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China’s Influence in South and Central Asia

China’s Engagement in Central Asia

1. Key driver of China’s engagement – security of Xinjiang

China’s engagement in Central Asia has undergone an impressive evolution since 1991. Three decades ago, the starting position was having territorial disputes with three newly independent states – Kazakhstan, Kyrgyzstan and Tajikistan – and limited interaction and trade with the countries of the region. Today China is a key economic, political and security partner for Central Asian states.

This outcome is first and foremost the result of (careful management of) mutual vulnerabilities/insecurities. Beijing was worried about the security of its restive Xinjiang province. In the early 1990s it feared that the sudden independence of Soviet Central Asians would inspire dreams of self-determination among Muslim minorities in Xinjiang.¹ Chinese policy makers were worried that new solidarity networks would be formed and that ‘separatists’ would find safe heaven and support across the border. Central Asian states felt fragile and vulnerable, realizing that their military capabilities (almost non-existent at the time) were clearly not a match for the giant Chinese army. China assumed a friendly stance and gave concessions to its much weaker neighbors. Central Asian governments immediately complied with Beijing’s “one China” policy and pledged not to allow any organizations and forces to carry out separatist activities on their territories.

Beijing’s security agenda in Xinjiang - fighting the “three evils” of terrorism, separatism, and extremism – became the pillar of the Shanghai Cooperation Organization (SCO), a regional security organization, co-founded by China, four Central Asian states and Russia. The SCO provided China with an experience of forming and running a multilateral organization and positioned it as a regional leader in Eurasia.

Under the SCO umbrella, China and Central Asian states (with the exception of neutral Turkmenistan) have been conducting joint counter-terrorism military exercises.² China’s People’s Liberation Army, People’s Armed Police and Ministry of Public Security have established good relations with their Central Asian counterparts and provide them with assistance (equipment, training, and other forms of aid) on a regular basis.

¹ In 1990, the population of Xinjiang included 7.2 million Uyghurs, 1.1 million Kazakhs and 140,000 Kyrgyz.

² The latest drills took place in September 2021 in Orenburg, Russia.

At present, both China and Central Asian states see the situation in Afghanistan and the activities of Central Asian militants there as a threat to security. In 2016 China together with Afghanistan, Pakistan and Tajikistan created the Quadrilateral Coordination and Cooperation Mechanism to discuss border security and counterterrorism, and the same year there appeared media reports about the deployment of Chinese People's Armed Police troops on the Afghan-Tajik border. In 2021, in the aftermath of the withdrawal of U.S. troops from Afghanistan and the Taliban takeover of the country, the Tajik government announced the construction of a new Chinese-funded base on the border. Russia's war in Ukraine might create more need for such cooperation, given the possibility that Moscow's capacity to provide security on the border will diminish.

2. Economic cooperation and connectivity

Another important facet of Beijing's Xinjiang's policy influencing its relations with Central Asian states has been economic development. Chinese policy makers see security and economic development as interlocked and mutually reinforcing. Since the 1980s, they made efforts to develop western provinces, including Xinjiang, by embedding them in the broader regional trade and investment networks with Central Asia and South Asia.

China and Central Asian states carried out projects to build and upgrade transport infrastructure and improve border-crossing procedures. Railway link connecting Kazakhstan and Xinjiang started operating in 1992. Kyrgyzstan opened two border crossings, and by the end of the 1990s became an entrepôt for trade of Chinese goods in the region. While the quality of the latter at the time was low, they filled the empty market and helped millions of Central Asians muddle through the difficult times by engaging in transborder "shuttle" trade.

In the second half of the 1990s, China started looking at Kazakhstan as an attractive source of oil. CNPC started developing a number of oil fields there. An agreement to build Kazakhstan-China oil pipeline was signed in 1997, and in 2006 its first section started bringing oil from Western Kazakhstan to a refinery in Xinjiang.

In 2000, these efforts to foster connectivity received a strong boost with the launch of the "Open Up the West" program and infusion of major investments in the infrastructure of western provinces, including Xinjiang, driven by the interlinked goals of "common prosperity" and "strengthening of national unity, safeguarding of social stability, and consolidation of border defense." It allowed the construction of the mega West-East Gas Pipeline connecting the eastern markets of China with the gas reserves of Xinjiang. This made feasible the construction of Central Asia-China gas pipeline to bring Central Asian gas (primarily Turkmen) into the Chinese system. Lines A, B and C of the Central Asia-China gas pipeline were financed by the Chinese credits and built over the period of 2007-2014. In the meantime, in 2007, the CNPC signed a production sharing agreement to explore and develop giant gas fields with the Turkmen government.

Its economic strength and dynamism made it a particularly attractive partner for the states of the region in the aftermath of the global financial crises of 1997-1998 and 2007-2008. Beijing provided concessionary loans to Central Asian states. At the 2004 SCO summit President Hu Jintao announced China's readiness to lend \$900 million, and in 2009, at another SCO summit, he offered \$10 billion.

Tajikistan and Kyrgyzstan were major recipients of these loans and had Chinese companies build infrastructure – roads, power transmission grids, hydropower plants, etc. To a lesser extent, Kazakhstan and Uzbekistan benefited as well. The global financial crisis and Chinese loans also created conditions for the start of financial integration by setting up joint investment funds and opening currency swap lines. In 2011, Kazakhstan and Uzbekistan signed bilateral currency swap agreements with China.

In 2013, President Xi Jinping, while on his tour of Central Asia, announced the Silk Road Economic Belt initiative (later transformed into the global Belt and Road Initiative). The initiative was received with much enthusiasm by Central Asian governments since it promised more resources coming their way for infrastructure development and integration into international production value chains and trade flows. Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan linked their national development strategies to the BRI. The priority areas defined in the bilateral documents included: transport, communication, energy, manufacturing, agribusiness and finance.

China's willingness to build economic corridors across Eurasia reignited the hopes of Central Asian states of becoming transcontinental connectors between east and west, north and south. Two of the six overland BRI corridors identified in official communications by Chinese authorities run through Central Asia: the "New Eurasian Landbridge" (passing through Kazakhstan) and the "China-Central Asia-West Asia Economic Corridor" (potentially engaging all five countries of the region). The initiative also promised investments and opportunities to develop new production capacities. International development banks also recognized the significant potential benefit of China's initiative for the region. The EBRD's 2018-19 Transition Report predicted that, in some Central Asian countries, BRI investment in infrastructure would raise real GDP per capita by 4-6 per cent.

The SREB/BRI drew on earlier connectivity efforts serving Beijing's key interest of ensuring the security of Xinjiang by creating the benign and development-inducive environment for it. At the same time, it marked China's "coming of age" as a great power operating globally and providing the public goods of connectivity to the world. For Central Asian states being part of this global initiative was a way to raise their own international profile.

However, the promise of new investments has been constrained by the problematic environment for investments and protests fueled by fear of China and sinophobia. Weak rule of law, high level of corruption, from poor to mediocre quality of government regulations create hurdles for the implementation of projects and their long-term sustainability. In addition, Chinese investments and projects face the challenge of suspicious and even negative public opinion.

There are several examples of BRI projects in Central Asia getting stalled, going wrong, and causing public scandal. In 2018, the Bishkek thermal power plant, renovated by a Chinese company with a Chinese loan, broke down, leaving residents without heat during a harsh winter. Consequently, two former prime ministers of Kyrgyzstan were found guilty of lobbying for the interests of the Chinese company and were sentenced to long jail terms. In 2019, Kazakhstan's authorities suspended the Nur-Sultan (Astana) Light Railway Transit (LRT) project due to massive embezzlement of the loan provided by China Development Bank. In 2020, the Kyrgyz government cancelled a US\$275-million Chinese investment project to build a logistics centre in the Naryn Free Economic Zone in central Kyrgyzstan, following a series of protests by local residents against the 49-year lease of land to the joint Kyrgyz–Chinese venture that was to build it.

China-Central Asia economic cooperation and trade was disrupted by the COVID-19 pandemic. The recent numbers, however, show that bilateral trade rose on pre-pandemic levels: in 2021 China-Kazakhstan trade stood at \$25.2 billion, up from \$22.3 billion in 2019; China-Kyrgyzstan trade reached \$7.5 billion, up nearly 18 percent from \$6.37 billion in 2019 (in 2020, it slumped by more than half, to \$2.9 billion). At the same time, China-Europe rail-freight traffic via Kazakhstan picked up during the pandemic due to disruptions of sea-freight.

It is too early to assess the impact of Russia's war in Ukraine on China-Central Asia economic cooperation and connectivity plans and realities. On the one hand, the weakening and isolation of the Russian economy create more opportunities for the Chinese activities. On the other, the negative toll of current developments on Central Asian economies tightly linked with Russia is unavoidable. The "Eurasian Land Bridge" passing through Russia is already in trouble. Starting March, the export volume on trains heading to Europe from the port of Dalian has been "greatly reduced." This would push China and Central Asian states to develop the alternative bypassing Russia China-Central Asia-West Asia Economic Corridor (the routes that connect Central Asia with Turkey and Europe, and Iranian port Bandar-Abbas in the Persian Gulf).

3. Digital Silk Road

China-Central Asia digital cooperation has been flourishing. Chinese ICT companies, such as Huawei and ZTE, made substantial inroads in Central Asia. They work with local cell phone companies in all five Central Asian states. The unfolding of the 5G technology is a product of this cooperation. Chinese facial recognition technology has been used for creating smart/safe cities across the region (Almaty, Bishkek, Dushanbe, Nur-Sultan, and others). China's AliExpress (e-commerce platform owned by Alibaba) works in all five countries and set up a partnership with Kazakhstan's national postal office KazPost.

The leaders of the region are enthusiastic about importing Chinese surveillance technologies. In 2019 Uzbekistan's President Mirziyoyev visited Huawei Innovation Center in 2019, and Kazakhstan's President Tokayev – HikVision Headquarters. Both are determined to continue digitizing the economy, public services, and developing 'safe cities' in their countries. While the DSR is opening new opportunities for Central Asian governments and consumers, there are concerns about the misuse of technology and enhancing authoritarianism, unintended

consequences (such as data leaks) due to insufficient capacity of governments and companies, and new dependencies (if Chinese ICT companies monopolize the field).

4. Dependencies and vulnerabilities

The five Central Asian countries have different sets of dependencies and vulnerabilities with regard to China. Kazakhstan is the biggest economy and China's biggest economic partner in the region. From pre-independence times, it has always been eager to tap into opportunities of cooperation with its eastern neighbor. At the same time Kazakhstan's policy makers have been eager to maintain the diversity of trade partners and investors in line with the multi-vector foreign policy. In the most strategic and lucrative oil and gas sector, Western, Chinese and Russian companies have significant shares, and none of them dominates the field. Chinese companies produce about a quarter of Kazakh oil.

China is an important partner in developing the transport and industrial capacity of the country. Kazakhstan prides itself on investing its own money into transport infrastructure. Out of sixteen highways started in 2017, nine are financed by the government of Kazakhstan, five are financed in cooperation with international financial institutions, and two are funded by China's EXIM Bank. Kazakhstan's national railway company, Kazakhstan Temir Zholy (KTZ) owns fifty-one percent of the stakes in Khorgos dry port, planned as a major hub of Eurasian transport network. Kazakhstan's external debt to China is modest, and in December 2021 it stood at \$9 billion, or around five percent of its overall debt.

A similar dynamic can be seen in China-Uzbekistan relations. Uzbekistan has a diversified pool of foreign investors, with Chinese, South Korean, Russian and Western companies well represented. China is the biggest lender to Uzbekistan accounting for \$4.2 billion (or 18 percent of total external public debt) in 2021.

The negative implications of the economic imbalance are more pronounced in cases of Kyrgyzstan, Tajikistan and Turkmenistan. Kyrgyzstan and Tajikistan took major loans from China's EXIM bank for various infrastructure projects, such as road construction and rehabilitation, modernization and construction of transmission lines, renovation of thermal plants and others. In 2021, Bishkek's public debt to China stood at \$1.7 billion (or 42 percent of the total public debt), and Dushanbe's – at 1.2 billion (or 37 percent of the total public debt). As for Turkmenistan, it strongly depends on Chinese investments and China's demand for gas. Chinese companies are responsible for more than a quarter of its gas output. In 2021 34bcm of gas were exported to China (accounting for 75 percent of total export). Turkmenistan's external debt situation is not clear.

5. International politics

The Chinese government treats Central Asian states in a respectful and benevolent way, the way it deals with small states it has no contentious issues with. This approach was formulated as “friendly relations with neighbors, to make them feel secure and help them get rich” (*mulin*,

ailin, fulin). Meetings between Chinese and Central Asian leaders are regular, almost on par with those between Russian and Central Asian presidents. Beijing engages with Central Asian countries on a broad range of issues and provides foreign aid. Considerable aid (medical supplies and vaccines) to Central Asian states during the pandemic is a case in point.

China professes non-interference in domestic affairs of other states, not allowing itself comments on political developments in Central Asian and other Eurasian countries beyond the generic denouncement of “color revolutions” promoted by “external forces.” Its officials emphasize the lack of conditionality on development assistance rendered by Chinese agencies, in contrast to Western aid. Moreover, Beijing provides moral and material support to Central Asian governments in times of need. For example, in the aftermath of the 2005 bloody Andijan events in Uzbekistan, President Karimov went to Beijing for words of understanding.

Central Asian states share with China the normative agenda of non-interference in domestic affairs and state-centric narratives and norms. Together with China and Russia, and other members of the SCO, they co-sponsored a “Code of conduct for information security” submitted to the UN General Assembly in 2015. The code underlined the states’ right to independent control of information and communications technologies, and the role of the state in “encouraging a deeper understanding by all elements in society, including the private sector and civil-society institutions, or their responsibility to ensure information security.”³

While they are on the same page with China in the area of human rights, it is more difficult for some Central Asian states to endorse Beijing’s recent policies in Xinjiang because they involve their co-ethnic groups. In January 2019 Kazakhstan, Kyrgyzstan and Uzbekistan abstained from signing either of the two letters prepared by different coalitions of countries and sent to the UN Human Rights Council, one denouncing China’s policies in Xinjiang, the other supporting them. The letter of support, however, was signed by Tajikistan and Turkmenistan.

Central Asian states try to hedge China’s growing influence through their multi-vector foreign policies. States with more capacity – Kazakhstan and Uzbekistan – can do it more successfully, while less endowed states, like Kyrgyzstan and Tajikistan, find themselves more vulnerable and dependent. The case of Turkmenistan is a special one, with the poverty of statecraft largely responsible for its strong dependence on China.

6. Domestic politics

China is increasingly becoming a factor in domestic politics in Central Asia, due to deep insecurities in Central Asian societies with regard to China and its intensions.

Despite the fact that the territorial disputes are successfully resolved, in all three bordering countries there is some public anger about the “lost land” and suspicion that China is not fully

³ United Nations Digital Library. Letter dated 9 January 2015 from the Permanent Representatives of China, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan and Uzbekistan addressed to the Secretary-General, United National General Assembly. [Viewed 24 April 2019]. Available: <https://digitallibrary.un.org/record/786846?ln=en>

satisfied with the result and might revisit the issue in the future. Protests broke out in a number of cities in Kazakhstan in spring 2016 in reaction to new legislation that allowed for the extension of land leased to foreign companies from ten to twenty-five years. People were afraid that the change would allow Chinese companies to capture more land. In April 2020, social media networks in the country spread the translation of an article “Why Kazakhstan is trying to return to China”, published on Chinese online platform Sohu.com, that was claiming that Kazakh khanates and their territories had been part of China. Kazakhstan’s Ministry of Foreign Affairs (MFA) issued a note of protest and summoned the Chinese Ambassador in the country. Around the same time a similar article titled “Kyrgyzstan Used to be China’s Land” appeared on Toutiao.com. However, it did not cause a similar reaction from the Kyrgyz government, which might be explained by the fact that it was in the process of asking Beijing for debt relief.

As the 2016 protests in Kazakhstan demonstrate, the land issue overlaps with that of China’s economic expansion. There are concerns that Central Asian countries are growing too dependent on China and falling into its fold. Both in Kazakhstan and Kyrgyzstan there have been small-scale protests against China’s expansion featuring demands not to borrow more Chinese credits.

Another sensitive issue is the mis-treatment of Muslims, particularly co-ethnics, in Xinjiang. The public opinion in Kazakhstan and Kyrgyzstan that had been largely indifferent to the travails of Uyghurs in neighboring Xinjiang, began to put pressure on the authorities to react to the mistreatment of Kazakh and Kyrgyz minorities in the camps. The issue was raised both in Kazakh and Kyrgyz parliaments, and the governments promised to monitor the situation. Representatives of the Kazakh MFA held talks with their Chinese counterparts both in Beijing and Astana regarding “frequent complaints by ethnic Kazakhs about problems they face in the People’s Republic of China.” In January 2019, the authorities announced that 2,000 ethnic Kazakhs received permission to leave Xinjiang and move to Kazakhstan.

7. Relations with Russia

For centuries the destiny of Central Asians was shaped by a competition, sometimes pronounced, sometimes latent, between Russia and China. They have been the main actors and shapers of the regional order for Central Asian states. Changes in their policies and capacities to implement them define its features. From the time of the collapse of the USSR, China has been respectful of Russia’s interests in Central Asia, despite the weakness of the northern neighbour in the 1990s and the growing gap in their fortunes and capacities.

The two big neighbors of Central Asia share the normative state-centric agenda and disliking of Western pressures with regard to human rights which they see as interference in domestic affairs. They are comfortable to jointly push against these pressures in the region. They provide moral and material support to authoritarian governments. Beyond that, however, there is little cooperation in the political sphere. Russia pushed for the expansion of the SCO and inclusion of India and Pakistan in order to dilute China’s weight in the organization.

While Russia accepted China’s growing economic presence in Central Asia, it was not fully happy with it and tried to softly hedge it. For example, it peddled China’s initiatives to turn the SCO into an effective economic cooperation organization. In 2010 Moscow did not support

Beijing proposal to set up special SCO development funds. Instead, that year Russia, together with Belarus and Kazakhstan, launched the Customs Union with unified tariffs for imports from third countries. This development was watched with concern by Chinese policy-makers and businesses trading with Kazakhstan and Kyrgyzstan. However, ultimately it did not hinder China-Central Asia economic cooperation. Given the triumphant launch of the BRI, Moscow had to find an accommodation with it. In 2015, President Putin and President Xi made a joint declaration on cooperation in aligning the Eurasian Economic Union the Silk Road Economic Belt stating support for each other's megaprojects. Unsurprisingly, this cooperation proved to be modest and slow.

The informal "division of labor", with Russia responsible for security and China in charge of economic development, was also gradually challenged. As already mentioned, China provided security assistance to Central Asian states, has a coordination mechanism with Tajikistan, Pakistan and Afghanistan to discuss border security and counterterrorism, and presence on the Afghan-Tajik border. The war in Ukraine is likely to strengthen this trend.

8. Opportunities for the United States

The U.S. consistent support for sovereignty and territorial integrity of Central Asian states has been indispensable, particularly during the early years of independence. Its engagement helped directing the development of new nation-states toward opening to the world, integration into global markets, modernization of education systems, and to a lesser extent – liberalization of politics and society. Without it the region would have looked different today, and showing less promise for a better future.

Since the plans to withdraw from Afghanistan were announced, there have been fears that the U.S. is withdrawing from the region. The war in Ukraine shows that such withdrawal could have major costs for Central Asian states, but also for the United States, given the Russia factor. At the same time, the war and the tectonic geopolitical shifts it is causing, increases the importance of the China factor, the Iran factor, the connectivity in the Caspian-Black Sea corridor. Central Asia is of high relevance in this regard.

An effective U.S. engagement in the region would continue to aim at supporting sovereignty and independence of Central Asian countries (the period we have entered now might be even more challenging than the 1990s), but have a nuanced long-term approach, allowing for soft neutrality or loose alignment of Central Asian states with their neighbors, particularly Russia and China. Central Asians cannot change their surroundings and cannot afford to choose camps. They are relatively small and weak, but their aspirations to sovereignty and wellbeing should not be discarded and can be drawn upon.