November 2005. The second phase, which concluded in 2007, cost approximately \$600 million and was funded primarily by China.⁵⁶ State-owned China Harbor Engineering Company was the principal contractor involved in the project, and in February 2007 the Port Authority of Singapore won a 40-year contract for the management of the port.⁵⁷ The Gwadar Port became fully functional in December 2008.⁵⁸

Several analysts have expressed concern that China may turn its investment in the port into access for its warships and potentially

*While the Aynak copper mine is being protected by U.S. and NATO forces in Afghanistan, there is no specific agreement between China and the United States or NATO to protect the mine. The protection is part of a larger strategy of securing key and critical infrastructure to help foster economic development. U.S. and NATO forces are also protecting investments by other countries as well. U.S.-China Economic and Security Review Commission, *Hearing on the Impact of China's Economic and Security Interests in Continental Asia on the United States*, testimony of Michael Schiffer, May 20, 2009.

project its power in the Indian Ocean.⁵⁹ In his testimony to the Commission, Deputy Assistant Secretary of Defense Schiffer noted that

*China's construction of a major port facility at Gwadar could serve to promote economic development in the region. On the other hand, China may view the port as an anchor for naval expansion into the West Indian Ocean, a development that may prove to be very destabilizing. It is in the interest of all parties active in South Asia, including the U.S., that China be open and transparent regarding its intentions for Gwadar.*⁶⁰

China has been able to build upon its investment in the Gwadar Port in order to develop other business opportunities in Gwadar. For example, in 2006, China and Pakistan signed a memorandum of understanding for China's Great United Petroleum Holding Company to build a Chinese-funded \$12.5 billion refinery in the port city.⁶¹ However, due to the global financial crisis, the project has been shelved until 2010.⁶² Chinese construction companies are active in several other prominent projects there, including construction of a \$70 million international airport. According to a report by the South Asia Analysis Group, a think tank based in India consisting of former government officials and academics, the airport and its construction will be overseen by the Pakistani military as opposed to the Civil Aviation Authority, which controls other commercial airports in the country. The same report states that "Pakistani authorities have agreed to allow the Chinese Air Force to use this airport in an emergency."⁶³

Chinese companies have made inroads in the region's telecommunications sector as well. In Pakistan, Chinese state-owned China Mobile acquired PakTel, a major telecommunications provider in Pakistan, for \$460 million in 2007.⁶⁴ Additionally, plans have been made for a Chinese company, China Great Wall Industry Corporation, to launch a telecommunications satellite for Pakistan. The satellite will be launched from Sichuan Province in 2011 and will have a lifespan of 15 years.⁶⁵ In Afghanistan, in August 2003, Chinese state-owned companies ZTE and Huawei partnered with the Afghan Ministry of Communications to implement digital telephone switches, providing roughly 200,000 subscriber lines.⁶⁶

China and Pakistan also have become involved in each others' banking and financial services sectors. In July 2007, Pakistan's Ministry of Finance and the China Development Bank launched the \$200 million Pak-China Investment Company Ltd.⁶⁷ According to Pakistan's Ministry of Finance, the joint venture currently is investing in commercial banking in Pakistan and in specialized services such as asset management, housing finance, and investment banking.⁶⁸

Limitations to Chinese Involvement in the Region

While China has taken several measures to improve the security of its investments in the region, several analysts have openly criticized China for "free-riding" upon U.S. and NATO security forces to protect its economic interests and secure its borders from attacks.⁶⁹ Although China has made contributions to developing the

economies of Pakistan and Afghanistan, Lisa Curtis told the Commission that China wants the United States “to do the heavy lifting.”⁷⁰ While China is wary of the United States having a permanent presence in the region, Beijing has not opposed U.S. forces in Pakistan and Afghanistan in large part because they are indirectly protecting China’s border security and economic interests. Deputy Assistant Secretary of Defense Schiffer said that “China recognizes that the U.S.-led efforts are the primary force preventing Afghanistan from slipping into greater anarchy, and given its interests in secure and stable borders and concerns about extremist terrorists, does not want [the United States] to fail.”⁷¹

China is not interested in dedicating military support toward maintaining stability in the region, for several reasons. First and foremost, Beijing claims that a fundamental principle of its foreign policy is the respect for sovereignty and territorial integrity.* This underlying tenet would be contradicted if Beijing were to intervene militarily in Pakistan and Afghanistan.⁷² Some analysts also have argued that the reason China is not pledging more resources to enhance regional security is because China has yet to experience a significant terrorist threat or strike against Chinese mainland and urban zones.⁷³ Another explanation for China’s reluctance is Beijing’s unwillingness to provoke anger from the Muslim world and Islamic extremists, preferring rather that that sentiment be targeted at the United States. Lisa Curtis testified that while China benefits from stability in the region, animosity toward military forces in Afghanistan is directed at the United States.⁷⁴ The importance of not upsetting the Muslim world became pronounced in the wake of Chinese authorities’ crackdown on ethnic violence in Xinjiang in July. In trying to appeal for understanding, Foreign Ministry spokesman Qin Gang stated,

*We hope that the Islamic countries and our Muslim brothers could see the truth of July 5 incident in Urumqi ... China and the Islamic countries have long been respecting and supporting each other, and the Chinese Government and people always firmly support the just cause of the Islamic countries to pursue national independence and safeguard state sovereignty.*⁷⁵

Despite these pleas, anger among Muslims sparked protests in Turkey, Indonesia, and Kazakhstan.⁷⁶ Several prominent clerics and media outlets in Iran also denounced China for its crackdown in Xinjiang.†

*While China claims that a fundamental principle of its foreign policy is the respect for sovereignty, in recent years China’s foreign policy has begun to evolve so that it no longer is as strictly adherent to the “noninterference policy.” For example, China provided peacekeeping forces to the United Nations-African Union hybrid force in Darfur. For more information, please see the Commission’s 2008 Annual Report to Congress, chapter 4, section 1.

†While Iranian Foreign Minister Manucher Mottacki voiced concern about the Chinese government’s actions in the days following the unrest, the widely read centrist newspaper *Tabnak* highly criticized the Iranian government for downplaying the murders of Muslims by Chinese officials. Senior clerics joined in criticizing the Chinese government for committing murders and the Iranian government for not confronting China. Among these clerics were Ayatollah Jafar Sohani, Ayatollah Naser Makarem-Shirazi, Ayatollah Hossein Nuri-Hamedani, and Ayatollah Yousef Saanei.

China's unease about upsetting the Muslim world extends to Xinjiang's domestic Muslim community as well. Andrew Small of the German Marshall Fund of the United States argued that

*[t]here is an abiding belief [among the Chinese leadership] that China should stay away from the front line [in Afghanistan and Pakistan] if it wants to avoid inflaming further unrest among its own Muslim population or becoming a more serious target of international terrorism. Chinese analysts acknowledge that they fall into the category of 'enemy number two' for transnational terrorism but that for now, the West—and particularly the United States—is 'enemy number one.'*⁷⁷

China's Interests in Central Asia

Aside from its growing relationship with Pakistan and Afghanistan, China has been involved heavily in Central Asia as well. While China's interests in each of the Central Asian countries differ, there are several overlapping themes that permeate China's foreign policy in the region. Along its borders, China has developed a strategy to ensure regional stability and security by creating political alliances with its neighbors and investing in economic development. Not only does Beijing have an interest in increasing trade and investment throughout Central Asia, but there is also a desire to diversify and secure energy interests and provide an alternate route for trade to the risky sea lanes in the Indian Ocean.

Regional Security

China has forged relationships with a number of Central Asian countries in order to maintain stability along its borders and limit the growth of what China characterizes as the "three evils." In order to check separatist factions of Muslim Turkic-speaking Uighurs in Xinjiang, China has developed a two-pronged approach: (1) encourage non-Muslim Han migration into Xinjiang so that Han become the majority, and (2) maintain positive relations with the countries bordering Xinjiang in order to seek assurances from them that they will not support separatist movements or Muslim extremism by Uighurs in their respective countries. The second approach has been used as an important reason for forging relationships with Central Asia.

One of the main vehicles China has used to combat security threats along its borders has been involvement in the Shanghai Cooperation Organization. In 1996, China signed a protocol with the presidents of Russia, Kazakhstan, Kyrgyzstan, and Tajikistan establishing the "Shanghai Five." The leaders agreed to reduce military forces within a 100-kilometer zone along each side of the border and to exchange information on military personnel and equipment.⁷⁸ The protocol was reaffirmed in 1999 when the member countries committed to respecting border security and suppressing terrorism, drug smuggling, and separatism. Later in June 2001, Uzbekistan was added to the group, and the name was changed to the Shanghai Cooperation Organization. The addition of Uzbekistan signaled that the organization was no longer limited to border issues but now included ensuring national security and domestic

stability.⁷⁹ The organization also has four observer states: Iran, India, Mongolia, and Pakistan.⁸⁰ The Shanghai Cooperation Organization has since collaborated on a number of military exercises, including an April 2009 antiterrorism exercise in Tajikistan.⁸¹

Despite these exercises, numerous analysts have argued that the Shanghai Cooperation Organization is merely a forum for discussion and does not lead to actual enhanced multilateral security measures. Martha Olcott, senior associate at the Carnegie Endowment for International Peace, says that “[w]hile members of the [Shanghai Cooperation Organization] will continue to hold bilateral military exercises with China and could organize multilateral military exercises involving the entire membership, these are likely to be more symbolic than a demonstration of a shared capacity to meet common threats.”⁸² Deputy Assistant Secretary of Defense Schiffer expressed a similar sentiment to the Commission:

*I think the Chinese haven't yet managed to figure out what they can actually do with the [Shanghai Cooperation Organization]. . . . It's hard to draw a line between [Shanghai Cooperation Organization] meetings and actual policy outputs or influence, but I think they see it as an organization that may be able to develop into something that as Chinese power and influence grows, they may be able to use it more effectively to shape multilateral diplomacy in the region.*⁸³

One of the reasons the Shanghai Cooperation Organization has been such a weak institution is because tensions and mistrust exist between Russia and China within the organization. Both Russian and Chinese military staff are wary about divulging sensitive information concerning new technologies and the nuclear sector. On several occasions, Russia has refused to participate in military exercises in which China has been involved.⁸⁴ Rather than share intelligence with China through the Shanghai Cooperation Organization, Moscow has been more willing to give priority to the Collective Security Treaty Organization, a Russian-dominated Central Asian security organization of which China is not a member.⁸⁵ In addition, the two countries have differed in the economic domain. Because of the divergence between China's dynamic economic growth and that of the Central Asian states, Russia is fearful of Central Asian states becoming Chinese protectorates. For this reason, Moscow has opposed China's proposal of a free-trade zone among the Shanghai Cooperation Organization states.⁸⁶ These fundamental differences between the group's two most prominent members cause the Shanghai Cooperation Organization to be relatively ineffective in creating a genuine security alliance in the region.

Nevertheless, China has used the Shanghai Cooperation Organization as a forum to negotiate bilateral deals on the sidelines of meetings and thus forge relationships with Central Asian governments, particularly to develop economic and energy ties. Daniel Twining, a senior fellow for Asia at the German Marshall Fund, told the Commission that the Shanghai Cooperation Organization also has allowed Beijing to pursue economic agreements that privilege its trade and investment interests in Central Asia, allowing Chinese companies to gain entry into the region.⁸⁷

Energy Interests

Another reason why China has become more involved in Central Asia is to obtain energy resources and diversify its energy suppliers. China's tremendous foreign reserves have allowed it to challenge Russian hegemony in the Central Asian oil and gas sectors. Traditionally, Russia has been the principal player in the region's energy sector. Julia Nanay, senior director of PFC Energy, a consulting firm for energy companies and governments in the region, told the Commission that

[p]rior to the breakup of the Soviet Union, everything was oriented from South to North. Everything went to Russia, and that created a monopoly hold on the energy sector in [the Central Asian countries], and it is the Chinese that have helped to create optionality.⁸⁸

The energy partnership between China and Central Asia not only satisfies Central Asia's desire to diversify energy export partners but also meets China's stated interest in diversifying its own oil suppliers and finding alternative supply routes. Currently, approximately 45 percent of China's crude oil imports originate in the Middle East.⁸⁹ This oil must be shipped to the People's Republic of China (PRC) through the Malacca Strait, which separates Singapore and Malaysia from Indonesia. In November 2003, Chinese President Hu Jintao highlighted what became dubbed the "Malacca Dilemma," noting that if "certain major powers" were bent on controlling the strait, there would be little that China could do.⁹⁰ (For further discussion of the Malacca Dilemma, see chap. 2, sec. 4, of this Report, "China's Naval Modernization and Strategy.") Stephen Blank, research professor of National Security Affairs at the Strategic Studies Institute, told the Commission that he believes PRC leaders fear that in the event of a conflict in the Middle East or in the Indian Ocean, the United States or India could close the Malacca Strait to Chinese maritime transport. In that case, China would have no independent source of energy except for what it could get over land.⁹¹

To help address this dilemma, China is tapping into resource-rich Central Asia. The amount that China currently receives in oil imports from Central Asia—about 10 percent of the total—is on the rise as China participates in the building of pipelines,* negotiates long-term supply gas and petroleum-for-finance contracts, and invests in assets deemed less desirable to western oil companies.⁹²

China has played a major role in the construction of two Central Asian oil and gas pipelines. China's first major oil pipeline project in Central Asia was the Kazakhstan-China pipeline, which stretches 3,000 kilometers from the Caspian Sea in western

* China's strategy of building pipelines over land in order to avoid shipping through the Malacca Strait is not only limited to Central Asia. In Russia, the China National Petroleum Corporation soon will start building a pipeline from its terminal in northeastern China to the Russian border, called the East Siberia-Pacific Ocean pipeline. When completed in 2014, the pipeline is estimated to deliver up to 1.6 million barrels per day from Russia to the Pacific coast. In Burma, Sinopec and the China National Petroleum Corporation have signed contracts for the construction of oil and gas pipelines from Burma to southern China. While agreements between the two countries' leadership have been signed, the status of the oil and natural gas pipelines is unclear because of conflicting reports from Chinese and English-language media. For more information on China's interests in land-based energy investment projects in Asia, please see chapter 3, section 1, of the Commission's 2008 Annual Report to Congress.

Kazakhstan to Xinjiang in China. The project is being undertaken by China National Petroleum Corporation and Kazakhstan's largest state-owned oil and gas company, KazMunaiGaz, at a cost of about \$3 billion.⁹³ In addition, in August 2007, China began construction of a natural gas pipeline that would start in Turkmenistan and pass through Uzbekistan and Kazakhstan en route to China. The \$7.3 billion project is scheduled to start operations in December 2009 and be fully operational by 2011.⁹⁴

Figure 2: Kazakh-China Oil Pipeline*



Source: Energy Information Administration, "Country Analysis Briefs: China" (Washington, DC: Department of Energy, July 2009). <http://www.eia.doe.gov>.

*The first stage of the Kazakh-China oil pipeline was completed in May 2006, connecting Atasu in central Kazakhstan with Alashankou on the Chinese border in Xinjiang. Both Kazakh and Russian oil is being delivered through the new pipeline. The pipeline's final leg from Kenkiyak to Atasu is set to be finished by 2011 by the China National Petroleum Corporation. When this stage is completed, it will double capacity to 400,000 barrels of crude per day. A contract signed between KazMunaiGaz and the China National Petroleum Corporation has given the corporation equity in the upstream oil in return for loans financing downstream infrastructure projects, including the Kenkiyak to Atasu section. The pipeline also will connect to existing Russian pipelines to obtain Russian crude from western Siberia. Energy Information Administration, "Country Analysis Briefs: China" (Washington, DC: Department of Energy, July 2009). <http://www.eia.doe.gov>.

Figure 3: Turkmenistan-China Gas Pipeline*

Source: *Stratfor*, "China: Buying Friends in Turkmenistan," June 25, 2009. http://www.stratfor.com/analysis/20090625_china_buying_friends_turkmenistan.

Chinese companies also have sought long-term petroleum and natural gas supply contracts to complement their investments in Central Asia's pipeline network. For example, in 2007, the China National Petroleum Corporation signed a production-sharing agreement for 30 billion cubic meters of natural gas annually from Turkmenistan for 30 years that will be delivered through the pipeline currently under construction.⁹⁵

China has sealed a number of oil and gas-for-finance deals in Kazakhstan that have established it as China's most important energy partner in Central Asia. In April 2009, the Export-Import Bank of China loaned the Kazakhstan Development Bank \$5 billion, and the China National Petroleum Corporation lent Kazakhstan's national oil company, KazMunaiGaz, another \$5 billion. As a result of this deal, the China National Petroleum Corporation will control about 15 percent of Kazakhstan's total oil production.⁹⁶

In addition to oil and gas, China also seeks to increase its imports of uranium from Kazakhstan, which holds almost 20 percent of the world's uranium reserves.⁹⁷ The National Nuclear Company of Kazakhstan (KazAtomProm) and the China Guangdong Nuclear Power Company are building the Irkol uranium mine in Kazakhstan that is expected to produce 250 tons of uranium per year once it reaches full capacity in 2010.⁹⁸

*The Turkmenistan-China gas pipeline, also known as the Central Asian Gas Pipeline, will stretch across 1,130 miles to Turkmenistan when it is completed in 2011. The proposed line will cross Kazakhstan and Uzbekistan and into Turkmenistan. Both countries are likely to contribute some of the natural gas exports to the pipeline. The China National Petroleum Corporation has signed a production-sharing agreement for the development of natural gas resources at Turkmenistan's South Yolotan gas fields alongside the pipeline. Energy Information Administration, "Country Analysis Briefs: China" (Washington, DC: July 2009). <http://www.eia.doe.gov>.

Because China is a latecomer to energy exploitation in Central Asia and Russia, Chinese companies have sought fields that western oil companies consider to be less desirable or off-limits because of political restrictions. For example, China entered into a \$600 million oil deal with Uzbekistan's state-owned oil company, Uzbekneftegaz, in 2005 at a time when the regime faced a broad range of sanctions and international criticism for human rights violations.⁹⁹ In addition, in Kazakhstan, China has invested in isolated oil fields that are only valuable to Chinese firms because they are adjacent to the pipeline built by the China National Petroleum Corporation and KazMunaiGaz.¹⁰⁰ Because of this, these new oil deals do not pose an immediate competitive threat to international oil companies in the region. Western companies, as well as Russian oil and gas companies, still have significant access to Central Asian resources.¹⁰¹

Chinese Energy Investments in Central Asia	
Kazakhstan	China National Petroleum Corporation (CNPC) and Kazakhstan's largest state-owned oil company, KazMunaiGaz, are constructing a \$3 billion, 3,000 kilometer (km) pipeline from the Caspian Sea to Xinjiang. It will have a capacity of more than 200,000 barrels per day when it is completed in October 2009. ¹⁰²
	CNPC owns major stakes in several large Kazakh energy companies, including the Aktobemunaigaz Company, PetroKazakhstan, and MangystauMunayGaz. As these deals were negotiated, the Export-Import Bank of China agreed to loan Kazakhstan Development Bank \$5 billion, and CNPC agreed to lend KazMunaiGaz \$5 billion. ¹⁰³
	In April 2009, a joint venture established by National Nuclear Company of Kazakhstan and China Guangdong Nuclear Power Company launched the operation of a new Kazakh uranium mine. It is expected to produce 250 tons of uranium per year once it reaches full capacity in 2010. All uranium produced in the mine will supply the Chinese market. The joint venture will finance \$664,000 per year in social projects in the region. ¹⁰⁴
Turkmenistan	CNPC is building a \$7.3 billion, 7,000 km natural gas pipeline that would begin in Turkmenistan and pass through Uzbekistan and Kazakhstan en route to China, called the Central Asia Gas Pipeline. The pipeline is estimated to be completed in 2010 and will produce 40 billion cubic meters per year for 30 years. ¹⁰⁵
	In June 2009, China agreed to loan Turkmenistan \$4 billion to develop its South Yolotan natural gas field. The field likely holds 6 trillion cubic meters of gas, making it one of the five largest deposits in the world. ¹⁰⁶
Uzbekistan	CNPC and Uzbekistan's national oil company, Uzbekneftegaz, signed an agreement in October 2008 to develop the Mingulak oil field in the Namangan region of Uzbekistan. ¹⁰⁷
	In December 2006, a CNPC subsidiary, CNPC Silk Road, was created for exploration in Uzbek oil and gas regions. It is licensed to explore five blocks within the Ustyurt, Bukhara-Khiva, and Fergana oil and gas regions. Under the agreement, CNPC Silk Road will invest \$208.5 million in exploration in Uzbekistan. ¹⁰⁸

Economic Interests

In addition to Chinese energy interests, China has established other economic ties with the Central Asian states. Chinese companies have found business opportunities through furthering trade, developing infrastructure, and providing preferential loans in the region.

Trade between China and Central Asia has expanded significantly, going from about \$1 billion in 2002 to \$18 billion in 2007. Finished goods comprise more than 85 percent of China's exports to the former Soviet republics in Central Asia. These exports consist of consumer products, machinery and parts, processed foodstuff, textiles, electronics, and pharmaceutical products.¹⁰⁹ Conversely, more than 85 percent of Central Asian states' exports to China are raw materials or commodities.¹¹⁰ This is a pattern similar to China's trade relationship with Africa and Latin America.¹¹¹

Increased trade and investment in Central Asia also have led to an influx of Chinese workers living in the region. For example, according to one report, there are currently 30,000 Chinese nationals living and working on various infrastructure projects in Tajikistan, worth roughly \$720 million.¹¹² Many of these numbers, however, are difficult to measure, because labor migration laws in Central Asian states are relatively weak.¹¹³ For example, in 2008, there were only 6,000 legal work permits issued in Kyrgyzstan, but reportedly there are approximately 30,000 Chinese migrants currently living in the country.¹¹⁴

One area of significant economic involvement by Chinese companies has been in the building of large-scale infrastructure projects. For example, China and the governments of Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, and Uzbekistan have agreed to an \$18 billion "New Silk Road" project across Central Asia. The project will include six highway corridors that will facilitate traffic from Europe to East Asia, including roads from Siberia to Iran, Siberia to China, Pakistan to China through Afghanistan and Tajikistan, and northwestern Kazakhstan to Xinjiang.¹¹⁵

Key Chinese Infrastructure Investments in Central Asia

Power transmission lines: In 2006, the Export-Import Bank of China provided more than \$300 million in loans for the construction of power transmission lines in Tajikistan to be completed by China Theban Electric Apparatus Stock and Tajikistan's national electric power company.¹¹⁶

Highway construction: In Kyrgyzstan, Beijing has financed part of the reconstruction of the country's Irkeshtam-Osh highway, an 80-kilometer section of which will be completed by the China Road and Bridge Corporation at a cost of \$15 million.¹¹⁷

**Key Chinese Infrastructure Investments in Central Asia—
Continued**

Railway development: Kazakhstan's state-owned national railway company has purchased passenger carriages from Chinese locomotive manufacturers. The deal was financed by loans from the Kazakhstan Development Bank and the Export-Import Bank of China for \$60 million.¹¹⁸ In June 2009, President Hu Jintao agreed to the construction of a \$2 billion railway in return for control of a lucrative coal mine in Kyrgyzstan. The proposed railway would connect Kashgar in China to Andijan in Uzbekistan via Kyrgyzstan.¹¹⁹ President Hu and Kyrgyz Prime Minister Igor Chudinov have agreed to set up a working group to determine the details of the agreement.¹²⁰

In addition to Chinese companies' building infrastructure in the region, Chinese state-owned financial institutions, including the Export-Import Bank of China, also have issued numerous preferential loans to enhance economic development. The Chinese government has granted multiple loans and export credit lines to Uzbekistan, including \$300 million in export credit to the government.¹²¹ Moreover, the Chinese government has given Uzbekistan a \$12 million interest-free loan and a \$36.3 million low-interest loan to pay for a number of social projects.¹²²

In January 2007, two Chinese firms won a bid in Turkmenistan for the construction of a glass factory which, when operational in late 2009, will be the largest in Central Asia. The \$67 million cost of the project was financed by a loan from the Export-Import Bank of China to the Turkmen authorities.¹²³

Increasing Influence

Several western observers have argued that China's growing investments in Central Asia are based on a strategic design that may lead to increased influence in the region. Because many Central Asian states have been hit particularly hard during the global economic crisis, China has been able to provide aid for the ailing economies. For example, in Kazakhstan, foreign investment from other countries has fallen by half since 2008.¹²⁴ Russia, once the dominant investor in Central Asia, also experienced a 10.9 percent contraction in gross domestic product (GDP) in the second quarter of 2009 due to declining oil and gas prices. As Russia's economy continues to decline, Russia is severely dampening its investments in Central Asia.¹²⁵ In contrast, China has increased its economic support to the region. On the sidelines of the June 2009 Shanghai Cooperation Organization meeting in Yekaterinburg, Russia, President Hu Jintao pledged \$10 billion in credit support for the Central Asian members of the organization in order to deal with the global financial crisis.¹²⁶ Stephen Blank testified to the Commission that

China is able to leverage its superior economic power vis-à-vis these states in order to induce them to change their previous policy preferences on key questions relating to the sale and distribution of their energy. This suggests that in broader terms, China is beginning to be able to leverage its

*economic power in order to induce Asian states into a pattern of accommodation with China's preferences. ... China is able to influence their policies in a direction that suits China more than it might have suited those states in other times.*¹²⁷

While this influence is nearly impossible to measure concretely, it is clear that China has effectively broken the Russian monopoly on oil and gas shipments from Central Asia, thus decreasing Russian control of the energy market.¹²⁸

Additionally, China's new role in the region may offset U.S. influence. "U.S. leverage for various goals, whether democratization, human rights, or commercial concerns, will diminish," predicted Julia Nanay.¹²⁹ China may have utilized this leverage in 2005 when the Shanghai Cooperation Organization called for the removal of all U.S. military bases in Central Asia, leading to the closure of a U.S. staging base in Uzbekistan. In February 2009, Kyrgyzstan, too, called for the eviction of U.S. forces from the Manas military base, one of the closest U.S. bases to China's western border.¹³⁰ However, in July 2009, Kyrgyzstan agreed to allow the United States to maintain its air base in the country.¹³¹

While China's entry into Central Asia is growing, there are still large problems that thwart Beijing's ability to gain substantial influence in the region. Martin Spechler, professor of economics at Indiana University-Purdue University, cautioned not to view Central Asian countries as entirely dependent on China:

*[Central Asian countries], especially Uzbekistan and Kazakhstan, have become much more independent, self-confident, and aware of their possibilities and their interests over the last 20 years. To talk about Central Asian countries as if they're some kind of pawns to be sacrificed on a big chessboard is simply wrong.*¹³²

Over the past several years, Sebastien Peyrouse, senior research fellow with the Central Asia and Caucasus Institute, conducted a survey of all Central Asian think tank publications focusing on China. Mr. Peyrouse found that many of their experts are extremely distrustful of Beijing. This mistrust has limited military cooperation and intelligence-gathering in the countries' antiterrorism campaigns. Fears of "invasion" and imperialism are still pervasive among policy analysts in the region.¹³³

In terms of trade, while many Central Asian elites have welcomed increased business with China, many are concerned that Central Asian economies have been restricted to the role of producers and exporters of natural resources. Central Asian think tanks have espoused views that China's investments are undermining local production and are creating increased, unwanted competition for light industry, construction, processing, and agribusiness.¹³⁴

Culture barriers also serve as a large impediment to developing significant bilateral and regional relationships. Historic Soviet propaganda casting China as an enemy still lingers in the writings of many Central Asian experts. Deep-seated sinophobia has cast a negative light on increasing Chinese migration. Tensions caused by a strong Muslim population in Central Asia, Russo-Soviet accul-

turation, and views by some Chinese of the Central Asians as “barbarians” have precluded China from gaining deeper clout in the region.¹³⁵ Because of historic Sino-Soviet tensions and deep cultural and religious differences, China has been limited in its ability to influence Central Asia through its business relationships.¹³⁶

Russia, too, has provided challenges for Chinese entry into Central Asia. Because of distrust and sinophobia, Moscow remains the intellectual, economic, and business capital for many Central Asians. In addition to Moscow, other Russian cities draw millions of Central Asian students, merchants, and workers.¹³⁷ Thus far, it does not seem as if China has developed a similar bond with the region. Further, as Professor Spechler pointed out, “[Central Asian] countries have become increasingly self-confident and independent, conducting a multivectoral foreign policy.”¹³⁸ This growing confidence is allowing the countries to play Russia and China off one another in negotiating energy and commercial agreements, making it difficult for China simply to establish deals on its own terms.

Conclusions

- Beijing’s primary interests in Afghanistan, Pakistan, and Central Asia concern isolating Chinese Muslim separatist groups from fundamentalist influences in Central Asia, maintaining stability along China’s borders, diversifying its energy supplies, and increasing economic investments in the region.
- China continues to exercise a great deal of influence over Pakistan, stemming from the historic military and political ties between the two countries and their mutual desire to balance India’s power.
- In Afghanistan, China also is increasing its influence due to its ability to offer economic aid and invest in large-scale infrastructure projects. However, China’s influence in Afghanistan is still less than that of the United States.
- While China has not provided any direct military support to U.S. and coalition forces in Afghanistan, Chinese investments in Afghanistan and Pakistan are contributing to those countries’ economic development. China contributes no forces of its own, relying on U.S. and NATO forces to protect these investments.
- China is increasing its economic, security, and political influence in Central Asia, possibly to the detriment of the United States. However, China’s influence over the region is still limited because of historical mistrust, cultural barriers, and traditional Russian influence.
- The Shanghai Cooperation Organization has provided a forum for China to negotiate bilateral trade and energy deals with Central Asian states. It is not yet a genuine security alliance.
- In the wake of the June 2009 riots in Xinjiang, China will likely devote even more attention to developing political, security, and economic ties with Central Asia in order to ensure the security of its border and bolster stability in Xinjiang Province.

- China's energy investments in Central Asia are large. As Beijing seeks a means of importing oil and gas over land to ensure its energy security, Chinese investments in the Central Asian energy sector will continue to expand.