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Looking West: China and Central Asia

Background

In September 2013 during a visit to Astana President Xi Jinping spoke of establishing a 'Silk Road Economic Belt' (SREB) that would 'open the strategic regional thoroughfare from the Pacific Ocean to the Baltic Sea, and gradually move toward the set-up of a network of transportation that connects Eastern, Western and Southern Asia.'¹ Made during the President's inaugural visit to Central Asia, the speech was both an articulation of a policy in a region that had been underway for around a decade, as well as the first declaration of a foreign policy vision that has increasingly shaped China's own projection of its approach to foreign affairs. Founded in Central Asia, the SREB and the development of trade and infrastructure corridors emanating from China that it has come to symbolize, is slowly becoming Beijing's dominant and most vocalised foreign policy strategy and is possibly set to be the defining public narrative for Chinese foreign policy under Xi Jinping.

Xinjiang

To understand the SREB in its proper context, it is important to first understand Xinjiang. Xinjiang occupies approximately a sixth of China's landmass, with around 1.5% of its population (at around 22.09 million according to the 2011 census). It is home to large oil and gas reserves (about a fifth of the national total of oil), and has about 40% of the nation's coal reserves that are close to the surface and of good quality (coal remains one of China's main sources of electricity generation).² It also has a major agrarian industry, with 70% of China's tomatoes grown in the province, making the region one of the world's major sources of ketchup and tomato paste. Xinjiang is a region that is beset with tensions focused around ethnic rivalries. Home to Uighurs, a Turkic speaking people's whose language, culture and ethnicity is closer to Uzbek or Turkish, the region has faced community tensions between Uighurs and Han Chinese for decades. Uighurs were once a majority in the region. PRC census data from 1953 indicates that at the time the province was 75% Uighur and 6% Han, a figure that today stands instead at around 40+% each according to the 2011 census.³ There is resentment against the growing presence of Han Chinese, with the Uighur

¹ http://news.xinhuanet.com/english/china/2013-09/07/c_132700695.htm

² <http://www.nytimes.com/2014/12/21/world/asia/china-invests-in-xinjiang-region-rich-in-oil-coal-and-also-strife.html>

³ <http://www.eastwestcenter.org/publications/demographics-and-development-xinjiang-after-1949>

population feeling that their identity and culture is slowly being eroded down as Beijing profits from the region's natural wealth.

Since the People's Liberation Army (PLA) conquered Xinjiang in 1949, the region has faced tensions with angry Uighurs occasionally rising up against the state or inter-communal violence erupting between the growing Han population and the increasingly minority Uighur one. This has expressed itself in terrorist violence at home and abroad. Groups of Uighurs have travelled abroad into Central Asia or Afghanistan, where they have connected with extremist groups and created training camps to prepare to return to China and fight.⁴

Most recent attention, however, was focused on July 2009 when rioting in the region's capital led to an estimated 200 deaths as mobs of Uighurs rampaged through the city attacking, and killing, Han Chinese. The next day, counter-marches took place with angry Han taking to the streets to protest both against the Uighur-led atrocities, but also the failure of the government to protect them. The local government's failure to quell the violence was so dramatic that President Hu Jintao had to embarrassingly leave the G8 Summit in L'Aquila to return home to manage the crisis. The result of this was a change in leadership in the region, with the removal of a number of local figures from their positions (for example, Li Zhi, Communist Party Secretary in Urumqi, and Xinjiang Public Security Bureau head Liu Yaohua) and most dramatically, a year later, the removal of long-time regional party boss Wang Lequan.⁵

At the same time as changing the regional leadership, on May 17-19, 2010, Beijing hosted a major conference on the region. The Xinjiang Work Conference was hosted in Beijing by the CCP's central committee and the State Council, involving then President Hu Jintao and then-Premier Wen Jiabao, as well as both of their successors Li Keqiang and Xi Jinping. This was a rare but significant work conference about a specific region (a number have been done for Tibet), and it led to a number of new policy approaches to the region by Beijing.⁶ Focusing on 'leapfrog development' the main thrust of the conference was economic development as the key to solving the region's problems. Amongst the raft of economic measures was the developed of a twinning policy between more affluent provinces in China and prefectures in Xinjiang. For example, Shanghai took on responsibility for parts of Kashgar – something that translated in practice to the transfer of Shanghai officials to work in the region for a year, the delegation of a portion of Shanghai's GDP as financial support for the region, and delegation visits from Shanghai to the region to advise on developing institutions and structures that had added to Shanghai's prosperity.⁷ State and provincial companies are actively encouraged to invest in the Xinjiang, while different provinces would attempt to teach the parts of Xinjiang that they are responsible for some of the things that helped their success. For example, Shenzhen helped

⁴http://www.cidob.org/en/publications/stap_rp/perspectives_2013/perspectives_from_the_region_in_2013_china

⁵ 'China's wild west,' *Jane's*, July 2012

⁶ http://news.xinhuanet.com/english2010/china/2010-05/20/c_13306534.htm

⁷ Shan Wei and Weng Cuifen, 'China's New Policy in Xinjiang and its Challenges,' *East Asian Journal*, vol 2, no.3

Kashgar develop a Special Economic Zone. Another innovation was the transformation of the then relatively moribund Urumqi regional trade fair into a Eurasian Expo, aimed at bringing in traders, businessmen and officials from across the Eurasian landmass to Urumqi – a city described by an Urumqi official to the author as the ‘closest big Chinese city to Europe.’⁸ Economic investors from Europe and elsewhere were actively encouraged with preferential benefits and gentle persuasion. For example, a Turkish-Chinese business park was developed just outside Urumqi to bring Turkish investment into the region.⁹ German carmaker VW was encouraged alongside its Chinese joint venture partner SAIC to build a sedan factory in the region.¹⁰ Central Asian businessmen and traders were actively targeted for the Eurasian Expo, and another Special Economic Zone was established at the border crossing with Kazakhstan at Khorgos. And finally, funding was allocated to develop infrastructure, roads, rail and airports across the region to enable Xinjiang to become ‘a gateway for mutually beneficial cooperation between China and other Eurasian countries’, as put by Premier Wen Jiabao during the Second Eurasian Expo in Urumqi in September 2012.¹¹

China’s policy towards Xinjiang was not, of course, solely one of economic investment. Alongside this surge of inward investment (something that had been underway for some time through various ‘develop the west’ initiatives) was a growth in security spending in the region. Emphasis was placed on trying to strengthen the security forces in the region and stamp out the periodic bouts of violence that continue to plague the region. China’s approach was in essence a binary one of heavy economic investment and heavy security clampdown. The balance between these two seemed to be shifted back in favor of ‘stability’ (or security) in the wake of a second Xinjiang Work Conference under Xi Jinping’s leadership in January 2014.¹² However, the State Council also emphasised the importance of economic investment when it announced in June 2014 that the Xinjiang government was to spend approximately \$130 billion to develop the region’s infrastructure.¹³

But for both the security and economic surges to work, there was clearly a need to develop stronger links to the region around Xinjiang, and it is here that Central Asia starts to play a prominent and key role. Abutting Xinjiang, Central Asia is China’s westernmost periphery. Scattered around the region are pockets of Uighur populations – with major communities found in ethnically proximate Uzbekistan, Kyrgyzstan and Kazakhstan. In Kazakhstan in particular, Uighurs play a substantial role in the nation, with current Prime Minister Karim Massimov an ethnic Uighur. In Pakistan, relatively large Uighur communities live along Pakistan’s side of the Karakoram Highway.¹⁴ Within these communities

⁸ Author interview, Urumqi September 2012

⁹ http://www.tusiad.org/_rsc/shared/file/Sincan-Uygur-Ozerk-Bolgesi-Heyeti-Sunum.pdf

¹⁰ <http://www.carnewschina.com/2012/05/29/shanghai-volkswagen-starts-work-on-new-factory-in-xinjiang-china/>

¹¹ <http://en.people.cn/102774/7933196.html>

¹² <http://www.globaltimes.cn/content/836495.shtml>

¹³ <http://www.nytimes.com/2014/12/21/world/asia/china-invests-in-xinjiang-region-rich-in-oil-coal-and-also-strife.html>

¹⁴ <http://thediplomat.com/2013/12/from-uyghurs-to-kashgari/>

and countries, China sees concern and Beijing and Urumqi security chiefs have developed strong links with their local counterparts (at a bilateral level, but also through the Shanghai Cooperation Organization) to ensure that, should any dissident Uighurs flee across the border, they will be rapidly repatriated.

More visible than this strong security bond, however, is the huge level of economic activity and investment that is slowly spilling across the border into Central Asia from China. Something that has always happened naturally given the borders, traditionally nomadic people's and the nature of trading across Central Asia, it has increasingly taken on a life of its own as Chinese investment has poured in to refurbish and revitalize the trade routes across the region. The logic to this growth is simple: Xinjiang is as landlocked as the Central Asian countries it abuts. If Beijing is going to ensure that the region prospers, then it will need to be better connected to the world. Given the relative land proximity to Europe, it therefore makes more sense to develop the region's physical links into Central Asia, not necessarily for Central Asian prosperity in itself, but rather to ultimately help transport Chinese goods to Eurasian and European markets (and vice versa). Hence the need for infrastructure that helps re-connect and re-wire the Eurasian landmass from China to Europe. Ultimately, if Xinjiang is going to benefit from the push for economic investment within China, it is going to have to have somewhere to trade with and through. Logically, conduit for this has to be Central Asia.

China's Economic Surge into Central Asia

It is in many ways the economics of China's push into Central Asia that is the most significant external aspect of this ultimately domestic policy response. The narrative of Chinese investment into the region used to be one of mineral extraction and exploitation. A late entrant into Central Asian energy through investments in Kazakhstan, CNPC purchased aging Soviet oil fields in Aktobe, western Kazakhstan and rapidly built an oil pipeline back to China. Built with great speed and efficiency, the pipeline became the symbol of China's relations with the region. Most perceived China as viewing Central Asia simply as a large source of fuel and minerals that it could exploit to feed the seemingly insatiable energy needs its economic development required. This view was further affirmed through CNPC's major investments into Turkmenistan, where the country has been one of the few to successfully operate and buy Turkmen gas. CNPC has become one of the largest supporters of the Turkmen national budget, through gas purchases and the development of almost four different pipelines to transport gas back to China.

This superficial view of China's growth in the region misses the reality on the ground whereby China is slowly becoming a dominant player in a vast array of different economic areas. From Kyrgyzstan, where the import and re-export of Chinese goods plays a huge role in the national economy, to Tajikistan that is increasingly becoming one of China's biggest debtor partners. To better understand the breadth and depth of China's economic influence in the region, it is useful to look at the extent to and manner in which China operates in the

energy industry, one of the dominant industries in which China participates in Central Asia.

As has been mentioned, China is the major player in Turkmenistan, where it is the sole country that is able to get substantial access to Turkmen hydrocarbons. Russian volumes have shrunk and Iran has had difficulty paying in cash (offering barter instead), making China the preferred player in Ashgabat. This is a similar story in Kazakhstan, where China has not only constructed one of the quickest-built pipelines ever in the country, but it has also bought 8.33% of the supergiant oil field Kashagan, purchasing American firm ConocoPhillips' stake.¹⁵ Buying into a project run by a multi-national consortium is a new endeavor for a Chinese company in Kazakhstan. It is also a major purchaser of Kazakh uranium. In 2014 Kazakhstan's state-run nuclear energy agency Kazatomprom said that 55% of Kazakh uranium production was exported to China.¹⁶ In Uzbekistan, China has signed contracts to extract some gas and build a pipeline across the country from Turkmenistan. It has also aided in developing electricity re-metering,¹⁷ as well as helped the country to develop its solar panel production capability, and refurbish solar furnace factories.¹⁸

Tajikistan, until relatively recently considered a very energy poor country, made discoveries of large potential gas reserves in the Bokhtar region. Chinese company CNPC partnered with Canadian Tethys and French Total to undertake further exploration.¹⁹ Downtown Dushanbe, once famous for its blackouts, now has a large Chinese-built thermal power plant that provides electricity to the city through the cold winter months. A major producer of hydroelectric power, Chinese firms have explored the possibility of both exporting Tajik hydroelectric power, but also building some of the infrastructure to support it. And finally, Kyrgyzstan, remaining energy poor has nonetheless benefited from Chinese attention in the energy field. While Russian firm Gazprom remains a major player in the nations energy mix, CNPC has offered to build refineries in the country, as well as helping connect the country upgrade and build power transmission lines.²⁰ China is a player across Central Asia's energy fields, not solely in extractives.

The funding for these projects comes in a number of different ways. In some cases, like a coal-fired plant in Dushanbe, the project was one that is offered by a Chinese firm in exchange for preferential treatment on another project.²¹ In other cases, it is funded through Chinese policy bank loans that are offered at preferential rates and stipulate that the implementing party must be Chinese. One example of this structure is the decision to build a camera monitoring

¹⁵ <http://www.reuters.com/article/2013/09/07/us-oil-kashagan-china-idUSBRE98606620130907>

¹⁶ <http://www.asiaminer.com/news/regional-news/6189-uranium-mining-in-central-asia.html#.VQk8KNKsXpA>

¹⁷ <http://en.people.cn/90883/7835904.html>

¹⁸ <http://www.silkroadreporters.com/2015/01/27/uzbekistan-looks-solar-power/>

¹⁹ <http://www.tethyspetroleum.com/operations/tajikistan/the-asset-bokhtar-psc-area/default.aspx>

²⁰ <http://www.timesca.com/news/8295-china-helps-upgrade-bishkek-thermal-power-plant>

²¹ http://centralasiaonline.com/en_GB/articles/caii/features/business/2010/05/06/feature-02

system in Dushanbe to help monitor traffic in the city. Money was offered through an ExIm Bank loan, and the implementer was Chinese telecoms giant Huawei.²² This approach is not actually novel to the region, with both Korean and Japanese banks offering similar structures in regional contexts, but the scale and size of Chinese loans and rapid implementation is significant.

Increasingly one can see China assisting in the rewiring of roads, railways, pipelines and electricity grids across the region so that all lead back to China, or at least in some way benefit China's access. All of this helps connect up what is happening in Central Asia with the all-important domestic strategy in Xinjiang. Consequently, the economic push into Central Asia by China comes from a blend of economic forces as a result of the economic investment into Xinjiang, as well as the ongoing outward push by Chinese firms and money.

Enunciating a strategy

While this is how things have been playing out on the ground for many years, prior to Xi Jinping's SREB announcement, China's investment strategy for Xinjiang and Central Asia was not something that had been directed or enunciated in any clear or coherent way from Beijing. The closest thing to a regional strategy document can be found in the Xinjiang Work Plan and its acknowledgement of the importance of developing markets and routes into Central Asia to improve Xinjiang's prosperity. In 2011, Chinese academic and Dean of Beijing's international school Wang Jisi offered some sort of academic theory to the logic of this push in his influential writing about China's March Westward.²³ But there was no clear policy expression or formulation offered until Xi Jinping visited Central Asia in 2013 and laid out his SREB vision, in essence symbolizing Xi Jinping's desire to take ownership over a reality that had been going on for some time and stamping his brand and leadership on an overarching policy concept around it.

And since the announcement of this belt, and the later addition of the Maritime Silk Road in a speech in Indonesia in October 2013,²⁴ amalgamated into the phrasing 'one belt, one road' there has been a further surge in development and investment to make this vision a reality. At home, the Silk Road has now become a project with huge implications across the west of the country. Maps have been issued showing the city of Xi'an as the starting point, while \$79.8 billion has been announced into investment into Gansu.²⁵ A further domestic fund of some \$16.3 billion has been announced for supporting Silk Road projects at home.²⁶ Mostly infrastructure investment projects, there have also been more specific investments emanating from provinces in Western China to Central Asian

²² <http://news.tj/en/news/installation-cctv-cameras-dushanbe-going>

²³ http://opinion.huanqiu.com/opinion_world/2012-10/3193760.html

²⁴ http://usa.chinadaily.com.cn/china/2013-10/04/content_17008940.htm

²⁵ http://articles.economictimes.indiatimes.com/2015-03-01/news/59642280_1_bcim-century-maritime-silk-road-province

²⁶ <http://www.bloomberg.com/news/articles/2014-11-04/china-said-to-plan-16-3-billion-fund-to-revive-silk-road>

countries – like \$800 million invested by Henan into Tajikistan.²⁷ On the ground such investment efforts can be found in Tashkent in the form of trade fairs bringing Xinjiang traders to the region, as well as in markets across the region that are filled with low-end traders and larger property or market owners who have spent a decade or more in Central Asia building up empires of market stalls, local factories and real estate portfolios.

Externally, this surge of infrastructure investment is also clearly visible in the form of a growing constellation of investment banks being directed out of Beijing, as well as the expansion of the concept of the SREB. From an initial vision that seemed focused on Xinjiang development through Central Asia, it has now become something that spans the Eurasian landmass (more than 60 countries now see themselves in its route), but has also developed offshoots in the Maritime Silk Road, the Bangladesh-China-India-Myanmar (BCIM) Corridor, and the China-Pakistan Economic Corridor (CPEC). Each of these is less developed compared with the SREB, but at the same time all reflect logical trade corridors that China would like to open up. China has already started to explore how to develop the necessary infrastructure in each case.

One of the main reasons why this push seems more credible than previous efforts is the volume of funding that China is pushing towards the projects and the array of development bank vehicles they are creating to help make it a reality. The Asian Infrastructure Investment Bank (AIIB), the BRICS Bank, and the earlier discussed but never realized Shanghai Cooperation Organization (SCO) Development Bank, are all expressions of this. Whilst the AIIB and BRICS Bank are not singularly focused on Central Asia, the model of development they are focused on is one that reflects China's experiences in Central Asia, using the lever of economic infrastructure investment to help foster trade corridors and routes that ultimately connect China to its markets. The focus on infrastructure reflects not only the reality of a region that has infrastructure huge demand for investment in this area, but also a Chinese policy outlook that is shaped by the concept of regional connectivity and development of a prosperous neighbourhood. This underlying concept is something that has been present in Xi Jinping's foreign policy outlook from the beginning of his presidency. This is highlighted when in October 2013 he held a rare foreign policy work conference focused on 'peripheral diplomacy', meaning China's relations with its proximate neighbours.²⁸

Regional repercussions

The biggest question in this Chinese push, however, is how the region is going to react to it. Looking to Central Asia in particular, China has played a very careful and sensitive game. This is most clearly exemplified in the SCO, that was first developed as the Shanghai Five, a cooperative grouping focused on delineating China's borders with the former Soviet Union in the wake of the latter's collapse. In 2001, Uzbekistan joined China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan,

²⁷ <http://www.rferl.org/content/rahmon-china-beijing-fuzhan-investment/26679475.html>

²⁸ <http://www.cna.org/sites/default/files/research/ICP-2014-U-008327.pdf>

and the SCO was formed with a Regional Anti-Terrorism Structure (RATS) founded in Tashkent. From there, the organization has continued to operate, using counter-terrorism as its main rallying flag, but with little evidence of it developing too much more beyond this. Chinese thinkers and officials have tried to push the SCO in a more economic and development direction, but this has largely been met with skepticism and hesitation by regional powers, in particular Russia, who has hesitated to let the SCO develop too much more beyond its current mandate. At the same time, China's hesitation to get involved in hard security questions regionally means that the Central Asian members of the organization continue to prioritize the security relationship with Russia over China (though there is some evidence that this is starting to change).

With Russia, the question of underlying tensions has remained a major issue, though 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 interests in Central Asia. For their part, Russian experts recognize that China is the coming force in Central Asia, but seem willing to accept it and highlight that most regional leaders see Moscow as their key international partner who is also able to play a much more decisive security role than Beijing. There have been some deals recently where Russian firms have lost contracts in favor of Chinese companies – for example, the redevelopment of the Manas Airbase in Kyrgyzstan in the wake of American withdrawal, is something that has been passed on to Chinese firms rather than Russian Rosneft who was initially believed to be taking the contract. But at a larger strategic level, both powers seem to have reached a modus vivendi in Central Asia that does not necessarily reflect the strategic balance in outsiders eyes, but that functions for them on the ground.

The other key regional question hanging over the region is Afghanistan (and Pakistan). For Central Asia, it is Afghanistan that is seen as the great potential destabilizer, and there is the concern that the massive investments into the SREB that have been done into Central Asia may be negatively impacted should Afghanistan become once again an exporter of instability. This is a concern that Chinese officials will express, though most often when talking about Afghanistan they will express concern that Uighur extremists might once again use the territory as a training ground to export violence back to China. China has increasingly been playing a role in Afghanistan, in particular in trying to offer itself as a broker between the Taliban and authorities in Kabul, as well as mineral extraction, economic investment, and some regional collaboration. But at the same time, it is unclear that Afghanistan necessarily features as part of the SREB, except in some of its northern regions that offer themselves as routes to Iranian and other Middle Eastern markets, in one of the routes offered in Chinese publications of where the SREB actually flows.

The biggest regional problem that China faces with its SREB in Central Asia, however, is the question of Sinophobia. Something that is palpable on the ground at times in the resentments that people feel towards Chinese businessmen and traders, there is a noticeable sensitivity when discussions come up about Chinese redrawing boundaries in certain parts of Central Asia. In Tajikistan, online

discussions about land deals between Chinese state owned agri-businesses and Tajik authorities were blocked to reflect the perception on the ground that these deals were the government selling the nation to China. In Kazakhstan a similar deal was announced by President Nazarbayev in 2009, but the public outcry against it led to him walking back on the initial deal. Relatively small countries by population, the Central Asians fear overwhelming by China, a sentiment that can also be found in Russia's border regions with China. This is not only about numbers of people, but also in the fact that all of the Central Asians want to become manufacturing hubs themselves, something that is going to be very difficult when they sit next to the world's manufacturer.

China is not unaware of this Sinophobia, and has attempted through various means to undertake a soft power push in the region. For example, there is a growth number of Confucius Institutes in the region. They have also funded specific research projects in countries like Kazakhstan by local experts and opinion formers to help both shape the individuals views, but also to understand better the nature of the sinophobia so they can react to it. Travel to Aktobe, a city where CNPC plays a major economic role, and it is almost impossible to find a visible Chinese presence in the city. Chinese workers stay outside the city in a compound in an old sanatorium.

US Relations and impact

From a Chinese and Central Asian perspective, the US's role is complicated. In the first instance, it is important to understand a bit more of the theory behind the policy. When Professor Wang Jisi drafted his influential work on the need for China to March Westward, his thinking was not only based in trying to get China to focus on its immediate periphery and develop its west, but also to try to get Chinese officials to refocus from their almost obsessive attention to China's relations with the United States and maritime powers. This underlying logic highlights how to some degree China sees its push into Eurasia as something that it is doing without the United States. At the same time, China has shown itself to being increasingly willing to cooperate with the United States in Central Asia, with a willingness to undertake joint programs in Afghanistan, as well as explore discussions with American officials about what cooperation could be undertaken collaboratively in Central Asia.

At the same time, regionally, the United States is seen as something of an erratic actor. With the drawdown from Afghanistan, and the oscillating American attention to Central Asian powers, there is a regional perception that the United States is a fairweather friend or only focuses on the region when national interests are threatened (like in the wake of September 11, 2001). Furthermore, the United States is seen as not offering the same opportunities as China – while there was an interest in the New Silk Road highlighted by then-Secretary of State Hilary Clinton in a speech in Chennai in 2011, little has come from that beyond an expression of interest by the United States in creating a north-west corridor through Afghanistan. Projects like the Turkmenistan-Afghanistan-Pakistan-India pipeline or CASA 1000 are slowly moving forwards, but without the financial push or heft of China behind them, progress is much slower than China's efforts.