CHAPTER 3
CHINA AND THE WORLD
SECTION 1: CHINA AND CENTRAL ASIA

Introduction
One of the most visible manifestations of China’s expanding global engagement has been its cultivation of close economic, political, and security ties with countries in Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan). Beijing sees Central Asia as a potential land bridge to markets in the Middle East and Europe, a source of much-needed oil and natural gas resources, and a dependable bastion of diplomatic support. But Central Asia is also a source of anxiety for Beijing, which fears Islamist groups in its economically and politically fraught western province of Xinjiang will find common cause with extremist or terrorist groups operating in the region. As the United States restructures its own Central Asia policy in the wake of the drawdown in Afghanistan, it will have to take China’s growing presence there into careful consideration.

This section surveys China’s economic, energy, and security relations with Central Asia. In particular, it explores how China’s engagement with the region has evolved under Chinese President and General Secretary of the Chinese Communist Party (CCP) Xi Jinping. China’s growing ties with the South Asian country of Afghanistan are also discussed. Additionally, this section examines how China’s interests in Central Asia both complement and compete with the interests of the United States as well as Russia, and considers the implications for the United States of China’s growing influence in the region. This section draws from the Commission’s March 2015 hearing on China-Central Asia relations; its July 2015 fact-finding trip to China (Beijing and Urumqi), Kazakhstan (Astana and Almaty), and Uzbekistan (Tashkent); consultations with experts on Chinese economic, foreign policy, and security affairs; and open source research and analysis.

China’s Central Asia Strategy
Since the establishment of the Silk Road during the Han dynasty (206 BC–AD 220), Central Asia has intermittently played an important role in China’s economic development and foreign relations. In modern times, Beijing’s view of Central Asia’s strategic value has waxed and waned. Fearing Soviet encirclement, Beijing viewed the region warily while it was part of the Union of Soviet Socialist Republics (USSR). After the fall of the Soviet Union in 1991, however, Beijing began the process of establishing diplomatic relations
with the new post-Soviet states, seeking to create favorable conditions for the economic development and security of its western frontier. During this time, Beijing cultivated ties with Central Asian governments, peacefully settled outstanding boundary disputes, and sought to take advantage of the region’s vast mineral wealth. When the U.S. War on Terror led Washington to establish bases and strengthen its strategic links in Central Asia in the 2000s, Beijing again became concerned about encirclement—this time by the United States—and sought to strengthen its ties with Central Asian capitals to sustain Chinese influence. Under President Xi, China’s longstanding efforts to cultivate influence in Central Asia became official policy in the form of the “Silk Road Economic Belt,” discussed later in this section.

Figure 1: Map of Central Asia

Decades before the Silk Road Economic Belt was announced, China approached relations with Central Asia with a clear set of interrelated objectives: (1) encouraging economic engagement between Central Asia and China’s westernmost province, Xinjiang, to bolster development and stability in that province; (2) eradicating what it calls the “three evils” of extremism, separatism, and terrorism from the region and preventing them from taking root in Xinjiang; and (3) expanding China’s economic and geostrategic in-
Xinjiang has a population of 21.8 million, and is home to 13 major ethnic groups: the Uyghurs, Hans, Kazakhs, Mongolians, Huis, Kyrgyz, Manchus, Xibes, Tajiks, Daurs, Uzbeks, Tatars, and Russians. The four largest ethnic groups are Uyghur (46 percent), Han (39 percent), Kazakh (7 percent), and Hui (5 percent). Sunni Islam is the most widely practiced religion in Xinjiang. Anthony Howell and C. Cindy Fan, "Migration and Inequality in Xinjiang: A Survey of Han and Uyghur Migrants in Urumqi," *Eurasian Geography and Economics* 52:1 (2011): 123; University of Michigan China Data Center, "China 2010 Census Data Released," September 29, 2011; and China.org.cn, "Ethnic Minorities of Xinjiang," August 25, 2005.


‡ While the stated objective of Beijing’s immigration program was economic development, one observer cites political drivers as well, namely: “counteracting political pressure from Uyghurs … to import a loyal Han constituency.” Gardner Bovingdon, “Autonomy in Xinjiang: Han Nationalist Imperatives and Uyghur Discontent,” *East-West Center*, 2004, 23. See also Congressional-Executive Commission on China, 2007 Annual Report to Congress, 2007, 107.

strictly forbidden at state schools. The Chinese government has instituted controls over who can be a cleric, what version of the Koran may be used, where religious gatherings may be held, and what may be said on religious occasions.  

In recent years, the Chinese government has implemented a number of repressive measures, including banning Islamic veils and long beards, prohibiting some Muslims from celebrating Ramadan, and, although many Muslims do not drink alcohol, organizing a beer festival in a heavily Muslim-populated town in an effort to prevent “illegal religious promotion . . . and guarantee the village’s harmony and stability,” among other restrictions.*  

Predictably, these policies have fostered resentment that has frequently bubbled over into protests, unrest, and violence, which Beijing in turn often violently suppresses with police and paramilitary forces.† This cycle of distrust, resentment, fear, and violence has been a prominent feature of Xinjiang’s governance, particularly since 2009, when anti-Chinese protests and riots in Xinjiang’s capital, Urumqi, caused the deaths of at least 197 people.‡ A string of particularly violent incidents between 2013 and 2014 led to the deaths of hundreds more. China invariably refers to such incidents as acts of terrorism. Some undoubtedly are, but in many cases it is nearly impossible for outsiders to assess the veracity of the Chinese government’s accounts of “terrorist” incidents, which likely exaggerate the “three evils” threat to justify crackdowns. According to Andrew Small, transatlantic fellow at the German Marshall Fund of the United States:

Beijing’s tendency to attribute almost any act of violence in Xinjiang to “separatists,” to claim malevolent intent behind even the most peaceful of protests, and to criminalize political groups . . . leaves the line between the terrorist, the activist, and the aggrieved citizenry permanently blurred. However, this well-founded skepticism about Beijing’s approach should not obscure the fact that there is, and has long been, organized militant opposition to Chinese rule in Xinjiang.  

Beijing fears extremist groups outside China seek to spread their ideology and activities to Xinjiang, and Chinese officials often claim “hostile foreign forces” encourage the spread of the “three evils” there. These fears are not unfounded. Central Asia is spotted

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*Such abusive policies are likely to increase if China perceives the threat of instability in Xinjiang is growing. For example, Human Rights Watch writes that a draft counterterrorism law currently under consideration by China’s legislature “makes clear the government’s intent to establish a counterterrorism structure with enormous discretionary powers, define terrorism and terrorist activities so broadly as to easily include peaceful dissent or criticism of the government or the Communist Party’s ethnic and religious policies, and set up a total digital surveillance architecture subject to no legal or legislative control.” Human Rights Watch, “China: Draft Counterterrorism Law a Recipe for Abuses,” January 20, 2015.  
†In the absence of reliable Chinese government statistics, a report by the Washington, DC-based Uyghur Human Rights Project estimated that 656–715 people were violently killed in Xinjiang from 2013 to 2014, with Uyghurs accounting for more than 75 percent of the deaths. Uyghur Human Rights Project, “Legitimizing Repression: China’s ‘War on Terror’ under Xi Jinping and State Policy in East Turkestan,” March 3, 2015, 8.  
‡For example, four bombings and a knife attack occurred in China between October 2013 and September 2014. In each incident, Uyghurs or Uyghur groups appear to have been involved. U.S.-China Economic and Security Review Commission, 2014 Annual Report to Congress, November 2014, 367.
with extremist groups and terrorist organizations that share ethnic, religious, cultural, political, and linguistic similarities with Uyghurs in Xinjiang. Members of the East Turkestan Islamic Movement, a Uyghur separatist organization labeled a terrorist group by China and the United States, reportedly have resided in or been trained by terrorist groups in Pakistan, Afghanistan, and Kyrgyzstan.17 In 2014, from his hideout in Pakistan, the leader of the East Turkestan Islamic Movement gave an interview to Reuters in which he said: “China is not only our enemy, but it is the enemy of all Muslims. . . . We have plans for many attacks in China.”18 Beijing also fears Chinese extremists will join terrorist groups and mount attacks overseas; according to Chinese officials and media reports, several Chinese citizens, including some from Xinjiang, have joined the Islamic State of Iraq and the Levant (ISIL, also known as ISIS, or IS).19 China’s Middle East Envoy Wu Sike acknowledged that approximately 100 Chinese citizens may be fighting or receiving training in the Middle East.20 One of two suspects in the August 2015 bombing of the popular Erawan Shrine in Thailand, which killed 20 people, is a Chinese Uygur.21

This reality drives much of China’s engagement with Central Asia. Xinjiang shares 1,750 miles of border with Kazakhstan, Kyrgyzstan, and Tajikistan, and hundreds of thousands of Uyghurs live in Central Asia (primarily in Kazakhstan and Kyrgyzstan). According to Marlene Laruelle, professor and director of the Central Asia Program at the Elliott School of International Affairs at George Washington University, Kazakhstan at times represses its Uyghur population because “Kazakhstan understood that if it wants to have good relations with China, there is no way it can look like it is welcoming any kind of Uyghur independence or autonomous movements.”22 In strengthening ties with its western neighbors, China seeks to create conditions for stability and development in Xinjiang by pursuing a two-pronged, almost contradictory approach: integrating its economy with those of Central Asia while ensuring Xinjiang is insulated from the region’s pervasive problem of ethnic and religious conflict and the spread of the “three evils.” It remains to be seen whether China will be successful in its efforts to close Xinjiang’s borders to transnational threats while simultaneously opening them to regional commerce and investment.

China’s New Silk Road Policy

President Xi announced the Silk Road Economic Belt in a 2013 speech at Kazakhstan’s Nazarbayev University. According to President Xi, the initiative is aimed at enhancing regional economic and cultural integration by “building policy communication,” “having full discussions on development strategies and policy response[s],” “improving road connectivity,” “promoting unimpeded trade,” and “increasing understanding” through people-to-people exchanges.23 China also envisions the Silk Road as a region of “more capital convergence and currency integration,” promoting the use of the renminbi (RMB) and facilitating its internationalization.24

The most immediate objective of the initiative is to encourage economic development and stability in Xinjiang. According to re-
Although China’s engagement with Central Asia had been ongoing for some time, a Kazakhstani government researcher told the Commission that China’s Central Asia policy prior to 2013 had been “chaotic and ad hoc,” but that China’s approach has been “much more deliberate and strategic” in the years since. Kazakhstan Presidential Library, discussion with Commission, Astana, Kazakhstan, July 27, 2015.

Although fostering economic development in Xinjiang is one of the stated objectives of the Silk Road Economic Belt, it remains to be seen if the initiative will bring significant economic benefits to China’s Uyghurs. Raffaello Pantucci, director of International Security Studies at the Royal United Services Institute for Defense and Security Studies in London, testified to the Commission that the vast majority of Uyghurs live in southern Xinjiang, while the majority of the new Silk Road projects and trade routes traverse the northern part of Xinjiang.

China’s Silk Road initiatives are not new; they are a culmination and a rebranding of several previous policies and projects aimed at linking China with its trading partners. The land-based Silk Road Economic Belt has a maritime counterpart, the “21st Century Maritime Silk Road,” which will run from China’s coast through Southeast Asia and the Indian Ocean to Africa and the Mediterranean Sea (see Figure 2). Together, they are commonly referred to as the “One Belt, One Road” initiative. Speaking in March 2015 at the Boao Forum held in Hainan Province—Asia’s response to the World Economic Forum held in Davos, Switzerland—President Xi said he hopes the annual volume of trade between China and countries along One Belt, One Road will be over $2.5 trillion in a decade. (For more on the 21st Century Maritime Silk Road initiative, see Chapter 3, Section 2, “China and Southeast Asia.”)

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During the Boao Forum, China’s National Development and Reform Commission (the paramount state economic planning agency), the Ministry of Foreign Affairs, and the Ministry of Commerce released a joint action plan for the One Belt, One Road initiative. Though the plan did not detail prospective projects, it envisions a future where China and other countries coordinate their economic policies, open free trade areas, and lower nontariff barriers. The plan also calls for the expansion of bilateral currency swaps and development of a bond market in Asia.

Although the initial impact of the One Belt, One Road initiative is on China’s neighbors in Asia, the Chinese government's official action plan calls for bringing together “China, Central Asia, Russia and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia and the Indian Ocean.” In other words, the scope of the project is global, and will require buy-in from countries in Europe and the Middle East to be effective. In June 2015, Hungary became the first European country to sign a cooperation agreement with China on promoting the Silk Road initiatives.

To facilitate its engagement with countries that fall within One Belt, One Road, China’s State Council created the $40 billion Silk Road Fund, which went into operation in February 2015. The fund...
is financed from China’s foreign currency reserves (accounting for about 65 percent of the fund), with the rest coming from the government’s sovereign wealth fund, China Investment Corporation (15 percent); and from two policy banks, the Export-Import Bank of China (China Exim Bank) (15 percent) and the China Development Bank (CDB) (5 percent). Unlike other recent financing vehicles spearheaded by China (the New Development Bank, also known as the BRICS* Bank, and the Asian Infrastructure Investment Bank), China is the sole founder and funding source for the Silk Road Fund. This arrangement will give absolute control over the various projects to Chinese policymakers. In addition, the National Development and Reform Commission’s action plan for One Belt, One Road calls for the establishment of a financing institution administered by the Shanghai Cooperation Organization (SCO, discussed later in this section). Funding is expected to come from other sources as well, varying by project and location. For example, the CDB announced it will invest over $890 billion into more than 900 projects to bolster the One Belt, One Road initiative.

Trade, Infrastructure, and Natural Resources in China’s Central Asia Engagement

Although the primary objective of China’s economic engagement with Central Asia is to promote the security and development of Xinjiang, this policy has significant benefits for China’s overall economic growth. First, China intends to diversify its energy portfolio by gaining access to Central Asian resources. Second, Beijing seeks to develop new markets for its companies through construction of roads and railways, with the ultimate goal of reaching Russia, Iran, and Europe. This has an added corollary of creating outlets for Chinese industries, such as iron, steel, and cement, which are experiencing overcapacity and slackening domestic demand due to China’s economic slowdown (for more on China’s economic slowdown, see Chapter 1, Section 3, “China’s Economic Reforms”). Finally, China seeks to engender political goodwill and influence by fostering economically based “good neighborly relations.” For landlocked Central Asia, China’s economic largesse is an opportunity to upgrade its outdated infrastructure and connect to the global economy. Central Asian states also welcome China as a counterbalance to Russia, which until recently tended to dominate the former Soviet republics.

While China’s economic engagement with Central Asia appears most often in imports of natural resources or investment in energy companies and energy-related infrastructure, China has also become an important source of exports of manufactured goods and loans to non-energy-related projects. The structure of the trade shows a lack of diversity, with China exporting finished goods and importing natural resources. Despite the strength of its energy exports, Central Asia as a whole tends to run trade deficits with China (see Table 1). Yet trade data do not tell the full tale. For most of these countries, China is not just an important trade partner; it is the largest by a wide margin (see Table 2).

*BRICS is the acronym for five major emerging economies: Brazil, Russia, India, China, and South Africa.
Table 1: China’s Exports to and Imports from Central Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
<th>Share of Central Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5,229.3</td>
<td>22,593.5</td>
</tr>
<tr>
<td>Korea</td>
<td>3,491.0</td>
<td>8,226.5</td>
</tr>
<tr>
<td>Balance</td>
<td>1,738.3</td>
<td>14,367.0</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>3,898.9</td>
<td>9,819.6</td>
</tr>
<tr>
<td>Imports</td>
<td>2,902.3</td>
<td>7,726.2</td>
</tr>
<tr>
<td>Balance</td>
<td>986.6</td>
<td>2,093.4</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>865.9</td>
<td>9,213.8</td>
</tr>
<tr>
<td>Imports</td>
<td>104.6</td>
<td>121.2</td>
</tr>
<tr>
<td>Balance</td>
<td>761.4</td>
<td>9,092.6</td>
</tr>
<tr>
<td>Tajikistan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>143.9</td>
<td>1,479.7</td>
</tr>
<tr>
<td>Imports</td>
<td>14.2</td>
<td>20.2</td>
</tr>
<tr>
<td>Balance</td>
<td>129.7</td>
<td>1,459.5</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>90.4</td>
<td>803.0</td>
</tr>
<tr>
<td>Imports</td>
<td>19.0</td>
<td>28.4</td>
</tr>
<tr>
<td>Balance</td>
<td>71.5</td>
<td>774.5</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>230.2</td>
<td>1,277.4</td>
</tr>
<tr>
<td>Imports</td>
<td>451.0</td>
<td>330.4</td>
</tr>
<tr>
<td>Balance</td>
<td>(220.8)</td>
<td>947.0</td>
</tr>
</tbody>
</table>

Note: The table describes China’s exports to, imports from, and trade balance with each country. Amounts in parentheses indicate a trade deficit.

Source: China Ministry of Commerce via CEIC database.

Table 2: China’s Place in Exports and Imports of Central Asian States, 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share</td>
<td>Rank</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>19.5%</td>
<td>1</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>4%</td>
<td>7</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>11%</td>
<td>2</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>77%</td>
<td>1</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>31%</td>
<td>1</td>
</tr>
</tbody>
</table>


Although official statistics often understate the true magnitude of Chinese foreign direct investment (FDI) in Central Asia, they demonstrate a clear upward trend. As Figure 3 shows, the global financial crisis of 2008 was a turning point, after which Chinese investment soared, especially in Kazakhstan, where it reached $7 billion by the end of 2013.
When it comes to trade, investment, and loans, Kazakhstan, the region’s largest economy, is the dominant player. In 2014, Kazakhstan accounted for 53 percent of China’s exports to Central Asia, and 46 percent of imports (see Table 1). Kazakhstan’s importance is evident on many fronts. In September 2013, President Xi chose to inaugurate his Silk Road vision in Astana, Kazakhstan’s capital. During that visit, Kazakhstan received the lion’s share of signed agreements (up to $30 billion), compared with $8 billion in Turkmenistan, $15 billion in Uzbekistan, and $3 billion in Kyrgyzstan. Since then, Kazakhstan has continued receiving significant Chinese investment. During Chinese Premier Li Keqiang’s 2014 visit to Kazakhstan, the two countries signed $14 billion worth of economic deals, and in March 2015, Kazakhstan’s Prime Minister Karim Masimov concluded his visit to China with deals worth another $23.6 billion.

Kyrgyzstan is the second-largest destination for Chinese exports. Turkmenistan is the only country in Central Asia that has had a trade surplus with China, due to exports of natural gas. Uzbekistan, less important than Turkmenistan in terms of gas exports, is courting Chinese investment. In 2014, Uzbekistan’s President Islam Karimov and President Xi signed an agreement for cooperation in diverse sectors, including energy, high technology, and finance, with deals worth $6 billion between 2015 and 2018.

Kyrgyzstan and Tajikistan, the two smaller, energy-poor states in the region, have benefited less from China’s expansion in Central Asia than the other countries, though both are adapting in unique ways. Kyrgyzstan has exploited its central geographical position to become a regional wholesale market. Two-thirds of Kyrgyzstan’s imports come from China; Kyrgyzstan then re-exports three-quarters of these goods (primarily clothes and electrical products), mostly to Uzbekistan and Kazakhstan. So great is Kyrgyz-
stan’s dependence on China that re-exports of Chinese goods account for about 15 percent of its gross domestic product (GDP). Tajikistan, Central Asia’s poorest country, has traditionally depended on remittances from Russia for economic survival (according to World Bank estimates, remittances—90 percent of which originate from Russia—represent nearly half of the country’s GDP). However, with Russia’s economy hit by U.S. and European sanctions over annexation of Crimea, and the economy further weakened by the falling price of oil, Russian remittances to Tajikistan have been declining rapidly: in U.S. dollar value, remittances dropped 8.3 percent in 2014 year-on-year, and 40 percent the first two months of 2015 over the same period of 2014. Wedged between China, Afghanistan, and Turkmenistan, making it advantageous for transport routes, Tajikistan hopes to leverage its geographic position to attract Chinese investment. In 2014, China committed to invest at least $6 billion in Tajikistan over the next three years—a sum equivalent to two-thirds of Tajikistan’s 2013 GDP and more than 40 times its annual foreign direct investment. As of July 2014, China Exim Bank, the largest single creditor to Tajikistan, held over 40 percent of Tajikistan’s external debt, compared with the World Bank and Asian Development Bank, which held 16 percent and 14 percent, respectively.

As China’s trade with the region rises exponentially, its engagement has become more comprehensive. According to Alexander Cooley, professor of political science at Barnard College, Columbia University, China’s role in Central Asia is shifting from a mere commercial partner to a “regional provider of collective goods—including economic mediation and governance, development financing and even emergency lending.” In fact, according to Dr. Cooley, with its massive investments in Central Asia’s infrastructure, China had become the region’s “de facto development assistance provider.” The rest of this section considers this broader regional engagement.

**Strengthening Energy Security**

China has shifted from energy self-sufficiency in the 1980s to dependence on external sources of oil for about half of its consumption needs. Eighty percent of China’s energy imports arrive from the Middle East and West Africa by passing through the narrow Strait of Malacca, which China perceives is vulnerable to blockade (the so-called “Malacca dilemma”). Chinese leaders therefore look to oil- and natural-gas-rich Central Asian countries to diversify China’s energy sources and bypass critical maritime chokepoints.

Kazakhstan is the primary recipient of Chinese investment in Central Asian oil. China’s largest national oil company, China National Petroleum Corporation, is the majority owner of two of Kazakhstan’s major oil companies (it owns 85.42 percent of AktobeMunaiGas and 67 percent of PetroKazakhstan) and is involved in several oil exploration and production projects throughout the country. China’s sovereign wealth fund, China Investment Corporation, also invested almost $1 billion in Kazakh energy in 2009. Chinese companies control up to half of Kazakhstan’s oil production. During his September 2013 tour of Central Asia, President Xi reportedly signed agreements for $8 billion in loans...
from the CDB and China Exim Bank to Kazakhstan—loans that will likely finance energy projects as well.

Chinese investment in Central Asian natural gas focuses on Turkmenistan, which has the sixth-largest natural gas reserves in the world. In 2012, over half of Turkmenistan’s 1.6 trillion cubic feet of natural gas exports went to China, and the two countries signed several natural gas contracts to increase exports to 2.3 trillion cubic feet by 2020. In 2014, China National Petroleum Corporation, the dominant foreign player in Turkmenistan’s hydrocarbon sector, invested around $4 billion in the industrial development of Turkmenistan’s natural-gas-rich Bagtyyarlyk field.

All of China’s Central Asian energy imports are transported via two pipeline networks: the Kazakhstan-China oil pipeline delivers Kazakh oil to Xinjiang, and the Central Asia-China natural gas pipeline delivers Turkmen (and to a lesser extent, Uzbek) natural gas to China by way of Turkmenistan, Uzbekistan, and Kazakhstan (see Figure 4). Chinese companies played a major role in funding, construction, and operation of these pipelines, with China National Petroleum Corporation occupying the lead position. Other companies, including Sinopec (another state-owned oil company) and CITIC (a state-owned conglomerate) are minor players by comparison. China also backs new oil refineries in Central Asia, or finances upgrades to old ones, since Central Asian states lack sufficient refinery capacity.

Figure 4: Oil and Natural Gas Pipelines from Central Asia to China

The Central Asia-China natural gas pipeline consists of three lines (known as Lines A, B, and C), the latest of which came online in 2014. Construction of the fourth line, Line D, is scheduled to start in December 2015. All lines originate in Turkmenistan, but where Lines A, B, and C run parallel to each other through Uzbekistan and Kazakhstan, Line D will bypass Kazakhstan, going through Kyrgyzstan and Tajikistan instead, allowing Central Asia’s poorest countries to collect transit fees. China has not provided a clear explanation for the inclusion of these energy-deficient countries in the pipeline network, though statements by China National Petroleum Corporation point to the desire to boost regional presence. The corporation said by 2020 the four lines of the Central Asia-China pipeline will carry over 2.8 trillion cubic feet of natural gas per year.

Though China’s energy needs are such that China will never overcome the “Malacca dilemma” with imports of Central Asian energy, some diversification is taking place. In 2004, China imported 26,000 barrels per day of oil from Kazakhstan; in 2014, the Kazakhstan-China oil pipeline shipped 240,000 barrels per day to China (approximately 100,000 barrels of Kazakh oil and 140,000 barrels of Russian oil), accounting for just 4 percent of China’s total crude oil imports. By comparison, for the same year Saudi Arabia supplied 20 percent of total crude imports and was China’s top oil supplier.

Turkmenistan, on the other hand, has emerged as China’s largest supplier of natural gas after the Central Asia-China pipeline went into operation in 2009. In 2014, Turkmenistan delivered 911 billion cubic feet of natural gas, accounting for 44 percent of China’s imports. Uzbekistan, a relative latecomer, started exporting natural gas to China in 2012, though there are plans for growing the relationship. For example, Uzbekneftegaz announced that gas supplies to China will be increased from 211 billion cubic feet to 353 billion cubic feet per year in 2015.

In addition to directly purchasing or investing in hydrocarbon projects, China provides energy-backed loans to Central Asian states. During the 2008 financial crisis, China provided two loans to Turkmenistan, valued at about $8 billion, in exchange for natural gas delivery commitments. China also concluded $13 billion worth of loans for energy deals with Kazakhstan, including a $3 billion loan in 2013 after China National Petroleum Corporation acquired a stake in an international oil consortium developing the offshore Kashagan oil field, the world’s largest oil field discovery in 35 years.

Transportation Infrastructure and Other Sectors

According to S. Frederick Starr, chairman of the Central Asia-Caucasus Institute and Silk Road Studies Program at the Johns Hopkins University School for Advanced International Studies, China “elevates transport to the level of a geopolitical project of prime importance” in Central Asia. Most countries targeted by China’s Silk Road initiatives have outdated or failing infrastructure, and lack the funds for upgrades. Seeking to fill this gap, China has invested heavily in Central Asian transportation systems. China stands to benefit from infrastructure improvement in
Central Asia in several ways: First, it facilitates trade with Europe and other regions.* Second, routes heading to China’s border posts will reach isolated regions, boosting development and enhancing domestic connectivity.\(^7\) Third, Chinese companies, including the state-owned railway enterprises, heavy equipment manufacturers, and construction specialists, will profit from overseas infrastructure projects.\(^7\)

Several existing and new transportation infrastructure projects exemplify this trend:

- A $79.8 billion road project launched in 2015 in northwestern Gansu Province will add 60,000 kilometers (37,282 miles) to the existing transportation network connecting China’s westernmost provinces to North and Central Asia.\(^7\)

- A railway stretching 13,000 kilometers (over 8,000 miles), inaugurated in 2014, connects Yiwu, a small consumer goods hub located on China’s coast, with Madrid. This railway, the world’s longest, traverses China, Kazakhstan, Russia, Belarus, Poland, Germany, and France before reaching Spain.\(^7\)

Kazakhstan, which shares a border with China and Russia, thus presenting the most direct land route to Europe, had become the focus of China’s infrastructure efforts in Central Asia even before the inauguration of the Silk Road Economic Belt. China has built a series of rail links connecting Urumqi to the Chinese city of Khorgos, which borders Kazakhstan, and is an important hub along the existing Soviet-era railway networks.\(^8\) The first rail services along this “New Eurasian Land Bridge” began in 2012, with passage from western China to western Europe taking up to three weeks depending on destination, instead of five weeks using trucks and ships.\(^8\) Companies like HP, Acer, and Foxconn use the route to export computers from their manufacturing bases inland.\(^8\)

China also built a free trade zone in Khorgos, though it has not been well used because it is five hours away from the next nearest city, Almaty.\(^8\) China is working on addressing that transportation concern as well, with plans to upgrade the highway to Almaty—the last section of a transcontinental highway from China’s east coast port of Lianyungang to Russia’s St. Petersburg—to be opened by 2016.\(^\) In addition, researchers at the Xinjiang Academy of Social Sciences told the Commission the central government in Beijing would like to expand high-speed rail in Xinjiang, linking the province with Central Asia (particularly from Urumqi to Kazakhstan) and with China’s eastern provinces.\(^8\)

In Kyrgyzstan, an $850 million allocation from the state-owned China Exim Bank is financing construction and reconstruction of major highways expected to facilitate regional trade.\(^8\) In Tajikistan, using a $900 million loan from China, Chinese companies built roads linking the capital, Dushanbe, with important provincial towns.\(^8\) In 2013, President Xi signed with Uzbekistan a contract for the construction of a $455 million railway tunnel in Uz-

\(^\) Goods traveling to Europe via the maritime route take anywhere from 20 to 40 days; the inland route, by contrast, would allow Chinese products to reach European markets in 11 days. Camille Brugier, “China’s Way: The New Silk Road,” European Union Institute for Security Studies, May 2014.
For example, the U.S. Strategic Highway Coordinator Network, consisting of more than 1,700 miles of corridors and interstate highways planned jointly by the U.S. Department of Defense and U.S. Department of Transportation, was designed to facilitate rapid deployment of troops and equipment for national security purposes. Rodney E. Slater, “The National Highway System: A Commitment to America’s Future,” Federal Highway Administration, 1996.

Central Asian countries have also been purchasing locomotives and passenger carriages from Chinese suppliers. In his testimony before the Commission, George Washington University professor Sebastien Peyrouse documented extensive investment by Chinese companies in other sectors as well—from hydroelectricity to communications. These projects are usually financed by China Exim Bank, the CDB, or funds secured in joint venture partnerships. Some examples of these projects are outlined here:

- **Telecommunications:** Chinese telecommunications companies ZTE and Huawei are engaged in the development of wireless telephone networks in Kazakhstan, Tajikistan, and Turkmenistan.

- **Hydroelectricity:** Chinese companies have entered partnerships with Central Asian states in the interest of having hydroelectricity delivered to Xinjiang or exported to countries farther south, including Afghanistan and Pakistan.

- **Uranium:** Uranium plays an important role in China’s economic partnership with Kazakhstan. After signing several cooperation agreements and strategic partnerships between Chinese companies and Kazatomprom, the Kazakhstani national company, Kazakhstan became China’s main foreign supplier of uranium. Kazakhstan has agreed to supply a total of about 24,000 tons of uranium to China by 2020. China is also active in Uzbekistan: in 2009, the Guangdong Nuclear Uranium Corp. signed an agreement with the State Committee of Geology and Mineral Resources to establish a joint venture for the exploration of deposits in the Navoy region, whose uranium will be commercialized by the Chinese company.

- **Cement:** Chinese firms are involved in the construction of many large cement factories in Tajikistan and Kyrgyzstan. Beijing has also proposed small-scale projects for the construction of mini-mills and factories for the production of bricks.

It is worth noting that road and rail infrastructure have military applications as well. Many of China’s highways and rail systems have been designed to military specifications. China’s new highway and rail projects in Xinjiang—a large yet remote region with a smaller and more dispersed military presence relative to China’s eastern regions—likely are being designed with these applications in mind.

China’s promise of enhanced interconnectedness and improved infrastructure leaves Central Asian states with a dilemma. Although they welcome Chinese trade and investment, many Central Asians—particularly in Kazakhstan and Kyrgyzstan, which have long borders with China—are wary of Chinese people migrating to the region. Statistics on Chinese migration patterns to Central Asia are unreliable, but Dr. Laruelle testified that “figures are mod-
Turkmenistan, in keeping with its isolationist foreign policy, is the only Central Asian country that is not a member of the SCO. There currently are four SCO observers (Afghanistan, Belarus, Iran, and Mongolia), six dialogue partners (Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka, and Turkey), and three guests (the Association of Southeast Asian Nations, Turkmenistan, and the Commonwealth of Independent States). The SCO’s predecessor, the Shanghai Five (China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan), was established in 1996.

Nevertheless, Dr. Laruelle noted anxieties persist because the “potential for a Chinese ‘migration invasion’ into Central Asia would mean a fundamental undermining of the new states’ autonomy. Whereas the region has fewer than 60 million inhabitants, an over-populated China contains over 1.3 billion people.” As a result, most Central Asian countries have enacted strict visa restrictions for Chinese travelers. A Kazakhstani foreign policy analyst with whom the Commission met in Almaty noted that Kazakhstan has been reluctant to incentivize Chinese tourism to the country for fear that Chinese tourists would overstay their visas, causing Kazakhstan to “become too dependent on Chinese tourism for its economy and thus lose leverage to Beijing.”

China’s Security Engagement with Central Asia

As with its economic engagement, China crafts its approach to security relations with Central Asian countries with the domestic security situation in Xinjiang in mind. China-Central Asia security cooperation is designed largely to address shared concerns about terrorism and extremism. According to Zhang Xinfeng, one of China’s top officials with responsibility for Central Asia, “Terrorism attacks in Xinjiang are closely related to the activities of terrorist, separatist, and extremist forces in Central Asia, so joint anti-terrorist efforts from the [Central Asian] countries are crucial to China’s stability.” This cooperation is facilitated in part by Central Asian and Chinese governments’ shared willingness to use repression and government control—in varying degrees—to defend sovereignty and maintain stability.

The Shanghai Cooperation Organization

The SCO, established in 2001 by China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan (and which agreed to admit India and Pakistan as new members in June 2015), is the primary vehicle for China’s security engagement with Central Asia. Although the SCO ostensibly concerns itself with a wide range of issues, including economic cooperation, energy ties, counternarcotics, tourism, cultural exchanges, and international affairs, counterterrorism is the stated primary focus of the organization. One of the SCO’s foundational documents, the 2005 Concept of Cooperation, states SCO cooperation on counterterrorism focuses on developing unified political, legal, and law enforcement approaches to counterterrorism; conducting joint counterterrorism exercises and developing counterterrorism personnel; sharing information about terrorists and suspected terrorists and developing shared capacity for counterterrorism research and analysis; and collaborating with civil society and mass media to combat terrorism, among other activities. In some respects, this list of objectives remains aspirational, as illustrated below.
Aside from frequent joint statements and regular high-level meetings, military exercises are the most visible manifestation of the SCO's activities. China has participated in 15 military drills or exercises under the auspices of the SCO since 2002, when China conducted its first-ever military exercise with another country, Kyrgyzstan. These exercises always include China and at least one other SCO country, and have included anywhere from a few hundred to 10,000 personnel. All but one of these exercises have focused explicitly on counterterrorism; various activities have included apprehending illegal border-crossers, rescuing hostages, recovering a hijacked airplane, subduing ethnic conflict, engaging in close combat, and conducting reconnaissance, electronic warfare, and psychological warfare.

On the whole, these exercises are not particularly sophisticated, and observers point out that they are largely scripted events with minimal interoperability demonstrated by troops from the participating countries. Interoperability is hindered in part by language barriers: Russian is the common operating language used in the exercises, requiring the Chinese participants to rely heavily on translators, which can be time-consuming and cumbersome. Nevertheless, the SCO has been a valuable vehicle for the People's Liberation Army (PLA) to gain much-needed experience. Close to half of China's military exercises with other countries have been held under SCO auspices, enabling the PLA to interact with political and military leadership of other countries; operate in unfamiliar environments outside China; address linguistic, cultural, and other logistical barriers to effective communication with foreign troops; and practice battlefield tactics and combat methods. The PLA has also achieved a number of firsts in its SCO exercises: in its Coordination-2006 exercise with Tajikistan, the PLA Air Force for the first time transported troops across the Chinese border; and in the Peace Mission-2007 exercise, the PLA conducted its first joint land-air exercise outside Chinese territory.

The SCO's Regional Anti-Terrorism Structure

The SCO's only permanent operational entity, the Regional Anti-Terrorist Structure (RATS) headquartered in Tashkent, Uzbekistan, is the organization's clearinghouse for exchanging information on suspected terrorists and promoting common counterterrorism practices. RATS is notoriously opaque, but is known for its role in the extradition of suspected terrorists to and from member countries, and for its secret "black list" of approximately 1,000 individuals and 40 organizations. In their 2012 book, The Chinese Question in Central Asia: Domestic Order, Social Change, and the Chinese Factor, Drs. Laruelle and Peyrouse write:

*The PLA was joined in several of these exercises by People's Armed Police border troops, anti-terror reconnaissance units, and militia personnel. Dennis J. Blasko, "People's Liberation Army and People's Armed Police Ground Exercises with Foreign Forces, 2002–2009," in Roy Kamphausen et al., The PLA at Home and Abroad: Assessing the Operational Capabilities of China's Military, Strategic Studies Institute, 2010, 384–387.
The SCO’s Regional Anti-Terrorism Structure—Continued

It seems that on several occasions the Chinese authorities have requested their Central Asian partners to arrest and deport some Uyghur opponents, and when alleged Islamists cross the border, they are followed by the RATS joint procedures set up to monitor them. However, it is difficult to say whether this type of information exchange has been made possible thanks to RATS, or rather whether it took place in a bilateral framework. Truly sensitive matters, such as the expulsion of Uyghur opponents to China, are generally managed at the highest levels of bilateral relations.113

Testifying in 2011 to the Tom Lantos Human Rights Commission of the U.S. House of Representatives, Martin Scheinin, then UN special rapporteur on human rights and counterterrorism, asserted RATS’ activities (and those of the SCO in general) pose serious human rights concerns.114 For example, the SCO charter conflates acts of extremism, separatism, or terrorism, and considers all three to be extraditable offenses, whereas international law follows the principle that only acts of terrorism—not to include crimes related to extremism or separatism, no matter how serious—may be targeted by counterterror legislation.115 China regularly pressures neighboring countries to detain and deport Chinese Uyghurs (many of whom are refugees) back to China. China often refers to these individuals as criminals or terrorists, but in many cases they appear to be ordinary citizens seeking economic opportunity or fleeing religious and cultural repression in China. Once back in the country, these forcibly returned individuals often “disappear” into China’s secretive security apparatus.116

China is by far the dominant actor in the SCO, and its priorities drive the organization’s agenda.117 The SCO serves three main purposes for China: First, in adopting China’s “three evils” construct118 and sharing its heavy-handed approach to ethnic unrest, the SCO lends a veneer of international legitimacy to China’s brand of stability maintenance.119 Second, it provides China the opportunity to use intelligence and resources from neighboring countries to inform and augment its domestic security activities in Xinjiang. Third, as the first intergovernmental organization with Chinese leadership, the SCO provides Beijing an avenue to demonstrate regional leadership and goodwill. In particular, it provides an opportunity for China to seek a larger security role in what has long been Russia’s sphere of influence.

For all its utility to China, the SCO has avoided taking on some of the region’s most pressing challenges, like cross-border water conflicts, civil unrest, and participating in postwar Afghanistan reconstruction efforts.120 The reluctance of SCO countries to be perceived as interfering in the internal affairs of other countries also contributes to its ineffectiveness. According to Drs. Laruelle and Peyrouse, even RATS, arguably the most tangible manifestation of
SCO action, is apparently viewed by China as “an empty shell with virtually no efficacy.” As SCO membership is set to expand with the inclusion of regional rivals India and Pakistan, achieving consensus on sensitive issues may be even more difficult. Moreover, Russia actively seeks to undermine the efficacy of the SCO (see “China in Russia’s Backyard?” later in this section).

**China’s Bilateral Security Cooperation with Central Asian Countries**

China’s security engagement with Central Asian countries is limited outside the umbrella of the SCO. This is due in large part to China’s preference to conduct even its bilateral security engagements with these countries through the SCO, presumably to lend substance to the organization and avoid creating the impression that China is unilaterally pursuing self-interested objectives in the region. When bilateral engagement does occur, it is usually in the form of border security cooperation, arms sales, and military education and training.

China and Central Asian countries sometimes cooperate on non-traditional security issues like drug trafficking and organized crime. For example, Chinese and Kazakhstani border security forces have conducted drug-seizing operations along their shared border since 2008 (in 2012, 70 percent of drugs in Urumqi were from South and Central Asia). Efforts in this area remain minimal, however, despite hopeful pronouncements during bilateral meetings that the two sides will enhance cooperation on drug trafficking. China also cooperates with Tajikistan on counter-narcotics (Tajikistan is a major conduit for opium trafficked from Central and South Asia to China). In 2014, a joint force of more than 5,000 Tajikistani and Chinese police seized 181 kilograms of heroin and other illegal drugs and arrested 38 suspected drug manufacturers and dealers.

Reports indicate China allocated approximately $40 million worth of military aid (including equipment sales, construction of military facilities, loans for purchases of military equipment, and other forms of military assistance) to Central Asia from the 1990s to 2014. Equipment transfers have mostly included small arms (such as sniper rifles), communications equipment, vehicles, mobile scanning equipment to monitor border crossings, and other unspecified military hardware. According to U.S. diplomats who met with the Commission in Uzbekistan, China is among Uzbekistan’s biggest suppliers of security-related products, which since 2013 have included surface-to-air missiles and at least one unmanned aerial vehicle (the cost of which is not included in the aforementioned $40 million figure). China’s arms sales to Central Asia represent a small share of China’s global arms sales, and pale in comparison to Russian arms sales to the region. China also provides military education and training to Central Asian troops, although language barriers limit the efficacy of such interactions.

China’s ability to expand its security presence in Central Asia may grow over time, particularly if a new draft counterterrorism law under consideration by China’s National People’s Congress passes. The draft law stipulates that the PLA or China’s police force could send troops outside the country to perform counter-
China had robust relations with Afghanistan's mujahedeen in the 1980s, but Afghanistan was largely absent from China's foreign policy in the 1990s. Andrew Small, *The China-Pakistan Axis: Asia's New Geopolitics*, Oxford University Press, 2015, 123.


terror missions with a host country's approval. If passed, this law could have broad applicability in Central Asia given China's terrorism concerns there and existing structures for collaboration and information sharing between Beijing and Central Asian capitals.

The Question of Afghanistan

Since 2012, China has pursued an increasingly proactive policy toward Afghanistan. This marks a decisive shift from previous years, during which China largely avoided engagement with Afghanistan.‡

China for several decades perceived Afghanistan through the lens of ongoing competition with Russia and the United States for influence in Central Asia, though China's engagement in the country was minimal.† After September 11, 2001, the threat of terrorism emanating from Afghanistan and the consequent U.S. military presence in the region caused Afghanistan's strategic importance to China to grow; but even then, bilateral engagement remained limited. Since 2012, however, China appears to have come to terms with the fact that creating conditions for stability in Xinjiang requires it to take greater responsibility for the security and stability of Afghanistan as the United States and International Security Assistance Force withdraw from the country and the region.¹ Still, China's security engagement with Afghanistan is in a nascent stage.

Drivers of China's Shifting Approach to Afghanistan

As with its Central Asian neighbors, China seeks to ensure terrorist or other groups in Afghanistan do not contribute to instability in Xinjiang or provide a safe haven for militant Uyghurs. Estimates of militant Uyghurs operating from Afghanistan range from the tens to the low hundreds. They affiliate largely with the Islamic Movement of Uzbekistan, a terrorist organization that operates primarily from Afghanistan.¹⁵ One senior Afghan Taliban commander told Reuters in 2014 that "[Chinese Uyghurs] live here with us but are always concerned about their people and mission in China. They are nice people, good Muslims and the best fighters."¹⁶ It is unclear, though, whether Taliban-affiliated Uyghurs have participated in any terrorist activity in China.

Beyond the immediate concern related to China's Uyghurs, Beijing is increasingly worried the International Security Assistance Force's departure from Afghanistan will leave the country in chaos, and fears the potential implications for stability in Afghanistan, South and Central Asia, and—ultimately—China.¹³⁷ As noted above, however, China had been reluctant to play any role in Afghanistan, largely rebuffing requests by the international community to contribute to security activities in the country.¹³⁸ This was

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¹ China had robust relations with Afghanistan's mujahedeen in the 1980s, but Afghanistan was largely absent from China's foreign policy in the 1990s. Andrew Small, *The China-Pakistan Axis: Asia's New Geopolitics*, Oxford University Press, 2015, 123.

in large part due to deep skepticism and fears of encirclement as the U.S. military quickly established a robust presence in Afghanistan and Central Asia in the early 2000s. After the Obama Administration announced its plan to gradually withdraw forces from the region in 2011, China's concerns shifted from the U.S. presence to the uncertain future of a post-occupation Afghanistan. Starting in 2012, China began to signal greater willingness to contribute to Afghanistan's security. Recent engagement in the region includes:

- In September 2012, then Chinese Minister of Public Security and Politburo Standing Committee member Zhou Yongkang traveled to Afghanistan—the highest-level visit by a Chinese official since 1966—and pledged China would train about 300 Afghan police officers over the next four years.

- Also in 2012, China and the United States began an annual collaborative program to train Afghan diplomats in either Beijing or Washington, DC. In 2013, bilateral cooperation became more institutionalized, with the two sides establishing regular meetings on Afghanistan through the biannual Strategic & Economic Dialogue.

- During Afghan President Ashraf Ghani’s 2014 state visit to Beijing (his first foreign trip after becoming president), Chinese Foreign Minister Wang Yi pledged, “We will help Afghanistan to enhance its counterterrorism capabilities.” It is unclear, however, what form this assistance will take. That same year, Beijing appointed a special envoy for Afghanistan under the Ministry of Foreign Affairs.

- In November 2014, China sent a military equipment package worth $1 million to the Afghan Ministry of Interior Affairs. The equipment package included 17 types of military equipment to increase Afghan police force capabilities and assist them in seizing narcotics and drugs.

- In addition to strengthening bilateral diplomatic relations, China increasingly seeks to engage Afghanistan in multilateral contexts, primarily via the SCO-Afghanistan Contact Group (established in November 2005). Afghanistan became an observer to the SCO in 2012.

- Chinese Ambassador to Afghanistan Deng Xijun remarked in November 2014 that China supports “the ‘Afghan-led and Afghan-owned’ peace and reconciliation process,” referring to Afghanistan’s internal peace process between the government and opposition groups, including the Taliban, with which Beijing is increasingly engaging. China in the past year has publicly indicated its interest in hosting or mediating political talks between the Afghan civilian government and the Taliban, and in July 2015 participated (along with the United States and Pakistan) in the first of a series of planned talks between the two sides. It is unclear, however, whether China can

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provide the diplomatic prowess and leadership required to make meaningful progress toward reconciliation, especially given the death—reported in late July 2015—of longtime Taliban leader Mullah Omar, who had been Beijing’s most important contact with the group.

China’s relationship with the Taliban is complicated. Before September 11, 2001, Beijing maintained good relations with the Afghan Taliban, offering engagement in exchange for the Taliban’s promise that it would not provide cover or assistance to Chinese Uyghurs engaging in militant or extremist activities. Following the September 11 attacks and the start of the U.S. war in Afghanistan, China became more circumspect in its dealings with the Taliban, but it continued to quietly maintain ties. Now that reconciliation between Kabul and the Taliban is a stated priority for the Afghan government, China is reaching out as well, not least of all because it seeks a favorable position in the event the Taliban emerges as a major political player in Afghanistan.

China also has economic interests in Afghanistan, but instability and violence have limited investment so far. China’s two major projects in the country—the Aynak copper mine and the Amu Darya oil field—have significant economic potential but have suffered major delays in the past several years due to instability and terror threats. Chinese investment in the Aynak copper mine, for instance, has stalled due to an uptick in violence—including rocket attacks and improvised explosive devices—in nearby areas in 2014. China’s economic interests in Afghanistan are thus likely to remain aspirational until the security environment improves considerably.

China in Russia’s Backyard?

One of the consequences of China’s growing influence in Central Asia has been the relative weakening of Russia’s preeminence in the region. This has particularly been the case in the economic realm, where China is establishing itself as a provider of development assistance and a reliable consumer of Central Asian resources as Russia’s relative economic power declines. China’s security presence is growing as well, though Russia remains the region’s dominant security actor and cultural influence.

Russia has been reluctant to embrace China’s economic plans for the region, seeing in them the diminution of its own influence over its former republics in Central Asia. During the 2008 financial crisis, China surpassed Russia as the region’s leading trading partner, and Russia’s recent economic troubles have contributed to the perception that China, not Russia, is the “regional economic stabilizer.” Russia has other reasons to dislike China’s growing economic presence. According to Erica Downs, senior analyst at Eurasia Group, China’s investment in Central Asia’s energy sector has contributed to the “erosion of Russian influence over Central Asian states by providing them with non-Russian export routes and sources of financing.”

Russia has been actively promoting its own regional economic integration effort, the Eurasian Economic Union, which comprises Russia, Belarus, Kazakhstan, Armenia, and—as of May 2015—Kyrgyzstan.
For example, the Baikonur Cosmodrome—the launching site of Sputnik and the world’s first and largest space launch facility—was established in 1955 in what is now Kazakhstan. Russia, which now leases Baikonur from Kazakhstan, continues to operate it.

† Established in 1992, the Collective Security Treaty Organization is a Russia-led intergovernmental military alliance among Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan.

The Eurasian Economic Union had an unexpected benefit for China: because it created a customs union among its members that took effect in January 2012, the Eurasian Economic Union eliminated lengthy inspections at each border; cargo traveling from China needs to be inspected only once upon entering the customs union—through Russia or Kazakhstan—and can proceed to Europe unimpeded.

The SCO is perhaps the most compelling illustration of emerging Sino-Russian competition in Central Asia. Dr. Cooley testified to the Commission that “Russia has at every point dragged its feet [in] signing off on major Chinese economic initiatives, especially through the SCO.” For example, Russia prevented China from creating an SCO emergency crisis fund in the wake of the global financial crisis (though China went on to provide unilateral assistance to several Central Asian countries, as noted earlier) and blocked China from establishing an SCO development bank.

Similarly, Russia has sought to downplay the SCO’s role in the Central Asian security realm to maintain its place as the region’s top security provider. Niklas Swanström, director of the Institute for Security and Development Policy in Stockholm, Sweden, told the Commission that China’s SCO leadership “has arguably only been accepted by Russia for the purpose of monitoring the Chinese expansion into the region.” By virtue of its legacy of military influence during the Soviet era, Russia’s security ties with Central Asia remain robust (Russia has military bases in Kazakhstan, Kyrgyzstan, and Tajikistan and is the primary source of military equipment and training for Central Asian countries).

Further, the Russia-led Collective Security Treaty Organization has been the dominant security organization in the region, a position Moscow does not wish to cede to a China-led organization. Yet China and Russia both seek to downplay this growing rivalry. China in particular is careful not to create the impression that it has military ambitions in Central Asia, and recognizes that attracting suspicion from the Central Asian countries and Russia would tarnish its reputation. According to Mr. Pantucci, “Whenever Chinese officials and experts talk of Russia in a Central Asian context, they go to great lengths to highlight the fact that they would do nothing that would contradict their Russian counterparts’ inter-
For example, Xinjiang public security officials stressed to the Commission that China’s Silk Road Economic Belt did not affect China-Russia relations or Russian economic interests in the region. Border Department, Xinjiang Foreign/Public Affairs Office, Xinjiang Provincial Government, discussion with Commission, Ürümqi, China, July 24, 2015.

In parts of Kazakhstan, for example, ethnic Russians constitute as much as half of the population. Robert Coalson, “Putin Pledges to Protect All Ethnic Russians Everywhere. So Where Are They?” Radio Free Europe, September 20, 2015.

Enhanced Sino-Russian competition in Central Asia occurs in the context of a growing disparity of power between the two countries more generally, and the emergence of a relationship in which Russia is highly dependent on China, a reality of which Moscow is painfully aware. According to the RAND Corporation, “Many Chinese analysts view Russia as a weak great power that is likely to weaken even further in the future.” In the economic realm, Russia relies heavily on China as a market for its oil and natural gas exports. Particularly after its intervention in Ukraine, Russia has been economically and politically isolated and forced to depend on China to withstand economic sanctions and alienation by the international community. Still, ethnic Russians are a prominent group in populations across Central Asia, and Russia’s deeply rooted cultural influence in the region—through language, media, and shared history—cannot be underestimated. For example, as Commissioners heard during their 2015 trip to Kazakhstan, most Kazakhstanis obtain their news from Russian television and newspapers.

Implications for the United States

The United States has identified “four critical areas of cooperation and concentration in Central Asia—security cooperation, economic ties, promotion of human rights and good governance, and efforts to bolster each country’s sovereignty and independence.” From an economic perspective, China’s efforts to promote development and connectivity in Central Asia may offer opportunities for U.S.-China cooperation.

To its Central Asian neighbors, China emphasizes the “win-win” aspect of its economic engagement with the region. To be sure, creation of new infrastructure in landlocked Central Asia has broad benefits, such as improved transportation and communication, which could ultimately lead to greater integration of the region into the global economy. But the focus on infrastructure aids China’s own economic interests first: the new trade routes will serve pri-
The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be. Ranked from 1 (very clean) to 175 (highly corrupt), Central Asian states fall at the corrupt end of the spectrum: Kazakhstan (126), Kyrgyzstan (136), Tajikistan (152), Uzbekistan (166), and Turkmenistan (169). Transparency International, "Corruption Perceptions Index 2014: Results."

By building roads and railways, purchasing the region’s natural resources, and promoting the use of the RMB, China is ultimately tying its Central Asian neighbors’ prosperity to their relationship with China, potentially creating an unhealthy dependency. Indeed, there have been instances of public backlash in some countries, driven by lack of opportunities and fear of being overwhelmed by the Chinese presence. For example, as Commissioners heard during their fact-finding trip to Kazakhstan, China often uses its own workers for projects, which increases resentment of China and, on occasion, has led to minor clashes between locals and the Chinese workers. Environmental concerns also inform these fears, as in the case of Kyrgyzstan, which temporarily suspended operations at a Chinese-built oil refinery in 2014, after public protests over pollution. Xinjiang-based researchers told the Commission that Beijing is becoming more sensitive to these concerns, however, and is trying to address them by hiring more local workers at Chinese embassies in the region; establishing more cultural exchanges, including opening Confucius Institutes and “building bridges” between Uyghurs in Xinjiang and their counterparts in Central Asia; and highlighting Chinese investments that bring economic benefits to the region.

It is not clear if the economic benefits from Chinese engagement extend beyond Chinese companies getting valuable tenders and rent-seeking by local elites. Central Asian countries have severe corruption problems. According to Transparency International’s 2014 Corruption Perceptions Index, of 175 countries and territories surveyed, Central Asian states were some of the most corrupt. Growing economic linkages with China may exacerbate the situation, since Chinese enterprises are perceived to be very corrupt. According to Transparency International’s 2011 Bribe Payers Index, of 28 countries surveyed, China was the second most likely country (after Russia) to have firms that pay bribes while operating abroad. In his book on Central Asia, Dr. Cooley documented multiple instances of corrupt dealings by Chinese companies in Central Asia, centered primarily on getting access to natural resources. The Commission was told during its trip to Kazakhstan that Chinese companies are “more than willing to pay bribes” to close business deals in Kazakhstan.

When it comes to U.S. goals of advancing human rights and good governance in Central Asia, China’s presence poses several challenges. China, with its poor record on human rights, transparency, and corruption, is unlikely to be a force for good governance in Central Asian countries, which already have similarly poor records.

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*The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be. Ranked from 1 (very clean) to 175 (highly corrupt), Central Asian states fall at the corrupt end of the spectrum: Kazakhstan (126), Kyrgyzstan (136), Tajikistan (152), Uzbekistan (166), and Turkmenistan (149). Transparency International, “Corruption Perceptions Index 2014: Results.”*
in these areas. As Dr. Cooley pointed out in his testimony to the Commission, Chinese investment tends to focus on “hardware” rather than “software”:

The current assumption of Chinese leaders is that better “hardware,” in the form of modern infrastructure, will spur economic development and improve market-oriented practices. But the region is challenged as much by its poor “software”—particularly corruption and rent-seeking—at all levels of government. We should not underestimate the extent of these governance challenges, for Central Asia today remains one of the [most] trade-unfriendly regions in the world.191

This poses a direct challenge to U.S. and Western efforts to encourage the adoption of transparent and democratic processes in Central Asia. According to Dr. Cooley, for governments in the region—all of which exhibit varying degrees of authoritarianism—the presence of Chinese patronage creates an opportunity “to push back and bargain against the conditions and terms demanded of them by more traditional Western lenders.”192 One consequence of this is that U.S. companies are disincentivized from trading with and investing in this risky environment, which in turn weakens overall U.S. influence in the region and reinforces Central Asian countries’ preferences for working with Chinese companies.193

In the security realm as well, China’s lack of transparency, heavy-handed approach to securing its western frontier, and preference for security and stability over fundamental human rights and religious freedom could have lasting impacts on the direction of Central Asia’s development.

It remains to be seen how China’s Silk Road initiatives will impact U.S. objectives in the region, and whether China’s Silk Road Economic Belt and the United States’ “New Silk Road” initiative will complement or compete with each other. Currently, China’s well-funded projects appear to be outshining the United States’ initiative. The U.S. program, announced by the Obama Administration in 2011, aims to foster communication and economic growth between Central Asia and Afghanistan, but it receives little attention and limited resources.194 For example, the U.S. New Silk Road initiative’s cornerstone project, the Turkmenistan-Afghanistan-Pakistan-India natural gas pipeline, has yet to attract any energy companies. Notably, the U.S. New Silk Road’s central goal is to integrate Afghanistan with the rest of the region, whereas China has made no effort to incorporate Afghanistan into its many regional integration efforts. Part of the challenge the United States faces in realizing this goal is Central Asian countries’ desire to distance themselves from Afghanistan, which they perceive to be a highly unstable neighbor.195

U.S. State Department officials told the Commission that the United States and China have held “remarkably candid and friendly consultations” on potential areas of cooperation in Central Asia,196 and China’s ambassador to Kazakhstan told the Commission that Beijing “is ready to foster close cooperation with the United States in Central Asia.”197 In an influential 2012 article urging China to “march westwards” and engage more with Central
Asia, Wang Jisi, dean of the School for International Studies at Beijing’s Peking University, pointed out that “if China ‘marches westwards,’ the potential for U.S.-China cooperation in the fields of investment, energy, terrorism, non-proliferation, and the maintenance of regional stability will increase.” Indeed, China and the United States appear to have converging interests in the region: enhancing stability, promoting economic growth, and discouraging patterns of extremism, militancy, and terrorism. Nevertheless, the two countries’ preferred means to reach these similar ends vary greatly. On the whole, Washington’s policies in Central Asia seek to encourage the development of good governance and discourage authoritarianism and corruption. China’s preferred approach appears more appealing to Central Asian leaders, many of whom share China’s views on counterterrorism and understand China will support their efforts to remain in power and ignore corruption and human rights violations. This divergence in principles both undermines U.S. policy in Central Asia and will make it difficult for China and the United States to cooperate, particularly on counterterrorism, where Chinese practices may not be morally or legally compatible with U.S. practices and international standards.

Conclusions

• Although engagement with Central Asia has been a longstanding endeavor for the Chinese government, Chinese President Xi Jinping has recently elevated the region in China’s foreign policy in the form of the Silk Road Economic Belt initiative, which envisions a massive network of trade and infrastructure connecting China with Europe by way of Central Asia.

• China’s overarching objective for engagement with Central Asia is to encourage economic development and stability in its westernmost province, Xinjiang, which shares an extensive border with Kazakhstan, Kyrgyzstan, and Tajikistan. Chinese leaders perceive ethnic tensions, separatist movements, and related violent activity in Xinjiang to be among the greatest security threats facing China today, and fear patterns of religious extremism and terrorism in Central Asia enable this unstable environment. Therefore, Beijing uses its relations with Central Asian governments to seek to neutralize and eradicate these perceived threats.

• China’s security cooperation with Central Asia is designed to augment domestic security policies in Xinjiang, and therefore focuses on counterterrorism and information sharing about extremist and terrorist groups and individuals. China’s security engagement with the region occurs primarily via the Shanghai Cooperation Organization, which China uses as a tool to influence and demonstrate leadership in the region, but which has yet to play a significant security-providing role.

• Although the primary objective of China’s economic engagement with Central Asia is to promote the security and development of Xinjiang, this domestic-oriented policy also promotes China’s overall economic growth by (1) allowing China to diversify its
energy portfolio by gaining access to Central Asian resources, 
(2) developing new markets for its companies in industries expe-
riencing overcapacity at home, and (3) engendering goodwill to-
ward its policies in the region.

• China’s trade with the region is growing rapidly, but it is very 
unbalanced, with China exporting finished goods and importing 
natural resources. Despite the strength of its energy exports, 
Central Asia as a whole tends to run trade deficits with China. 
For most countries in the region, China is the biggest trade part-
ner. Kazakhstan, the region’s largest economy, is the biggest re-
cipient of Chinese trade, investment, and loans. Through its mas-
sive investments in Central Asia’s infrastructure—including 
roads, railways, hydroelectricity, and telecommunications—China 
has also become a de facto provider of development assistance.

• Chinese leaders look to oil- and natural gas-rich Central Asian 
countries to diversify China’s energy sources, though the volumes 
involved will not be sufficient to overcome China’s dependence on 
traditional sources of hydrocarbon imports, particularly Middle 
Eastern oil. One notable exception is Turkmenistan, which in re-
cent years has emerged as China’s largest supplier of natural 
gas, accounting for 44 percent of China’s imports in 2014.

• As China’s influence in Central Asia grows, it increasingly is 
competing with Russia, which has long dominated the region in 
the economic, security, and cultural realms. China now domi-
nates in the economic realm, though Russia is still the primary 
military and cultural power in the region. Beijing, which seeks 
stable ties with Moscow, avoids creating the perception of overt 
competition between the two countries.

• After several years of relative disinterest, China has been in-
creasing engagement with Afghanistan since 2012. As with Cen-
tral Asia, China fears extremist and terrorist elements in Af-
ghanistan contribute to instability in Xinjiang. Anticipating the 
U.S. withdrawal from Afghanistan, China is starting to realize it 
will have to involve itself in the country’s reconstruction and sta-
bilization to preserve stability and security in Xinjiang.

• China and the United States appear to share similar priorities 
in Central Asia, such as promoting economic growth and 
connectivity and preventing the spread of extremism and ter-
rorism. Yet Beijing and Washington pursue these goals in very 
different ways, which could make meaningful cooperation in the 
region challenging. In particular, while the United States seeks 
to encourage democratization and discourage corruption in gov-
ernment and business, China supports the region’s authoritarian 
governments and is more tolerant of the region’s widespread cor-
ruption.
ENDNOTES FOR SECTION 1


25. Xinjiang Academy of Social Sciences’ Institute of Central Asia, discussion with Commission, Urumqi, China, July 24, 2015.


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161. RT (Russia), “Russia, China Agree to Integrate Eurasian Union, Silk Road, Sign Deals,” May 8, 2015.

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