

**LOOKING WEST: CHINA AND CENTRAL ASIA**

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**HEARING**  
**BEFORE THE**  
**U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION**

**ONE HUNDRED FOURTEENTH CONGRESS**  
**FIRST SESSION**

**WEDNESDAY, MARCH 18, 2015**

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**UNITED STATES-CHINA ECONOMIC AND SECURITY REVIEW**  
**COMMISSION**

**WASHINGTON: 2015**

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The Commission was created on October 30, 2000 by the Floyd D. Spence National Defense Authorization Act for 2001 § 1238, Public Law No. 106-398, 114 STAT. 1654A-334 (2000) (codified at 22 U.S.C. § 7002 (2001), as amended by the Treasury and General Government Appropriations Act for 2002 § 645 (regarding employment status of staff) & § 648 (regarding changing annual report due date from March to June), Public Law No. 107-67, 115 STAT. 514 (Nov. 12, 2001); as amended by Division P of the “Consolidated Appropriations Resolution, 2003,” Pub L. No. 108-7 (Feb. 20, 2003) (regarding Commission name change, terms of Commissioners, and responsibilities of the Commission); as amended by Public Law No. 109-108 (H.R. 2862) (Nov. 22, 2005) (regarding responsibilities of Commission and applicability of FACA); as amended by Division J of the “Consolidated Appropriations Act, 2008,” Public Law No. 110-161 (December 26, 2007) (regarding responsibilities of the Commission, and changing the Annual Report due date from June to December); as amended by the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015, P.L. 113-291 (December 19, 2014) (regarding responsibilities of the Commission).

The Commission’s full charter is available at [www.uscc.gov](http://www.uscc.gov).

April 22, 2015

The Honorable Orrin Hatch  
President Pro Tempore of the Senate, Washington, D.C. 20510  
The Honorable John A. Boehner  
Speaker of the House of Representatives, Washington, D.C. 20515

DEAR SENATOR HATCH AND SPEAKER BOEHNER:

We are pleased to notify you of the Commission's March 18, 2015 public hearing on "Looking West: China and Central Asia." The Floyd D. Spence National Defense Authorization Act (amended by Pub. L. No. 109-108, section 635(a) and amended by Pub. L. No. 113-291, Section 1259 B) provides the basis for this hearing.

At the hearing, the Commissioners received testimony from the following witnesses: Raffaello Pantucci, Director of International Security Studies, Royal United Services Institute for Defence and Security Studies; Marlene Laruelle, Ph.D., Director, Central Asia Program, Institute for European, Russian and Eurasian Studies, Elliott School of International Affairs, George Washington University; S. Frederick Starr, Ph.D., Chairman, Central Asia-Caucasus Institute and Silk Road Studies Program, Johns Hopkins University SAIS; Alexander Cooley, Ph.D., Professor, Political Science, Barnard College, Columbia University; Sebastien Peyrouse, Ph.D., Research Professor, International Affairs, George Washington University; Erica Downs, Ph.D., Senior Analyst, Eurasia Group; Michael Clarke, Ph.D., Senior Research Fellow, Griffith Asia Institute, Griffith University; Niklas Swanström, Ph.D., Director, Institute for Security and Development Policy; and Andrew Small, Transatlantic Fellow, German Marshall Fund of the United States. The hearing examined the drivers of China's engagement with Central Asia, its impacts on regional economic security and stability, and its implications for U.S. policy objectives in the region.

We note that prepared statements for the hearing, the hearing transcript, and supporting documents submitted by the witnesses are available on the Commission's website at [www.USCC.gov](http://www.USCC.gov). Members and the staff of the Commission are available to provide more detailed briefings. We hope these materials will be helpful to the Congress as it continues its assessment of U.S.-China relations and their impact on U.S. security.

The Commission will examine in greater depth these issues, and the other issues enumerated in its statutory mandate, in its 2015 Annual Report that will be submitted to Congress in November 2015. Should you have any questions regarding this hearing or any other issue related to China, please do not hesitate to have your staff contact our Congressional Liaison, Reed Eckhold, at (202) 624-1496 or via email at [reckhold@uscc.gov](mailto:reckhold@uscc.gov).

Sincerely yours,



Hon. William A. Reinsch  
Chairman



Hon. Dennis C. Shea  
Vice Chairman



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## LOOKING WEST: CHINA AND CENTRAL ASIA

WEDNESDAY, MARCH 18, 2015

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### U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

*Washington, D.C.*

The Commission met in the Russell Senate Office Building, Washington, DC at 9:00 a.m., Commissioners Vice Chairman Dennis C. Shea and Katherine C. Tobin, Ph.D. (Hearing Co-Chairs), presiding.

#### **OPENING STATEMENT OF COMMISSIONER VICE CHAIRMAN DENNIS C. SHEA HEARING CO-CHAIR**

VICE CHAIRMAN SHEA: Good morning and welcome to the third hearing of the U.S.-China Economic and Security Review Commission's 2015 Annual Report cycle. I want to thank everyone for joining us today.

Today's hearing will examine the drivers of China's engagement with Central Asia, its impacts on regional economic security and stability, and its implications for U.S. policy objectives in the region.

This hearing comes at an important time. With the withdrawal of U.S. military forces from Afghanistan, Central Asia, an underdeveloped but energy rich corner of Asia, is increasingly relying on China for trade, infrastructure development and diplomatic support.

China's vision for engagement with Central Asia was formally articulated in 2013 with the inauguration of the "Silk Road Economic Belt" initiative, which in the spirit of the ancient Silk Road seeks to link China to Europe through westward expansion of trade. Though the Silk Road Economic Belt initiative is a relatively new expression of Chinese diplomacy in the region, China has been actively building trade and security linkages with Central Asian states since the collapse of the Soviet Union. China has signed more than \$50 billion in energy and infrastructure deals in Central Asia and set up a \$40 billion Silk Road infrastructure fund aimed at expanding railways, roads and pipelines.

China is pursuing engagement with Central Asia for three strategic reasons: first, it seeks to promote the security and development of its restive Xinjiang Province; second, China wants to gain access to Central Asia's vast oil and gas resources; and, finally, Beijing seeks to develop new markets for its exporters and construction companies by building roads and railways across this landlocked region of the world.

China also hopes to bolster its soft power and influence in Asia at a time when its aggressive actions over territorial disputes in the South and East China seas have alienated many of its Pacific neighbors.

Will these developments strengthen the Central Asian states by broadening their international reach or weaken them by creating a dependency on China, or neither? To help us better understand these complexities, we are joined by distinguished experts and long-time observers of Central Asia, and I think today it might be fair to say that we've cornered the global market on Central Asian experts.

We have some great people joining us today. So we look forward to hearing from each of you, and before I turn the floor over to my co-chair for this hearing, Commissioner Katherine Tobin, I would like to thank Senator Johnny Isakson, and the staff of the Veterans Affairs Committee, for securing this room for us.

**PREPARED STATEMENT OF COMMISSIONER VICE CHAIRMAN DENNIS C. SHEA  
HEARING CO-CHAIR**



U.S.-CHINA ECONOMIC AND SECURITY  
REVIEW COMMISSION

*Hearing on “Looking West: China and Central Asia”*

**Opening Statement of Vice Chairman Dennis Shea  
March 18, 2015  
Washington, DC**

Good morning, and welcome to the third hearing of the U.S.-China Economic and Security Review Commission’s 2015 Annual Report cycle. I want to thank you all for joining us today.

Today’s hearing will examine the drivers of China’s engagement with Central Asia, its impacts on regional economic security and stability, and its implications for U.S. policy objectives in the region. This hearing comes at an important time. With the withdrawal of U.S. military forces from Afghanistan, Central Asia—an underdeveloped but energy rich corner of Asia—is increasingly relying on China for trade, infrastructure development, and diplomatic support.

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China is pursuing engagement with Central Asia for three strategic reasons: First, China seeks to promote the security and development of its restive Xinjiang Province. Second, China wants to gain access to Central Asia’s vast oil and gas resources. Finally, Beijing seeks to develop new markets for its exporters and construction companies by building roads and railways across this landlocked region of the world. China also hopes to bolster its soft power and influence in Asia at a time when China’s aggressive actions over territorial disputes in the South and East China seas have alienated many of its Pacific neighbors.

Will these developments strengthen the Central Asian states by broadening their international reach or weaken them by creating a dependency on China? To help us better understand these complexities, we are joined by distinguished experts and long-time observers of Central Asia. We look forward to hearing from each of you.

Before I turn the floor over to my co-chair for this hearing, Commissioner Katherine Tobin, I would like to thank Chairman Isakson and the staff of the Veteran's Affairs Committee for securing this room for us today.

**OPENING STATEMENT OF COMMISSIONER KATHERINE C. TOBIN, PH.D.  
HEARING CO-CHAIR**

HEARING CO-CHAIR TOBIN: Thank you, Commissioner Shea, and welcome everyone.

The Xi Jinping administration frequently proclaims that China is prepared to take on a greater leadership role in Asia and beyond. In many ways, China's engagement with Central Asian countries will be a test case for Beijing's ability to demonstrate the regional and global leadership to which it aspires.

Will China be able to take on Central Asia's toughest challenges--poverty, underdeveloped infrastructure, weak and corrupt governments, and the threat of terrorism--in a way that promotes healthy economic growth, regional security, and responsible governance? Or will it merely use its relationships in Central Asia to advance its own narrow interests? The answer to these questions will have wide-ranging implications.

Economic development and regional connectivity in Central and South Asia is a top priority for the United States and is a key pillar of the Obama administration's "New Silk Road" policy. We hope that China's vast infrastructure development in the region will complement this effort by promoting these region-centric goals and not just serve as a thoroughfare for shipping oil and gas to China.

Similarly, we hope China's vigorous cooperation with Central Asia on counterterrorism will strengthen security while protecting human rights and prioritizing transparency. Given China's worrisome domestic counterterror policies and its heavy-handed treatment of unrest in Xinjiang, we sadly fear this may not be the case.

Ultimately China's ability and China's willingness to engage with Central Asia will help determine whether the region fulfills its aspirations to become a flourishing intercontinental hub or falls prey to corrosive authoritarianism or the threat of terrorism.

Nowhere is this more apparent than in Afghanistan. If China joins the United States and others in our efforts to stabilize Afghanistan, which it appears poised to do, it could help usher in a period of peace and stability the country and the region deeply needs.

So today we look forward to exploring these issues and hope to find creative ways the United States can encourage and work with China to play a positive role in Central Asia.

As a reminder, the testimonies and transcript from today's hearing will be posted on our Web site, [www.uscc.gov](http://www.uscc.gov), and you'll also find there a good number of other resources, including our Annual Report, ongoing staff papers, and links to important news stories.

So let me begin with an introduction of our panel. Mr. Raffaello Pantucci is not yet here. We're hoping he is forthcoming.

**PREPARED STATEMENT OF COMMISSIONER KATHERINE C. TOBIN, PH.D.  
HEARING CO-CHAIR**



U.S.-CHINA ECONOMIC AND SECURITY  
REVIEW COMMISSION

*Hearing on “Looking West: China and Central Asia”*

**Opening Statement of Commissioner Tobin  
March 18, 2015  
Washington, DC**

Thank you, Commissioner Shea, and welcome everyone.

The Xi Jinping administration frequently proclaims that China is prepared to take on a greater leadership role in Asia and beyond. In many ways, China’s engagement with Central Asian countries will be a test case for Beijing’s ability to demonstrate the regional and global leadership to which it aspires. Will China be able to take on Central Asia’s toughest challenges—poverty, underdeveloped infrastructure, weak and corrupt governments, and the threat of terrorism—in a way that promotes healthy economic growth, regional security, and responsible governance? Or, will it merely use its relationships in Central Asia to advance its own narrow interests? The answer to these questions will have wide-ranging implications.

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Ultimately, China’s ability and willingness to engage with Central Asia will help determine whether the region fulfills its aspirations to become a flourishing intercontinental hub or falls prey to corrosive authoritarianism or the threat of terrorism. Nowhere is this more apparent than Afghanistan. If China joins the United States and others in our effort to stabilize Afghanistan—which it appears poised to do—it could help usher in a period of peace and stability the country and the region deeply needs.

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**PANEL I INTRODUCTION BY COMMISSIONER KATHERINE C. TOBIN, PH.D.**

VICE CHAIRMAN SHEA: He's stuck in traffic.

HEARING CO-CHAIR TOBIN: He's stuck in traffic. Okay. I'll introduce him formally when he's arrived and settled in.

So Panel I is going to examine China's recent Silk Road initiatives. Much like the original Silk Road, which connected China to the rest of the Eurasian continent as nearly as early as 200 B.C., China's renewed emphasis on Central Asia aims to promote economic and cultural ties with its Western neighbors.

I'm pleased to introduce our experts who will discuss this topic. Marlene Laruelle is the director of the Central Asia Program at George Washington University's Elliott School of International Affairs. Dr. Laruelle has been the principal investigator or co-investigator on multiple projects on Russian think tanks and political networks and on Central Asia's "neighborhood."

Since 2009, she has been working on the Central Asia-Afghanistan relationship and is a subject matter expert for NATO. She has authored and contributed to several books on Central Asian relations with external powers, including China.

And I'll just mention that I've been very pleased to read *The Chinese Question in Central Asia* that you have co-authored. Thank you.

S. Frederick Starr is the founding Chairman of the Central Asia-Caucasus Institute and Silk Road Studies Program at Johns Hopkins School of Advanced International Studies. Dr. Starr began work as a archaeologist in Turkey. I think he's somebody whose life I wish I could have lived at some point. It's so rich and varied and interesting.

So he moved from being an archeologist in Turkey and went on to found the Kennan Institute for Advanced Russian Studies. Dr. Starr also served as Vice President of Tulane University and as President of Oberlin College and the Aspen Institute.

He has advised three U.S. presidents on Russian and Eurasian affairs and coauthored the first comprehensive strategic assessment of Central Asia, the Caucasus and Afghanistan for the Joint Chiefs of Staff. His recent work has focused on the "New Silk Road."

Dr. Laruelle and Dr. Starr, please keep your remarks to--usually we say seven minutes, but I think we can give them a little longer.

VICE CHAIRMAN SHEA: Sure. Absolutely. And if I could add, Dr. Starr is also an expert on jazz.

HEARING CO-CHAIR TOBIN: That's right.

VICE CHAIRMAN SHEA: But he will not be discussing that today.

DR. STARR: Thank you.

[Laughter.]

HEARING CO-CHAIR TOBIN: Yes, I did notice that--and he loves New Orleans. We talked about that on the side. So you're truly a renaissance man, Dr. Starr.

Let's begin with Dr. Laruelle, if you would share your testimony, please?

**OPENING STATEMENT OF DR. MARLENE LARUELLE  
DIRECTOR, CENTRAL ASIA PROGRAM, INSTITUTE FOR EUROPEAN, RUSSIAN  
AND EURASIAN STUDIES ELLIOT SCHOOL OF INTERNATIONAL AFFAIRS**

DR. LARUELLE: Thank you very much. Thank you for inviting me to present here this testimony. As we will have many great speakers presenting their perspectives on the Chinese Silk Road, I would like to focus more in particular on the way the Central Asian states are viewing China and the way they react to this really fast-growing Chinese influence.

So you have five Central Asian states. Each of them has a different perspective on China. They are all very different on that, but they all share a general analysis which is that they need to find the balance between opening up in order to have new geopolitical partners and new economic partners, and at the same time they want to minimize external pressure on their societies, and so they have to find this. That's really the driver of their perception. That's really playing a role on the way they are looking at China.

The way they assess their partnership with external actors is based on three elements: they want geopolitical balance between the main external actor; they want an interplay of major powers; they want all international partners to assist with economic development so that's something where China is a very convincing partner.

But they are also all very much stressed by the loss of collective identity or sovereignty issues, and therefore on that point China is very often seen as a potential danger in the future.

So everybody in Central Asia is in favor of more economic investment and therefore China is, of course, a key player for them. They are all in favor of the Shanghai Cooperation Organization that they see as a prestigious platform for them where they are really well received and respected, but China also generates many fears, and I would like to present them here briefly.

China generates economic fears for several reasons. Because first the Central Asian states are afraid of being assigned to a role of purely raw material exporters, and they want to avoid that. They are all also very critical to while Chinese firms meddled in the region, they say that Chinese firms don't respect work contracts. They say that Chinese firms don't try to employ local workforce, and I think that's a key element, which is that they say that China brings development in infrastructure but no jobs, and that's something that they consider as a big issue.

And they have many also environmental concerns because they consider that the Chinese firms don't really follow what should be the minimum rules.

They also have, of course, a lot of political fears. One of them is that they are afraid of an instability coming from China because a small instability in China would have a big impact for them because of their power differential. They are very much afraid of the rise of Chinese nationalism. That's something that they look, they try to understand very carefully.

They also have strategic fears. Of course, even if the Sino-Central Asian military cooperation is still relatively limited for the moment in that Russia is still largely dominating the security sector, they consider that the situation is evolving. They are afraid of China, a rising power in the military sector. They consider that the modernization of the People's Liberation Army with a lot of investment in its offensive and defensive capabilities could increase this differential of power, and it would mean also that China could conduct more missions in Xinjiang and potentially outside its borders.

And they are very much afraid that China's noninterventionist stance could change in the future if the Central Asian states fail to guarantee their own security, and that's something that

comes up very regularly in the Central Asian press.

So you have both Sinophobia and Sinophilia in the five Central Asian states. Sinophile circles are mostly the presidential families, the political elites, the private sector oligarchs and directors of large public companies, all those who have to trade with China.

But you see also Sinophobic groups. They are more divided. But you have all the pro-Western elites, the nationalist elites, the more Islamic-oriented elites who are afraid of this Chinese growing involvement. You have Uyghur associations, and you know there are many Uyghur diaspora, especially in Kazakhstan. Workers' unions, small businessmen and entrepreneurs are also usually more anti-China than pro-China because they are afraid of the Chinese trade competition.

So each state has really its own Sinophobia-Sinophilia balance. Very briefly, so that we can say that Turkmenistan, seen from Turkmenistan, the big issue is the fear of Chinese hegemony over gas exports. That's really the main concern from Turkmenistan. But that's a concern that exists at the elite level. The population is not very much interacting with Chinese traders, for example, because the two countries don't have a border.

In Uzbekistan, there are very good relations between the Uzbek elites and the Chinese ones and also a relatively low level of people-to-people interaction except in the trade sector, but these relations are relatively good also probably because Uzbekistan and China don't share a border.

For the three other countries which have a border with China, you can see more clearly fears. For Tajikistan and Kyrgyzstan who are the poorest countries in the region, they see China very much as a no-choice strategy. China is more or less the only one coming with big investment capabilities, but you have also many tensions among the elites because that's where you have relatively in Kyrgyzstan, pro-Western elites, in Tajikistan, pro-Islamic elites, so they look at China relatively negatively, and then in these two countries business circles are very much intense relations with Chinese traders, and there have been several kind of small riots, especially in Kyrgyzstan, against the Chinese traders.

Kazakhstan has a kind of more complex position. It has very good relations with China at the diplomatic level, economic and security level, but you also have a real Sinophobic narrative among the society, especially in relation with demographic fear and the fear, something which is very much shared in Kazakhstan and Kyrgyzstan, which is that they are afraid that the border treaty delimitation they signed with China could one day be renegotiated. They all very often consider, in fact, China will one day come back and ask for changing once again the border.

There is no proof of that. It's just the fear that is really very much shared by the elites and the expert circles.

So, to conclude, this set of cultural fears and economic, political, security fears towards China, it cannot counterbalance the pragmatic stance of the Central Asian leadership. For them, China economic involvement in the region is a no-choice strategy. The West is seen as a relatively unreliable partner, both in terms of our strategic commitment to their state sovereignty and because we bring political conditionality in many of our economic investments.

And Russia, on the other side, is seen as a country that limits their sovereignty and foreign policy options and which is also unreliable economically. So China is really seen as the only one bringing the money, promise to bring without any political conditionality except the one of supporting China's position over the Uyghur issues.

So for the moment, Chinese political pressure on the regime except for the Uyghur issues

are not yet visible, and Beijing doesn't seem to be interested in really engaging into local domestic politics. So seen from the Central Asian states, China remains, even if they have all the fears that I have briefly presented, China remains the most secure choice for close partnership, especially for an economic partnership, at least in the short and medium term, but they are very much concerned about the long-term perspective of suddenly becoming kind of Chinese protectorates.

And I will stop here. Thank you very much.

**PREPARED STATEMENT OF DR. MARLENE LARUELLE  
DIRECTOR, CENTRAL ASIA PROGRAM, INSTITUTE FOR EUROPEAN, RUSSIAN  
AND EURASIAN STUDIES ELLIOT SCHOOL OF INTERNATIONAL AFFAIRS**

**March 18, 2015**

**Marlene Laruelle**

**Director, Central Asia Program, Institute for European, Russian and Eurasian Studies  
Elliott School of International Affairs, George Washington University  
Testimony before the U.S.-China Economic and Security Review Commission  
Hearing on “Looking West: China and Central Asia”**

**The Chinese Silk Road and their Reception in Central Asia**

China has been using the metaphor of the Silk Road since very early in the 1990s, but made it an official policy only in September 2013. Chinese President Xi Jinping publicized the launch of the ‘Silk Road Economic Belt’ during his visit to Kazakhstan in September 2013.<sup>1</sup> The Belt will follow a broad axis going from Xi’an to Lanzhou, Urumqi, Kazakhstan’s border, and then, according to the map published by the Xinhua News Agency, it will go west through Iran and Turkey to reach the Mediterranean and Europe, leaving Central Asia and Russia partly on the side.<sup>2</sup> One year later, in fall 2014, Xi Jinping announced that China will contribute \$40 billion to set up the Silk Road Fund, which will provide investment and financing support to carry out infrastructure, resource, industrial, and financial cooperation.

However, the Chinese Silk Road Economic Belt is duplicated with a ‘21<sup>st</sup> Century Maritime Silk Road’, which connects China with the Southeast Asian countries, Africa, and Europe via Indian Ocean.<sup>3</sup> Far from believing only in the revival of continental trade, as the US portrays its own Silk Road, China is developing a dual, continental and maritime, strategy. This maritime strategy is embedded not only by trade but by strategic partnerships to form a “pearl necklace” (in the Chinese words) in South and Southeast Asia through the establishment of a series of permanent military bases to secure energy supplies such as those in Chittagong in Bangladesh, Coco Islands in Myanmar, Habantota in Sri Lanka, Marao in the Maldives, and Gwadar in Pakistan.<sup>4</sup>

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<sup>1</sup> Wu Jiao, and Zhang Yunbi, “Xi proposes a 'new Silk Road' with Central Asia,” *China Daily*, September 8, 2013, [http://usa.chinadaily.com.cn/china/2013-09/08/content\\_16952304.htm](http://usa.chinadaily.com.cn/china/2013-09/08/content_16952304.htm).

<sup>2</sup> Shannon Tiezzi, “China's 'New Silk Road' Vision Revealed,” *The Diplomat*, May 9, 2014, <http://thediplomat.com/2014/05/chinas-new-silk-road-vision-revealed/>.

<sup>3</sup> Xinhua, “China’s Initiatives on Building Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road,” <http://www.xinhuanet.com/english/special/silkroad/>

<sup>4</sup> O. Zajec, “La Chine affirme ses ambitions navales”, *Le Monde Diplomatique*, September 2008, no. 654, pp. 18-19.



As seen from Beijing's perspective, the Silk Road offers another opportunity, related to domestic issues, which few external observers noticed. The Chinese narrative on the Silk Road downplays the acuity of the Uyghur issue by incorporating Xinjiang into a deep-rooted Han history, and that of Islam by highlighting the pre-Islamic periods of the Han and Tang dynasties. It therefore contributes to China's rewriting of history and to its celebration of the alleged historical continuity between ancient and contemporary China. This would obscure the long centuries where the Turkestani world (that includes both Central Asia and Xinjiang) was developing independently from a remote China. James Millward perceptively notes, "What in the West are celebrated as Silk Road exchanges and interconnectivity are, in China, portrayed rather as evidence that the world is beating a path to China's (once again) open door. Rather than as a transnational bridge between civilizations, the Silk Road here is nationalized as China's doorstep."<sup>5</sup>

### Local Responses to China's Growing Presence

The Central Asian governments desire to minimize external pressures on their societies. On the one hand, they must manage the contradiction between opening up in order to find geopolitical balance and economic partners. On the other hand, they seek insulation from external political influences including foreign NGOs, and pressures to expand democracy and practice good governance. These cross-pressures have affected policy choices. Turkmenistan has opted for more insulation and less international integration, while Kyrgyzstan more integration and less insulation. The ability to manage this contradiction depends upon elements such as the solidity of the state apparatus, consensus among elites, and a country's ability to offer its population prospects for development.

Security is strengthened by two main drivers – the geopolitical balance, or interplay of major powers, and reinforcement of national sovereignty through economic development. Ruling elites

<sup>5</sup> James A. Millward, "Positioning Xinjiang in Eurasian and Chinese History Differing visions of the 'Silk Road,'" in C. Mackerras, and M. Clarke, eds., *China, Xinjiang and Central Asia* (London: Routledge, 2009), 65-66.

treat both drivers as intimately linked. International partners must assist with economic development. Economic development has thus become another key driver for the international positioning of the Central Asian states which are more concerned about finding partners for development than geopolitical speculation. Their economic potentials, but also their limits, have come to give meaning to the shifting of power in favor of China. However, the worldview from Central Asia is structured by another major element - fear of loss of collective identity. The nation-states that emerged in 1991 conceive themselves as permanent establishments, but their futures are fragile. Since their future is uncertain, that of ethnic groups must be preserved above all. It is possible to re-establish a state, but if “ethnic consciousness” has disappeared, then are play of the struggle for independence hardly makes sense. This element is bound to play a role in the future of Central Asian strategies, and influence the relationship to China.

At the collapse of the Soviet Union, China arrived in Central Asia with few assets. Prior to this date, direct relations between the two regions had been impeded by the generally hostile state of Sino-Soviet relations, but also because international relations were regarded as a space reserved for Moscow. For the Central Asian states, establishing direct bilateral relations with Beijing has thus required overcoming negative clichés of China created and cultivated by Soviet propaganda. These clichés reinforced Central Asian long-standing apprehensions of their large neighbor to the east. In two decades, China has managed to become a new and essential player in the Central Asian scene. It is appreciated by the Central Asian regimes for its diplomacy, its good neighbor measures, and the prestigious status offered by the Shanghai Cooperation Organization (SCO). On the economic front, China is viewed in two ways. Its presence benefits Central Asian economies, which are aware that their future depends upon their capacity to integrate the commercial dynamics from the Asia Pacific region. At the same time, China’s economic weight emphasizes Central Asian specialization in raw materials export and hampers their commercial and industrial autonomy. China is also a cause for cultural concern, in terms of territorial threats, of power and demographic differentials, and of interference over domestic affairs via the Uyghur question.<sup>6</sup>

Central Asian fears about China are generated by the immense power differential between small fragile states and a demographic and economic giant, but also by uncertainties over future evolution of their big neighbor. Many Central Asians are anxious about potential instability of the Chinese Communist Party, as well as rising Chinese nationalism – a phenomenon which a new generation of rulers could conceivably propose to undermine the territorial treaties with Kazakhstan, Kyrgyzstan and Tajikistan, along with the good neighborhood policy.<sup>7</sup> Other Central Asian experts paint a picture of system collapse of one-party rule and China’s descent into a period of disorder. This would entail a loss of subsidies from Beijing, possible population movements across the borders, and a risk of unrest in Xinjiang.<sup>8</sup> The Central Asians see themselves as losers in scenarios of regime reinforcement of official Han nationalism as well as collapse, especially as any population movement across Chinese borders would be proportionally massive for neighboring states.

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<sup>6</sup> On a more global view on the China-Xinjiang-Central Asia interaction, see C. Mackerras, and M. Clarke (eds.), *China, Xinjiang and Central Asia: History, transition and crossborder interaction into the 21<sup>st</sup> century* (New York: Routledge Contemporary China Series, 2009).

<sup>7</sup> Interview with Konstantin Syroezhkin, Almaty, September 29, 2010.

<sup>8</sup> Interview with Saodat Olimova, vice-director of the Sharq Analytical Center, Dushanbe, March 28, 2008, and June 16, 2010.

They are also concerned about Chinese political influence in Central Asia, which remains more potential than real at present, with the exception of the Uyghur issue. With the exception of the Uyghur diaspora, on which Chinese authorities bring full weight to bear, the Central Asian regimes try to remain impermeable to Chinese political influence. Central Asian elites are not “victims” of Moscow and Beijing, as if they had been forced to be authoritarian and anti-Western. Evidence can be found in Kyrgyzstan, a country which has managed to uphold greater ideological plurality and authorizes expression of a diversity of viewpoints, without Beijing’s interference. Even Moscow’s greater influence does not explain Central Asian regimes’ choices, which are driven by domestic issues and local political culture. The ruling classes required no model to decide upon the course of their regime. Their alliance with Beijing is above all an axis of convenience, but no political rapprochement is envisaged: as the main Kazakhstani Sinologist Konstantin Syroezhkin has summed it up - the Sino-Central Asian alliance is “cold politically, and scorching economically”.<sup>9</sup>

The uncertainty of the Chinese neighborhood is also strategic. Even if Sino-Central Asian military cooperation is limited for the moment and Russia still largely dominates the security sector, the situation is evolving. China hopes to become more and more involved in this sector, which is provoking mitigated sentiments among the Central Asians. The latter hope at the same time to liberate themselves partially from Russian tutelage, but are concerned about Beijing’s rise to power in this military sector, the sign of a growing power differential. Sino-Russian military partnership is declining rapidly and might be replaced by competition in the world arms market. Modernization of the People’s Liberation Army, with investment in both transformational offensive and defensive capabilities, will increase its ability to conduct missions in Xinjiang and potentially outside its borders.<sup>10</sup> Not only is the Chinese army rising in power to further heighten the imbalance with Central Asian armies, but factors of destabilization have not declined. Revival of the Uyghur question since the 2008 bomb attacks, and the Urumqi riots in July 2009<sup>11</sup> are of major concern to the Central Asian elites, who would be unable to counter any punitive operations led by the Chinese army on their territory.

In addition, the future of Kyrgyzstan and Tajikistan, and potentially the Uzbek part of the Fergana Valley, is uncertain, heightening fear that China’s non-interventionist stance could change if the Central Asian states fail to guarantee their own security. In 2009, provocative declarations made by a senior Chinese military leader about the possibility of intervening in Central Asia in order to secure China’s borders<sup>12</sup> did not receive official comment in Central Asian capitals, but that silence

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<sup>9</sup> “V politike – kholodno, v ekonomike – goriacho,” K. Syroezhkin, *Kazakhstan-Kitai. Ot prigranichnoi torgovli k strategicheskomu partnerstvu* [Kazakhstan-China. From Border Trade to Strategic Partnership] (Almaty: KISI, 2010), vol. 2, p. 154.

<sup>10</sup> S.J. Blank, *China’s Military Power: Shadow over Central Asia* (Arlington: Lexington Institute, 2006); K.L. Syroezhkin, *Kitai: voennaia bezopasnost’* (Almaty: KISI, 2008).

<sup>11</sup> On the Urumqi riots and the media handling of the event by a self-confident China, see Shan Wei, and Chen Gang, “The Urumqi Riots and China’s Ethnic Policy in Xinjiang,” *East Asian Policy*, vol. 1, no.3, 2009, pp. 14-22; Yuhui Li, “Notes on the Chinese Government’s Handling of the Urumqi Riot in Xinjiang,” *The China and Eurasia Forum Quarterly*, vol. 7, no.4, 2009, pp.11-15; K.L.Syroezhkin, “Sobytiia Sogo iulia v Urumchi: prichiny i uroki,” *Kazakhstan v global’nykh protsessakh*, no. 3, 2009, pp.98-110; *Repression in China. Roots and Repercussions of The Urumqi Unrest* (The Hague: Unrepresented Nations and Peoples Organization, November 2009); and the World Uyghur Congress website, <http://www.uyghurcongress.org/en/> (accessed May 12, 2010).

<sup>12</sup> *Ta Kung Pao* [Hong Kong], September 24, 2009.

reveals local anxieties.

China is also widely criticized by Central Asian experts on environmental issues. This theme is important in a region haunted by Aral Sea catastrophe, the risk of regional conflict linked to water management, the polluting past of the Soviet regime, and the nuclear heritage of Kazakhstan. In the latter, public opinion is strongly anti-Chinese with respect to ecological questions. Two of Kazakhstan's main rivers, the Ili and the Irtysh, originate in China - the former in the Tian-Shan Mountains and the latter in the Chinese Altay Mountains. The Chinese regularly draw water upstream from both rivers, without seeking agreement from Kazakhstan. Only in 2010 did Beijing finally declare itself ready to sign an agreement for the protection of both cross-border rivers, but it is likely to refuse any figure restricting its right to upstream pumping from either source.<sup>13</sup> The problem remains to be properly addressed. Local experts consider China's attitude to be indicative of low regard for Kazakhstan's legitimate concerns. Even the most Sinophile experts are convinced that the Kara Irtysh-Karamay Canal in Xinjiang will have a negative impact on Kazakhstan's economic and ecological condition.<sup>14</sup> Xinjiang's intensive development also raises ecological issues: in addition to the fact that winds carry nuclear particles from the Lob Nor experimentation site into Central Asia, China is also having a negative impact on Kazakhstan's soil quality, water supplies and forests.<sup>15</sup>

### **Sinophobia and Sinophilia**

Sinophilia and Sinophobia go hand-in-hand in Central Asia. Not only are both currents present, but may also be found in the same person depending on the angle of view or the question being addressed. However, Sinophobia is claiming an upper hand and might have long-term social consequences. While official declarations proclaim the need to maintain friendly relations with Beijing have been unanimous, this has not been the case among experts, who present more varied viewpoints. The dominant suspicion that China still has imperial designs on Central Asia and merely wants to conceal or delay them is predominant. Even the most optimistic, who consider that Beijing's economic and geopolitical presence is a guarantee of stability for Central Asia, turn out not to be Sinophiles on the cultural level.<sup>16</sup>

Sinophile circles currently have little formal standing in Central Asia. Despite this, decision-making circles, including the presidential families, political elites, and the private sector oligarchs and directors of large public companies, who are linked through a variety of political, personal, regional, and corporatist allegiances, are informally oriented toward China. Since all have personal interests to protect and have established direct contacts with Chinese decision-makers

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<sup>13</sup> "Kazakhstan nameren podpisat' soglashenie s Kitaem o transgranichnykh rekakh" [Kazakhstan is ready to sign an agreement with China on cross-border rivers], RIA Novosti, February 24, 2010, <http://www.rian.ru/world/20100224/210592367.html> (Accessed April 24, 2010).

<sup>14</sup> B. Zhiger, and K. Khafizova, "Kazakhstan i Kitai v XXI veke: strategii sosedstva" [Kazakhstan and China in the 21st Century: Neighborhood Strategy], *Analytica*, June 21, 2007, [www.analitika.org/article.php?story=20070615050207340](http://www.analitika.org/article.php?story=20070615050207340) (Accessed November 1, 2008).

<sup>15</sup> K.T. Talipov, "Prirodnye resursy Sin'tszian-uigurskogo avtonomnogo raiona Kitaia: problem na fone optimisticheskikh prognozov" [The Natural Resources of the Uyghur Autonomous Region of Xinjiang in China: Problems on a background of Optimistic Forecasts], *Shygyz*, no. 1, 2005, pp. 95-100.

<sup>16</sup> More on Sinophobe and Sinophile circles in Laruelle, and Peyrouse, *China as a Neighbor. Central Asian Perspectives and Strategies*.

through embassies, business contacts and political leaders. China has little need to finance institutional mediators to convey its viewpoints among decision-making circles because it has direct access to them. In addition, were an official pro-Chinese lobby to emerge, it might cause adverse public opinion with possible counter-effect of generating a more overt anti-Chinese lobby.

The Sinophobe groups, at present, are unable to establish institutional standing, as their criticisms of China would directly challenge authorities' pro-Chinese policies, and would trigger mechanisms of repression. In addition, while pro-Chinese lobbies are likely to emerge and coordinate as part of the politico-economic establishment, anti-Chinese circles have divided motivations and social affiliations. They are comprised of political opponents with pro-Western, nationalist or Islamic sensibility. Uyghur associations, workers' unions, small businessmen and entrepreneurs -all would have a difficult time formulating common viewpoints for the purpose of building workable cooperation.

Business people comprise a complex group, developing both Sinophile and Sinophobe sensibilities. All have gained from the boom in commercial trade with China, but some fear Chinese competition. This concern over competition is most developed in Kyrgyzstan, where a bazaar economy has come to play a central role in the country's functioning. Business circles are at the core of this process of state collapse and corruption, and thus involve a politically and socially sensitive milieu which reacts fitfully to the Chinese presence. In Kazakhstan, the sense of competition with Chinese traders is less developed, because the latter have fewer rights to establish businesses, but also because they engage more in large-scale trade, which is better regulated, and because fewer Kazakhs work in the small retail trade. Tajikistan follows Kyrgyzstan's path, even if the local trade economy here is less developed since economic survival patterns are tied to migrations. In neither Uzbekistan nor Turkmenistan do business circles come into direct contact with Chinese businessmen, although there appear to be tensions between Chinese and Uzbek traders at the Karasuu bazaar.

Among intellectuals, the China question seems less important than the relationship to Russia, the West, or Turkey. China is not yet considered a civilization choice which might carry Central Asia in a new direction, except as a threat. Admirers of the Chinese political system can be counted on the fingers of one hand, since partisans of an authoritarian regime as the only solution to Islamism or to "democratic chaos" either endorse Russia or Belarus, or push for a specific national model. They are not inspired by Chinese-style monopolyism nor the Beijing version of communism. Those who think themselves as part of the "Soviet" or "Eurasianist" traditions are pleased about the Sino-Russian alliance against the West, but give their clear preference to the Russian model. Those with a Western, pan-Turkic or Islamic orientation see China as a negative element which halts the evolution of their society in the desired direction. While there are pro-Western, nationalist, pan-Turkic or Russophile ideological traditions, nobody in Central Asia calls for a cultural choice in favor of China. Though Beijing may be thanked for its economic aid and anti-American geopolitical influence, scarcely any experts are Sinophile on questions of identity or ideology.

Among the Sinophobe political groups, those with Islamic convictions should be mentioned. Only Tajikistan has a recognized Islamic political party, although it is becoming increasingly marginalized. It may also be assumed that Tajik elites with a pan-Islamic or pan-Iranian sensibility

have particularly negative opinions of China, a nation which they see as a new foreign cultural ascendancy competing with or succeeding the more traditional domination of the West or Russia. In the other Central Asian states, Islamism (a political movement demanding the creation of an Islamic state in which *sharia* law would be applied) is prohibited, but in Kyrgyzstan or Kazakhstan well-known figures can express Islamic sensibilities in the sense of a wider religiosity or interaction with the Islamic community, the *Ummah*. For them as well, China is the new enemy of Central Asian societies, and its fight against Uyghur Islamism is proof. Central Asia is therefore likely to become part of a general movement which, depending on China's rise to power, will tend to see Islamists direct their criticisms at Beijing and not solely at the West.

Each Central Asian state has therefore a Sinophobia/Sinophilia balance that is specific to its actors and circumstances. First, the three border countries of Kazakhstan, Kyrgyzstan, and Tajikistan, have to be distinguished from the two non-border ones of Uzbekistan and Turkmenistan. While the China-adjacent countries had to negotiate delicate border treaties and fear that one day they might have to transfer even more territory to their neighbor, the non-adjacent two do not perceive China as a power that could potentially undermine national unity. The former have experienced significant private enterprise trade flows and migrations from China, whereas the latter's economic relations with Beijing are limited to official agreements between large companies, and involve practically no private trade exchanges, or any back-and-forth cross-border migratory flows of Chinese, Uzbek, or Turkmen traders.

However, this latter line of divide is only temporary. Many Uzbek petty traders already travel to China or have a stall at Karasuu, so Uzbekistan will likely experience similar trade developments after the isolationist regime of Islam Karimov. Then the country can re-engage with its historical vocation as a trade crossroad of Central Asia. For Turkmenistan, China is probably going to appear more slowly in everyday life, since neighboring Iran and its close relations with Turkey will continue to be important. However, Turkmenistan's quasi-total dependency on China for its gas exports became a big concern for the Turkmen elites, with however few possibilities of finding alternative strategies.

Within these three border countries, several lines of divide appear. The two poorest and most fragile countries, Kyrgyzstan and Tajikistan, consider the Chinese presence as a positive element, even as it also provokes anxieties. Beijing's ascendancy is a reinforcer of additional stability, since is one of the only great powers to devote so many resources to the development of transport infrastructures, bank loans, etc. Belonging to the SCO is prestigious and a positive development, even if criticized for drifting from its initial security objectives. For these two countries, the question of China is often formulated in terms of having "no other choice," since the candidates that are lined up to invest in their economies are too few to enable them to benefit from competition. Kazakhstan has economic reservations about Chinese involvement, and manifests greater ambitions of regional autonomy. However its room of maneuver in relationship to Russia has been reduced due to its entry into the Eurasian Economic Union, hence a renewed interest in securing its partnership with China as a counterbalance to Russia.

### **The Uyghur Issue and a Cultural Gap**

As could be expected, Xinjiang is a key element of Central Asian concerns, not because of

principled sympathy for Uyghurs but because of pragmatic issues arising out of Xinjiang's proximity. Kazakh researchers criticize the general marginalization to which the Uyghurs have been subject on their ancestral territory. According to them, the "Far West" development project and the idea of redressing regional disparities in development are useful for the Han populations, enabling them to overcome land shortage problems by moving to China's Northwest, but it has been detrimental to the indigenous populations of this autonomous region.<sup>17</sup> Central Asian experts draw attention to the fact that the national minorities remain confined to the sectors of least growth and are mostly unable to gain access to higher education, whereas the Han tend to occupy those sectors for which technical specializations are required.<sup>18</sup> The shortage of cadres is not addressed in a way that benefits the national minorities. Instead, it is being solved by bringing in Han Chinese from eastern regions, thereby modifying Xinjiang's ethnic makeup to the detriment of Turkic peoples.<sup>19</sup> The Xinjiang Production and Construction Corps or *Bingtuan*, used by Beijing as its armed wing against Uyghur separatism and also as a major component of its demographic colonization of Xinjiang, is probably the most criticized Chinese institution, the one that causes the most fear and that some imagine may indirectly take root in Central Asia.

This critical analysis of Chinese policy is part of a broader background of suspicion about Beijing's real objectives in Central Asia. Experts emphasize the historical dimensions of Chinese foreign policy and on its legacy in relations with other nations. Historians point to the fact that China's presence in Central Asia has always been that of a conqueror seeking expansion to the detriment of Turkic-Mongolian peoples. Many Central Asian experts argue that Chinese diplomacy gets its results through long-term strategies, not via quick, sharp blows. Thus, if Beijing is careful not to offend the national feeling of the newly independent Central Asian states by claiming more territories, this does not mean that it will not return to the issue in future decades.<sup>20</sup> These persistent suspicions of China's suspected ulterior motives have been strengthened by the prevailing nationalist mood in contemporary China, not to mention the aggravation of tensions with Japan over the interpretation of the past and the rehabilitation of pre-Communist traditions. Many experts, for example, mention that an increasing number of Chinese publications present the Qing advances into Central Asia as having had a positive "unifying" effect. The 2008 launch of a large scientific project on the history of the Qing dynasty allegedly confirmed the intention of the Chinese government to revive its foreign policy traditions of widening its sphere of influence.<sup>21</sup> Lastly, the discovery that some Chinese school textbooks published in the 2000s displayed maps in which a large part of Central Asia (namely, the "historical" lands, which include all of Tajik Pamir, all of Kyrgyzstan, and the Kazakh region of Semirechie as far as Lake Balkhash) is presented as belonging to the Chinese Empire also caused much dismay among Central Asian

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<sup>17</sup> G.U. Khadzhieva, and V.M. Krivonogov, "Ekonomicheskaiia modernizatsiia zapadnykh regionov Kitaia: zadachii perspektivy" [Economic Modernization of the Western Regions of China: Objectives and Outlook], *Shygyz*, no. 1, 2005, pp. 90-95; G.U. Khadzhieva, "Problema regional'nogo razvitiia Kitaia i strategicheskie podkhody k ee resheniiu" [Problems of China's Regional Development and Strategic Approches to Resolve them], *Shygyz*, no. 1, 2004, pp. 88-93.

<sup>18</sup> Syroezhkin, *Problemy sovremennogo Kitaia i bezopasnost' v Tsentral'noi Azii*, p. 141.

<sup>19</sup> G.U. Khadzhieva, "Zapadnye raiony KNR v kontekste gosudarstvennoi strategicheskoi programme" [The Western Regions of the PRC in the context of the State's Strategic Programme], in *Uigurovedenie v Kazakhstane: traditsiia i novatsiia* [Uyghur Studies in Kazakhstan: Traditions and Novations] (Almaty: Nash mir, 2007), pp. 164-171.

<sup>20</sup> Interview with Murat Auezov, Almaty, March 10, 2008.

<sup>21</sup> E. Usubaliev, "Kitaiskaia 'kolonizatsiia' Afriki" [The Chinese colonization of Africa] *Analytika*, February 12, 2007, <http://www.analitika.org/article.php?story=20070212052315456> (Accessed April 16, 2008).

experts. For them this is a sign that Beijing has not totally abandoned its territorial ambitions and may one day renege on its border treaty commitments.<sup>22</sup>

A fundamental continuity of China's history is linked to the question of migration. The huge population differential and migration risk are at the core of Central Asian anxieties: even if the figures are modest at the moment,<sup>23</sup> 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. Each year the Chinese population increases by more than 15 million people, a number equivalent to the total population of Kazakhstan. Kazakh newspapers have taken this as an opportunity to specialize in denouncing what they call China's "soft expansion" (*tikhaia ekspansiia*) into Central Asia.

Finally, Central Asian specialists share a sentiment that there exists a "civilizational difference" between China and Central Asia. Diverse arguments are used to prove this apparently impassable culture barrier. Some conceive of it in terms of Islam, others in terms of Russian-Soviet acculturation, and still others as involving a difference in national essences. Murat Auezov maintains, for instance, that the two regions are irreconcilable on the cultural level, in part because the Chinese consider the Central Asians to be "barbarians".<sup>24</sup> Klara Khafizova lays stress on the sense of hierarchy embedded in Chinese tradition, which does not uphold equality between peoples.<sup>25</sup> According to Ablat Khodzhayev, ostensible differences in "ethnic mentality" between the Chinese and the Turkic populations have persisted across the centuries without having been abolished or modified.<sup>26</sup> The then director of Tajikistan's Center for Strategic Studies Sukhrob Sharipov is of the mind that Islam enables its populations to withstand assimilation into other cultures.<sup>27</sup> And according to Syroezhkin, this "civilizational barrier," based on Russian-Soviet acculturation, ought to be maintained, since too much Sinophilia would liquidate the future of the Central Asian peoples, dissolving it in cultural assimilation and interethnic marriage.<sup>28</sup>

## Conclusions

In relation to cultural questions and long-term outlook, Central Asian experts hold pessimistic views of China. They believe that states of the region will have difficulty in trying to overcome the power differential with China to their advantage. They consider that the ultimate objective of

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<sup>22</sup> B. Zhumalieva, "Kazakhstan I Kitai: vzaimovliianiei sotrudnichestvo" [Kazakhstan and China: interaction and cooperation], *Ekonomicheskie strategii – Tsentral'naiia Aziia*, no. 5, 2007, p. 43.

<sup>23</sup> Russian experts often declare that Kazakhstan receives between 150,000 permanently settled Chinese and 300,000 migrants that regularly cross the Chinese border, but these numbers appear to be inflated. In Kazakhstan, the customs services of the Interior Ministry registered 30,000 Chinese citizens crossing over the border in 2006, while for the same year, the customs service of the Committee of National Defense estimates that the flow is around 170,000 people per year. In Kyrgyzstan, the chairman of the Border Service declared that there were about 60,000 Chinese persons living in Kyrgyzstan at the beginning of 2008. In Tajikistan, according to the Interior Ministry Migration Service there were a little more than 10,000 Chinese laborers in 2008. No figures are available for Uzbekistan or Turkmenistan.

<sup>24</sup> Interview with Murat Auezov, Almaty, March 10, 2008.

<sup>25</sup> Zhiger, and Khafizova, "Kazakhstan I Kitai v XXIveke: strategiiia sosiedstva."

<sup>26</sup> Interview with Ablat Khodzhaev, Tashkent, March 22, 2008.

<sup>27</sup> Interview with Sukhrob Sharipov, Dushanbe, March 26, 2008.

<sup>28</sup> Interview with Konstantin Syroezhkin, Almaty, March 4, 2008.

the Chinese authorities concerning Central Asia's independence is unclear and that little prevents the current fraternal status quo from one day being abandoned—especially in relation to territorial and demographic matters. The predominant suspicion is that China continues imperial designs on Central Asia and merely wants to conceal or delay them. Even the most optimistic, who consider that Beijing's economic and geopolitical presence is a guarantee of stability for Central Asia, turn out not to be Sinophiles on the cultural level. All experts dismiss the notion that the Sinicization of Central Asian societies could take place by any means other than force. More, they all think it is important to maintain the “civilizational barrier” between Central Asia and China on the grounds that falling into the Chinese sphere of cultural influence would mean the ethnic disappearance of Central Asian societies.

However, this set of cultural fears toward China cannot counterbalance the pragmatic stance of the Central Asian leadership. For them, China's economic involvement in the region is a ‘no choice’ strategy: the West is seen as an unreliable partner both in terms of its strategic commitment in backing their state sovereignty and in the political conditionality of its economic investment; and Russia's renewed influence fosters concerns for the strategic autonomy of the Central Asian states. For this is the true paradox of the current Ukrainian crisis: despite their discontent about Russia's reassertion and the concerns about maintaining sovereignty, the Central Asian states, in particular Kazakhstan, Tajikistan and Kyrgyzstan, and to a lesser extent Uzbekistan, are obliged to hope that Russia's economy will continue to blossom and not collapse. If the ongoing economic crisis seriously impairs Russia's development, the repercussions on the Kazakh economy, on Russian investments in Kyrgyzstan and Tajikistan and on the millions of Central Asian households whose future depends on remittances would be terrible and ultimately dangerous for the legitimacy of the Central Asian regimes.

In such a context, China looks like a ‘less evil’: its economic involvement comes with no political conditionality except backing their vision of the Uyghur issue, China's political pressures on the regimes is not – yet? – visible and Beijing itself is not interested in engaging into the local domestic politics. Seen from the Central Asian states, China remains therefore the most secured choice for a close partnership, at least in the short and medium term.

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DR. STARR: Thank you very much.

I have nothing to add to Mr. Shea's characterization of the program, which is very concise and seems to me very accurate. I'd just underscore something he said at the end, namely that China's New Silk Road program does have a security dimension, namely, to give a land route that is an alternative in the event that the sea lanes to the west would be closed.

Let me just note that this program is not new. It is a repackaging of many things they've been doing for really 20 years. To the extent that anyone's ox is gored by China's New Silk Road program, it is definitely Russia. Between 1998 and 2003, there were major conferences in St. Petersburg, Urumqi, and elsewhere at which the Russians fought hard to prevent this happening, and they obviously failed. China went to the Asia Development Bank, saying "Open these routes, and we'll pay the bill." The ADB did so, China paid the bill, and that's where we are now.

Now the question arises as to whether this means that China is going to control continental trade routes. This is the big question. It's as important to Europe and everyone else in Asia as it is to the Central Asians.

I would be cautious on this for several reasons. First of all, the infrastructure investment that we're talking about is very large—we all know about China's new investment bank. But we underestimate the huge investments that have been made by others, all of which are essential for the trade routes to operate. Turkey has built railroads from Georgia across Turkey and under the Bosphorus. All the Caucasus countries and all the Central Asian countries made huge investments as well. Turkmenistan, to cite just one, has built new roads and railroads from this Afghan border to the Caspian shores and a new port on the Caspian itself. All of this together adds up to a sum very comparable, if not greater, than what China is putting in.

Second, it is not likely that China will actually control these routes, even if it helps build the infrastructure, for it will be the laws of the sovereign states through which the new routes pass. These countries are not abandoning their sovereignty in order to get some help on the infrastructure. Furthermore, there are all sorts of international conventions that control transport, whether by road, railroad or whatever, and these will continue to obtain, and China will have to conform to them.

In the end, the decision on whether and how much these routes will be used is going to be made by the private sector, by the shippers themselves. They will ask "Is this an efficient route? Are the borders slow? How long does it take? What are the costs?" China will not be able to control this severely market-based process.

As to the Central Asians' response to this, let me say quickly that they like it very much because it breaks the onehub monopoly that Moscow imposed on them. It also creates openings both to the east and to the west via the EU's TRASECA program, which was moribund for many years, but is now being revitalized and will form the connectivity on the western end.

Now let me note the big two unknowns for Central Asia. Both are very important. First, will they have any role in the soft infrastructure that transport requires, by which I mean insurance, freight, storage, hotels, services, logistics firms, and so on? Or will these all go to the Chinese? Will the Europeans be there? Will the Americans be there? This is a big and

absolutely open question, and the US has done nothing to help answer it.

Second--Marlene mentioned this--there is a demographic concern. Stanley Toops, a very competent American demographer, has shown that Chinese migration occurs along railroad routes, not road routes. Central Asians will not say this publicly but they are concerned that Chinese might use the new corridors as migration routes to their region.

Now, having said this, how does this all fit U.S. interests? It seems to me China's initiative doesn't create a conflict per se. However, the Chinese, to their great credit, conceived this from the beginning in continental terms. The U.S.'s New Silk Road program, from which the Chinese took the title of their program, is not conceived in continental terms. It should be connecting India and even the Far East all the way to Europe. It should be focused on opening a "Hamburg to Hanoi" corridor, if you will. But it's not. It only connects Pakistan, India, Afghanistan, and Central Asia.

There is no connectivity to the West, and that must be revised. Why? Because otherwise we are privileging China over India. That's not smart for all sorts of reasons. Let us instead have both routes. Let them compete with each other. Let them cooperate with each other. Our New Silk Road program does not do this, and hence privileges China over India.

The US program has many virtues. The people running it are hardworking and competent. They have made some gains that they can be proud of. But on the major point, is it opening up a land route along the Southern Corridor that is comparable to what China is working on with its "Middle Corridor?" The answer is no because the US' New Silk Program has never been conceived in continental terms. It links the region neither to the Mediterranean and the West, nor to India and Southeast Asia.

And by the way, by our failure to do that, we are denying Afghanistan one of the greatest development boosts it could have, namely, to be once again the corridor that it was for 3,000 years.

I want to end by saying that the southern corridor that I'm speaking about is compatible and mutually reinforcing with the middle corridor that China is opening, and also with the existing Russian corridor to the north. They complement each other. But the southern corridor is the oldest of the three (it has operated for 3,000 years); it has never been interrupted, unlike the Silk Road, which started, stopped, started, and stopped again. It carried more goods over a longer period of time, and also more cultural goods, in both directions than did the Chinese link.

We have failed to grasp this and have failed to offer the Central Asians the encouragement, business support, and investments that would enable them to be autonomous actors in this development. This is our problem, for which we will pay the price. It makes no sense to blame the Chinese.

**PREPARED STATEMENT OF DR. S. FREDERICK STARR  
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Looking West: China and Central Asia  
US-China Economic and Security Review Commission  
Hearing of 18 March 2015  
Testimony of S. Frederick Starr, Chairman  
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This testimony, which is presented here in telegraphic form, addresses three sets of questions:

- 1) *What is China's so-called "New Silk Road" project? What are China's motives in it? And where is it leading?*
- 2) *What are the implications this project for the sovereign states of Central Asia, also, for Afghanistan and the Caucasus?*
- 3) *Is this project compatible with, or even supportive of, US interests in Central Asia? And how should the US respond to it?*

I. What is China's so-called "New Silk Road" project, and what are China's motives in it? What is new about it? What isn't?

China's "New Silk Road" project is an economic and security program to open a land route between China and Europe that can supplement existing southern sea lanes and substitute for them in the event that access to those lanes is threatened or closed.

The program systematizes and packages under a single heading and administrative body what China has been doing through diverse channels since the collapse of the USSR in 1992. Moreover, it elevates transport to the level of a geopolitical project of prime importance.

Paradoxically, it takes its name from a US program announced in 2011, which in turn took its name from the title of an American conference in Kabul in 2005 and a book based on that conference that appeared in 2007.

Down to the collapse of the USSR the Sino-Soviet border was the longest and most closed border on earth. This heavily defended zone erupted in fighting between the two Communist giants in the mid-1960s. Throughout this period China feared efforts by Soviet Russia to undermine its rule in Xinjiang. These efforts including militarizing the

Soviet side of the border and the issuance of Soviet passports to Turkic peoples in Xinjiang. The CIA assisted China in resisting these pressures.

Over strong Russian resistance, China after 1993 moved swiftly to open a direct land bridge to and from the West through Kazakhstan that would avoid Russia. These links were to include roads and railroads, and also oil and gas pipelines from Kazakhstan. At conferences in St. Petersburg and Urumchi Russia strongly opposed this effort. But China paid the Asia Development Bank to lead the project, which proceeded over Russia's opposition. At the same time, the European Union conceived its TRASECA ("Transport Corridor Europe-Caucasus-Asia") project as a railroad link to Central Asia and beyond via the Caucasus. The two initiatives were compatible but not integrated.

China is motivated by three quite distinct concerns:

- 1) China feared, and fears, all currents among the Turkic and Muslim population of Xinjiang that favor decentralization and self-government, which Beijing invariably characterizes as separatism and religious-based extremism and terrorism. This has replaced Taiwan as a main strategic challenge. By drawing the newly sovereign Central Asian states closer to itself China seeks to neutralize those states as sources of support for Turkic Xinjiang and also foster economic development in Xinjiang itself. Regarding Xinjiang, China has followed a two-pronged policy: first, to use soft power to foster economic development on the dubious grounds that prosperous people don't revolt, and 2) a hard policy bluntly named "Strike Hard, Maximum Pressure." The Silk Road is a cross-border extension of the soft policy.
- 2) China seeks a direct trade route with the West that is able to carry middle-weight goods in both directions more efficiently than either the slow sea-lanes and the fast but expensive air lanes.
- 3) China sees its strategic interests as demanding a route to the West that is free of Russian control and which can carry large volumes of goods in the event that the southern sea-lanes are closed by hostile actions.

Where is this leading?

China's initial \$50 billion US investment in its Asian Infrastructure Investment Bank sounds like a huge sum and leads many to assume wrongly that China will inevitably control the new routes westward. This is not necessarily so, for four reasons:

- 1) Separate and very large-scale investments in transport infrastructure already made by international financial institutions, Central Asian states themselves, the governments of Azerbaijan, Georgia, Turkey, and the European Union, are absolutely essential to the creation of an East-West land corridor across Central Asia. These investments have already been made and in toto are

comparable with what China is investing. This inevitably gives these other investors a strong voice in the management of the resulting routes.

- 2) Land corridors, unlike sea lanes, are under the jurisdiction of the sovereign states through which they pass, all of which can exercise a decisive voice in their use.
- 3) Existing international conventions set specifications and conditions for land transport, and their implementation is overseen by a host of official and semi-official international bodies, including the International Road Transport Union, etc.
- 4) On the basis of constantly updated data, shippers themselves (most of whom are private) make stern and frequently updated, market-based judgments on every aspect of any road or rail transport route, including tariffs, speed of transiting borders, bureaucratic impediments, and the like. Neither China nor anyone else can pretend to control the routes as free agents.

## II. What are the implications this project for the sovereign States of Central Asia, also, for Afghanistan and Caucasus?

The new states of Central Asia see the following implications of the new trans-continental routes passing through their territories:

- 1) The new east-west routes replace the former one-hub system focusing on Moscow that existed throughout the tsarist and Soviet eras. The new routes thus weaken Russia's control over their economies.
- 2) All the new states of Central Asia pursue what they call a "balanced" foreign policy, in which they seek to balance Russia with China and both of them with the US and Europe. The new routes have the potential, but so far only the potential, to promote this strategy.
- 3) If China's initiative opens them to closer links to the East, they can also, with the development of westward links across the Caspian and through the Caucasus to Europe, have the potential to link them more closely also to the West. For the time being this, too, is only in potential.
- 4) Transcontinental transport requires a dense infrastructure of "soft" institutions, including freight forwarders, logistic firms, insurers, hotels, supply bases, storage facilities, fuel suppliers, etc. These offer both a potential field for Central Asian activity or, if they fail to seize the opportunity, the danger of having an important sector of their economies owned or dominated by outsiders. If most of these firms turn out to be Chinese, these heretofore sovereign countries could slip fully and irrevocably into a Sinocentric orbit,

and be reduced over time to the status of Chinese vassal states or protectorates.

- 5) American analyst Stanley Toops has shown that Chinese migration has occurred mainly along new railroad corridors. Central Asian states worry that they might not be able to prevent spontaneous migration along the new rail corridors through their territory.

### III. Is this project compatible with, or even supportive of, US interests in Central Asia? And how should the US respond to it?

As of this moment, the West has what is at best a declarative policy, with neither a carefully conceived strategy nor focused tactics for achieving it.

To its credit, the EU has recently moved to revive and revitalize its flagging TRASECA Program and to link it explicitly with the work being undertaken by China, the Central Asian countries, and Caucasus states.

As of now, the US has neither planned nor implemented a program to encourage western governments and especially the private sector to take an active and central role in the “soft” infrastructure of the new China-Europe corridor. Absent this, the Central Asians’ “balanced” strategy remains a pipe dream, and the security of their region is left, by default, increasingly in the hands of China and Russia.

To the extent this happens, it directly threatens US interests, which call for strong, economically viable, and sovereign states in Central Asia to build their own security from within, rather than having it imposed from without---*which for 2,000 years has been a formula for instability and struggle.* *On this point US interests, actively pursued, coincide with the China’s and Russia’s legitimate concern for stability in the areas to their west and south, respectively.*

The US’ “New Silk Road” program focuses on North-South links between Central Asia, Pakistan, and India via Afghanistan.

Positive dimensions of this program include the following:

- 1) Progress on constructing certain roads and electricity lines (CASA 1000) between central Asia across Afghanistan to Pakistan.
- 2) Successful negotiation of an Afghanistan-Pakistan Transport and Trade Agreement (APTTA).
- 3) Fostering contact among regional traders and businesses.

Shortcomings of the US' Silk Road Program include:

- 1) Failure to implement APTTA.
- 2) Failure to advance the TAPI pipeline from Turkmenistan to India via Afghanistan and Pakistan.
- 3) Overreliance on Asia Development Bank's CAREC program, which has proven bureaucratic and slow and which, significantly, does not include India and does not adequately link the Southern Corridor with Turkmenistan and the Caucasus.
- 4) Failure to mount a significant planning effort for Afghan railroad development.
- 5) Most important, America's "New Silk Road" initiative fails to embrace, either in theory or practice, the reality that there are TWO emerging transport corridors across Eurasia, the China-Europe route and the India-Europe route ("Southern Corridor"), and that both must be developed together. China has taken the lead in developing the former route which, as noted above, is compatible with US interests provided the US and Europe become active partners in the development of its western side and of the soft infrastructure within Central Asia.

The US to now has failed to assume a leadership role in opening the Southern Corridor. By failing to take the lead in developing the India-Europe route, the US will effectively leave this task, too, to China and its New Silk Road program, since India's main concerns for the time being are to the East and the sea lanes. Equally important, it assures that Central Asia's crucially important balancing route--its "door to the South"-- remains closed.

*For any one country or group of countries to exert dominant control over all the main regional transport routes is, to repeat, a formula for long-term instability in a region surrounded by nuclear powers. Moreover, it privileges China and Russia, with their authoritarian and undemocratic systems, at the long-term expense of India, with its more decentralized, multi-party system, based on elections and rights-based laws. This is not in the US's interest. US interests demand a balanced approach involving links between North and South and between both India and China and the West.*

The following steps are required to advance US interests in Central Asia with respect to the emerging East-West transport corridors.

- 1) *Engage with the US Chamber of Commerce and private sector firms and groups to open channels for them to participate in the development of Central Asia's "soft"*

*transport infrastructure, either directly or as investors in Central Asian and Afghan firms.*

- 2) *Work with the European Union to establish continent-wide bodies for identifying and removing blockages to the free movement of trade along the China-Europe corridor and on the India-Europe corridor. Such bodies must include China and India but must be free of existing regional political blocs, including the Shanghai Cooperation Organization and the Eurasian Economic Union.*

Both of these initiatives would enable America's Central Asian partners to pursue successfully their "balanced" policy with respect to trade, and to strengthen thereby their sovereignty.

- 3) *Move aggressively to bring the Southern Corridor (Europe-Caucasus-Turkmenistan-Afghanistan-Pakistan-India-Southeast Asia) fully within the American "New Silk Road" program and to engage all countries in the region, including Central Asian states, in its full implementation. The purpose of this effort is to bring the US-sponsored Southern Corridor to the same level of attention and development as the China/EU-sponsored China-Europe corridor and, ultimately, to link the two in a single Eurasia-wide transport corridor with multiple national stakeholders and dominated by no one.*

Conclusion:

*The proposals enumerated above are entirely compatible with the interests of China and India, as well as the states of Central Asia, including Afghanistan. They are against no one.*

**OPENING STATEMENT OF MR. RAFFAELLO PANTUCCI  
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HEARING CO-CHAIR TOBIN: Thank you.

So now we get to go deeper with questions from the commissioners, and I'd like to start with Commissioner Wessel.

COMMISSIONER WESSEL: Thank you both for being here and thank our chair and vice chair as well as the staff.

HEARING CO-CHAIR TOBIN: Mike, let me pause for a minute--

COMMISSIONER WESSEL: Please.

HEARING CO-CHAIR TOBIN: --and welcome our third panelist--hold on to that question.

COMMISSIONER WESSEL: I will.

HEARING CO-CHAIR TOBIN: Raffaello Pantucci. Let me introduce you. Welcome. We're so glad to have you here, and pleased to have you share your testimony.

Mr. Pantucci is the director of International Security Studies at the Royal United Services Institute for Defense and Security Studies in London.

Previously, Mr. Pantucci lived in Shanghai for three years as visiting scholar at the Shanghai Academy of Social Sciences. Before that, he worked in London at the International Institute for Strategic Studies and the Center for Strategic and International Studies here in Washington.

He has also held positions at the European Council of Foreign Relations and the International Center for the Study of Radicalisation at King's College in London.

So, Mr. Pantucci, would you share your testimony, please? We're giving people seven to ten minutes.

MR. PANTUCCI: Okay. Perfect. Well, I will keep my comments brief, and I have brought printed copies of my testimony as well.

First, of course, I have to apologize for the delays in getting here. I hadn't quite expected D.C. traffic to be as it was. So my apologies for that. That and a giant group of high schoolers standing outside took a lot of time to get through.

Anyway, thank you for the kind introduction and for the generous invitation to be here today with a very distinguished panel, and, in fact, a very distinguished day of experts and colleagues who are looking at questions of Central Asia and China, in particular.

I was going to keep my testimony quite broad and geostrategic, somewhat to reflect the questions that have been set, but I'd be very happy to go into more detail as we sort of go on in the questions.

I'm conscious that Marlene and Dr. Starr have already spoken, and so I'm probably going to duplicate a bit, and I apologize in advance if I do. But my hope is really to try to paint a sort of broader picture of how I think China sees Central Asia and how China really sees the Silk Road Economic Belt and what is kind of underlying this big vision.

I think the first thing to say is that China's push and influence and growth into Central Asia is something that's been happening for over a decade. This is not new. This is something that's been happening for sometime, and you can go out and look on the ground, and you can see that China's influence is something that has been sort of the ascendant story for at least the past decade, if not more.

I would argue that it's gone from being something that used to be characterized mostly about extractives and so focused on sort of getting mineral resources from the region back to China to being something that's far broader than that. So really it's gone from a question of sort of extractives to infrastructure and to sort of broader influence in the region.

The whole reason for China's sort of interest in pushing into Central Asia I think is very much born out of its interests in its westernmost province of Xinjiang, where there is a restive Uyghur population who have been tussling with the state for a long time, ever since sort of the PRC established its borders in that part of China, of Central Asia really.

And so it's all about trying to develop this region. From the Chinese perspective, the sort of ethnic tensions that there are in Xinjiang are ones that will be resolved by really one of two things: a heavy security approach or a heavy economic investment. But if you're going to pour a lot of money into Xinjiang to try to develop the province, you're going to have build links to for this money to sort of flow out, for the trade to go out from there.

If you're sitting in Urumqi, for example, you're almost as far from China's coast as you really are from Europe. It's a very long way. This is in some ways just as landlocked an area as all of the Central Asian countries. And so it makes sense to try to develop routes and links that go out from Xinjiang through Central Asia ultimately to European or Russian or Central Asian markets.

And so I think this is sort of the thing, and as you see China pushing to develop Xinjiang, you can see this money flowing out and going farther into Central Asia, and as I say, the shift has gone from being one focused very much on extractives to being one that is really focused on doing everything within Central Asia, and you can find Chinese influence and presence within the sort of huge range of different markets and different sort of industries within the broader region.

Fundamentally, what has ended up happening is you've ended up seeing the Chinese are kind of developing a huge trade corridor that kind of starts in Xinjiang and then sweeps out westward, and, of course, there is the famous Chinese scholar, Wang Jisi, who may or may not have already been mentioned, who wrote a very important piece back in 2011, where he talked about China's March Westward and China basically looking to its west to try to develop its sort of westernmost provinces to try to develop its links into the sort of countries that it's adjacent to there.

And so it's really about opening up a huge trade corridor and opening up markets in this region, and this is, as I say, what has been happening for, as I said, the past decade.

And then when Xi Jinping comes into power, we see that--I think his administration comes in and sees that this is very much something that's already been underway, and so when he visits Astana on his first big Central Asian trip in 2013, he gives this speech at Astana's Nazarbayev University in which he puts a formal name on it, the Silk Road Economic Belt.

But it was very much putting a stamp on something that was already happening and something that had already been happening for some time, and I would argue it's possible that--and I haven't had this clearly enunciated to me by any Chinese officials yet, but I would suspect--this is where my analysis takes me--that they saw that this was kind of happening and they saw that it was successful, and they saw that the levers to make it happen are ones that China knows how to control, which is about putting money forward and building infrastructure and getting your companies to go out there and opening up markets.

And so it's kind of putting that stamp on top of it, on top of this broader policy that was already happening, and then starting to take ownership of it. And I think this is what's been most

interesting, observing this phenomena over the past years, is that it's gone from being the Silk Road Economic Belt where it seemed to essentially be Xinjiang, Central Asia, Russia, Europe, to being talking about the Silk Road Economic Belt is something which I think at the last count comes to somewhere in the region of 60 countries, if you look at some of the most recent maps that are emanating from Chinese sources--60 different countries which all claim to be part of the Silk Road Economic Belt.

At the same time, you start to see Chinese officials talking about the Maritime Silk Road and talking about the two as one belt, one road, and, in essence, when you look at the detail of what they're trying to do with that, it seem to be very much about building the same sorts of infrastructure but in a maritime direction.

And then they start talking about the China-Pakistan Economic Corridor, which is essentially turning Pakistan into a giant corridor to get goods from Kashgar to Gwadar Port.

And then finally the BCIM, the Bangladesh-China-India-Myanmar Corridor. Again, all of these seem to be focused very much on this idea of developing these trade and markets corridors that China can see pushing out with China sitting at the sort of center of it.

And I think more broadly this kind of fits with the broader vision for foreign policy that we've seen enunciated by Xi Jinping so far going back to the first foreign policy work conference in October 2013, in which he talked a lot about periphery diplomacy and the focus was very much on borders diplomacy. And, again, what we're seeing here, the Silk Road Economic Belt, fits quite tidily with this vision.

And I think what's really interesting about this and what makes it far more significant in some ways than some of the other more empty sort of Chinese pronouncements that we sometimes get about foreign policy is the fact that they're putting huge amounts of money behind it, and they're putting a huge network of infrastructure banks that are being built up, be it the Asian Infrastructure Investment Bank, be it the SCO Development Bank that was talked about and has now floundered a bit, and frankly I'd be surprised if it takes off again, or be it the BRICS Bank.

All of these are really trying to recreate a whole new constellation of funding vehicles that are very much focused on developing infrastructure in this part of the world, which I think are very much focused on trying to help realize this broader foreign policy vision.

And I see the time here is telling me I'm almost out of seven minutes so I will leave it at that and look forward to any questions and, again, apologies for my delay.

**PREPARED STATEMENT OF MR. RAFFAELLO PANTUCCI  
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SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES  
March 18, 2015**

**Raffaello Pantucci  
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**Testimony before the US-China Economic and Security Review Commission**

**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.’<sup>29</sup> 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).<sup>30</sup> 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.<sup>31</sup> There is resentment against the growing presence of Han Chinese, with the Uighur

<sup>29</sup> [http://news.xinhuanet.com/english/china/2013-09/07/c\\_132700695.htm](http://news.xinhuanet.com/english/china/2013-09/07/c_132700695.htm)

<sup>30</sup> <http://www.nytimes.com/2014/12/21/world/asia/china-invests-in-xinjiang-region-rich-in-oil-coal-and-also-strife.html>

<sup>31</sup> <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.<sup>32</sup>

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.<sup>33</sup>

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.<sup>34</sup> 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.<sup>35</sup> 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 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.'<sup>36</sup> Economic investors from Europe and elsewhere were actively

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<sup>32</sup>[http://www.cidob.org/en/publications/stap\\_rp/perspectives\\_2013/perspectives\\_from\\_the\\_region\\_in\\_2013\\_china](http://www.cidob.org/en/publications/stap_rp/perspectives_2013/perspectives_from_the_region_in_2013_china)

<sup>33</sup> 'China's wild west,' *Jane's*, July 2012

<sup>34</sup> [http://news.xinhuanet.com/english2010/china/2010-05/20/c\\_13306534.htm](http://news.xinhuanet.com/english2010/china/2010-05/20/c_13306534.htm)

<sup>35</sup> Shan Wei and Weng Cuifen, 'China's New Policy in Xinjiang and its Challenges,' *East Asian Journal*, vol 2, no.3

<sup>36</sup> Author interview, Urumqi September 2012

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.<sup>37</sup> German carmaker VW was encouraged alongside its Chinese joint venture partner SAIC to build a sedan factory in the region.<sup>38</sup> 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.<sup>39</sup>

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.<sup>40</sup> 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.<sup>41</sup>

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.<sup>42</sup> Within these communities 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

<sup>37</sup> [http://www.tusiad.org/\\_rsc/shared/file/Sincan-Uygur-Ozerk-Bolgesi-Heyeti-Sunum.pdf](http://www.tusiad.org/_rsc/shared/file/Sincan-Uygur-Ozerk-Bolgesi-Heyeti-Sunum.pdf)

<sup>38</sup> <http://www.carnewschina.com/2012/05/29/shanghai-volkswagen-starts-work-on-new-factory-in-xinjiang-china/>

<sup>39</sup> <http://en.people.cn/102774/7933196.html>

<sup>40</sup> <http://www.globaltimes.cn/content/836495.shtml>

<sup>41</sup> <http://www.nytimes.com/2014/12/21/world/asia/china-invests-in-xinjiang-region-rich-in-oil-coal-and-also-strife.html>

<sup>42</sup> <http://thediplomat.com/2013/12/from-uyghurs-to-kashgari/>

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.<sup>43</sup> 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.<sup>44</sup> 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,<sup>45</sup> as well as helped the

<sup>43</sup> <http://www.reuters.com/article/2013/09/07/us-oil-kashagan-china-idUSBRE98606620130907>

<sup>44</sup> <http://www.asiaminer.com/news/regional-news/6189-uranium-mining-in-central-asia.html#.VQk8KNKsXpA>

<sup>45</sup> <http://en.people.cn/90883/7835904.html>

country to develop its solar panel production capability, and refurbish solar furnace factories.<sup>46</sup>

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.<sup>47</sup> 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.<sup>48</sup> 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.<sup>49</sup> 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 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.<sup>50</sup> 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

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<sup>46</sup> <http://www.silkroadreporters.com/2015/01/27/uzbekistan-looks-solar-power/>

<sup>47</sup> <http://www.tethyspetroleum.com/operations/tajikistan/the-asset-bokhtar-psc-area/default.aspx>

<sup>48</sup> <http://www.timesca.com/news/8295-china-helps-upgrade-bishkek-thermal-power-plant>

<sup>49</sup> [http://centralasiaonline.com/en\\_GB/articles/caii/features/business/2010/05/06/feature-02](http://centralasiaonline.com/en_GB/articles/caii/features/business/2010/05/06/feature-02)

<sup>50</sup> <http://news.tj/en/news/installation-cctv-cameras-dushanbe-going>

writing about China's March Westward.<sup>51</sup> 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,<sup>52</sup> 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.<sup>53</sup> A further domestic fund of some \$16.3 billion has been announced for supporting Silk Road projects at home.<sup>54</sup> Mostly infrastructure investment projects, there have also been more specific investments emanating from provinces in Western China to Central Asian countries – like \$800 million invested by Henan into Tajikistan.<sup>55</sup> 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

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<sup>51</sup> [http://opinion.huanqiu.com/opinion\\_world/2012-10/3193760.html](http://opinion.huanqiu.com/opinion_world/2012-10/3193760.html)

<sup>52</sup> [http://usa.chinadaily.com.cn/china/2013-10/04/content\\_17008940.htm](http://usa.chinadaily.com.cn/china/2013-10/04/content_17008940.htm)

<sup>53</sup> [http://articles.economicstimes.indiatimes.com/2015-03-01/news/59642280\\_1\\_bcim-century-maritime-silk-road-province](http://articles.economicstimes.indiatimes.com/2015-03-01/news/59642280_1_bcim-century-maritime-silk-road-province)

<sup>54</sup> <http://www.bloomberg.com/news/articles/2014-11-04/china-said-to-plan-16-3-billion-fund-to-revive-silk-road>

<sup>55</sup> <http://www.rferl.org/content/rahmon-china-beijing-fuzhan-investment/26679475.html>

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.<sup>56</sup>

### 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, 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

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<sup>56</sup> <http://www.cna.org/sites/default/files/research/ICP-2014-U-008327.pdf>

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.

## PANEL I QUESTION AND ANSWER

HEARING CO-CHAIR TOBIN: Thank you very much.

Actually it worked out wonderfully because from Dr. Laruelle, we heard what Central Asia countries perceive of China, from Dr. Starr, he very powerfully reminded us that we --the United States--have somewhat dropped the ball so we have an understanding from our U.S. viewpoint, and then you've given us a very clear sense on China's approach foreign policy wise.

So now questions from my colleagues. Commissioner Wessel, please.

COMMISSIONER WESSEL: Thank you. I started thanking everyone. I will thank them again, and, Mr. Pantucci, welcome.

And I agree with the statements of our chair and vice chair and, Mr. Starr, your comment just a moment ago, that--or the discussion of your comment about it's somewhat of a neglected area, and clearly having worked in Congress for many years, I can certainly attest to that.

We're dealing, as you know, here in the U.S. with a very polarized debate about foreign policy, U.S. influence, U.S. activism, et cetera. Our job here is to advise our client, which is the U.S. Congress. What would your advice be to us, to Americans, as why we should care about this part of the world?

Is China's willingness to make these investments, although as I think we've seen in the early years, they've primarily been for their own interest of extractive and, to the extent it's to reach Europe potentially, just as a trade route for their own products, but the long-term impact of that hopefully inures to the benefit of these countries, isn't that a good thing?

Does the U.S. have interests in the region that the American public should care about, that Congress should, and what should we be doing differently if we should be doing anything?

Mr. Starr, do you want to start?

DR. STARR: Thank you.

COMMISSIONER WESSEL: Dr. Starr. Excuse me.

DR. STARR: I don't do surgery.

[Laughter.]

DR. STARR: The apparent underlying principles of the new strategic doctrine that the State Department has released (or, more accurately, partially released, since only the overview has been made public so far) is filled with the same clichés that have been repeated for a decade-and-a-half or two: namely, that the US is interested in Cwentral Asia's energy, that these are new states, etc. etc. There's no real conception underlying all the talk.

I would submit that we do have real interests there, but energy is not one of them. We are not getting energy from the region. It would be of value if we could help the Europeans get Central Asian energy to be used as an alternative source, but that is not our main interest in the region. . I would submit that this region is unique on the planet in that it is surrounded by nuclear powers. Count them. Russia, China, India, Pakistan, Iran possibly. Wee don't want these big bruisers bumping heads in this area. This could really be dangerous.

And so you have a choice. This area either gains security and stability by someone imposing it from without or it develops them from within. Now I'm a historian. I just published a 650-page book on this region a thousand years ago. I can assure you that attempts to control this region from without have failed. It's a formula for instability.

Therefore, our interests should be, as we stated right at the beginning after the collapse of the USSR, support of sovereignty in this region. We have even dropped this out of our rhetoric. We should e really want to support the viability and evolution of these countries, not to bwe

against anyone, but as an alternative to any one outside state or a grouping of states from outside controlling it.

Second, and this is never mentioned, Central Asia is one of the historic seats of Islam, not second to the Middle East. I'd be glad to explain why I argue that, but it's the case. But unlike the Middle East, the countries of Central Asia all have secular states. They all have secular systems of law. Afghanistan, which should be always included as part of Central Asia, has secular laws. It's called the Islamic Republic of Afghanistan but its laws are secular.

It is very much in our interests to see these secular states succeed. This is the biggest concentration of Muslim societies with secular governments and systems of law on the planet, and it is the one that is most open to modern knowledge and modern education. It is strongly in our interests to support these characteristics, but they are rarely, if ever, mentioned

COMMISSIONER WESSEL: Thank you.

Other?

DR. LARUELLE: Yeah, if I may complement what Fred said, I think it was really--the main point, the great main point. I would add just two of them. I think it's in our interests not to have China feeling totally free in doing whatever it wants in what it considers being its western backyard just for kind of strategic reasons, the same in our relation to Russia. We don't want Russia to feel like they can do whatever they want in their backyard.

But also we want to have a look or at least a say in the China-Gulf connection, which is growing because something that Raffaello was mentioning is that this kind of big Chinese strategy, which is really going from Xinjiang to Central Asia, it doesn't stop here. You mentioned Europe, of course, which is kind of big market kind of destination. But they also want to reach Iran and to access the Gulf countries. So this China-Gulf countries connection, which is kind of developing now, which will be clearly structural for the future of the region and the world, that's something where we want to have a say.

So I think that's also one of the reasons why we need to have a U.S. policy that really looks at Central Asia both as the risky backyard of China and Russia and because of these connections with the Gulf countries.

MR. PANTUCCI: I suppose I would add a final point to agree with Fred and Marlene, to say that I think the region is crying out for outside engagement. You know Central Asia feels very neglected, and they aren't particularly happy with their choices being stuck between Russia, the declining economy where their migrant laborers can't really go and earn the same kind of wages they were before so they're losing out on that, and they're having China just kind of fill that void, which is not necessarily something that they would be happy with or they are particularly happy with.

They would like outsiders and others to engage with them and to demonstrate a sort of consistency of interest in the region that doesn't just sort of oscillate in when there is some sort of disaster, we arrive, we do something, and then we go away again. They would like a sort of more consistent long-term engagement to help sort of develop something more substantial there.

The other point I would make is that, you know, as we've seen throughout history around the world, if you let areas where bad governance dominates continue to fester, it only produces problems, and it only produces problems that are exported outwards, and so if we're going to try to make sure that we don't let Central Asia become such a pocket, and I don't think it necessarily has to be by any stretch of the imagination, but it's certainly not going to be the Chinese priority.

In terms of their priorities, it will be very much more focused on their national interests. So I think it's a question of thinking about this region a little bit more long-term maybe than

some policies have been dictated.

Thank you.

COMMISSIONER WESSEL: Thank you.

HEARING CO-CHAIR TOBIN: Vice Chairman Shea.

VICE CHAIRMAN SHEA: Well, thank you again for being here.

This is really fascinating. I have a number of questions so put me down for a second round.

HEARING CO-CHAIR TOBIN: Down for another round.

VICE CHAIRMAN SHEA: But I guess I'll go with we invited the State Department to testify--a representative from the State Department today--and there was a scheduling issue, and hopefully we will hear from them in an on-the-record setting at some future date.

But you, Dr. Starr, you make a very compelling reason for U.S. interests in this region, but you didn't even mention--you didn't mention in your answer to Commissioner Wessel's question economics. You did mention in your testimony that there is potentially a role for the U.S. to play in providing the "soft" infrastructure of the Chinese effort. But the U.S. effort seems to have fallen by the wayside--the southern effort.

And the question is why? Have we been too focused on security in the region, looking at the region as a platform for engaging militarily in Afghanistan, and we just sort of work with the right lobe and can't tap the left lobe of the brain in terms of pursuing objectives?

DR. STARR: Well, obviously, there is a potentially serious economic role for US firms in the new Afghanistan, which is why I recommended in the written text that the U.S. Chamber of Commerce be engaged. I'm sorry that Mr. Ghani, who is coming next week from Afghanistan, is not speaking at the Chamber. We should do more to get the private sector engaged.

However, your question is a very important one. Why have we not conceptualized this southern corridor in the same continental terms that the Chinese have the central corridor, the middle corridor? I think there are various reasons for this.

One is that after 1992 the former Soviet parts of Central Asia were originally placed under the same bureau in State as Russia itself. After the collapse of the USSR, that meant that the whole region was being handled by U.S. diplomats whose main knowledge base was Russia and who continued to bring to their work a Moscow-centric point of view.

A number of us proposed that this didn't support the new sovereignties, and as a result, Central Asia after 9/11 was moved to the South and Central Asia Bureau, which was a new entity. Now, the positive side of this is that it made possible the discussion of linking Soviet Central Asia through Afghanistan to Pakistan and India. But when you look west, you find countries that fall under a different office at State, with the result that we have largely ignored the continental links heading westward.

So you have, for example, Turkmenistan spending billions on a new port at Turkmenbashi, a new railroad and road running all the way across the country, new road all the way across the country, all totally financed by the Turkmen themselves. . We have had no relationship to this strategic project, in spite of its obvious potential benefit to Afghanistan.. It is amazing that the guys building the ports in Baku and Turkmenbashi have never even met. We should have been encouraging such key East-West links right along, but we failed to conceptualize this southern corridor, and by doing that, we have unintentionally but generously subsidized Iran. I want to stress that. The southern corridor goes through two independent states of the Caucasus--Georgia and Azerbaijan.

But there is an alternative corridor to the West, namely through Iran, and that's developing very fast. We have actively subsidized Iran.

There are a lot of corollaries to this, and I'd be glad to go into them at length—for example, the TAPI pipeline, the Turkmenistan-Afghanistan-Pakistan-India pipeline. That is, in a sense, an Energy Silk Road..

VICE CHAIRMAN SHEA: Would the Chinese perceive a more aggressive effort at building out the southern--the U.S. proposed southern Silk Road--do the Chinese have a view on that? Do they view that as provocative or competitive?

DR. STARR: Not necessarily. I've spoken with them about this. They see that this is also in the cards and do not find our activity problematical. And why should they think otherwise, since we are doing nothing to enable India and Pakistan to build a parallel Southern Corridor.

India will eventually be looking west. The India-Pakistan problem is by no means irresolvable, especially when they start calculating the amount of money they're each losing by continuing strife. Interestingly, even now from five to \$10 billion a year of legal trade crosses the India-Pakistan border, not to mention the illegal trade. That's happening today. This sum could multiply by tens.

But we have yet to embrace all this. It is not a zero sum. However, it would not be good for China to become the default developer of all this, for we can be quite sure, given the huge and rapidly growing population and age structure of India today, that it will be a boom country within 20 or 30 years, just when the Chinese population is aging.

Given that, we don't want, by our neglect, to be setting up a future conflict between India and China. We want a balanced relationship between them. The Central Asians have come up with something exceedingly clever in their foreign policy. They all follow the same policy, and Afghanistan, too, is going in the same direction: the key concept for all of them is balance." They want to achieve not a balance of hostile relationships (i.e., "we use these guys to beat up on those guys.") Rather, they want to develop positive relations with all, but to use them carefully to balance each other.

W. I think they've got the right formula. It's good for them, it's good for us, and it's not against anyone. But neither the United States nor Europe is playing the role that's called for anywhere in the region, and China has therefore emerged as almost threateningly present.

VICE CHAIRMAN SHEA: Thank you very much.

HEARING CO-CHAIR TOBIN: Commissioner Slane.

COMMISSIONER SLANE: I don't understand why we are ignoring this area since we have such a vested interest in Afghanistan, and it just seems to me that bringing prosperity and growth to Afghanistan helps stabilize that country. I mean can you address why the U.S. government has ignored this? I mean am I missing something?

DR. STARR: I think if you were to ask our friends at State, they would say we're not ignoring it, and they would cite a whole list of things that we have done with regard to the Afghan economy. I think a fairer response, a fuller response, would be that many of these things we are winding down or have ceased to engage in. The New Silk Road program has been grossly underfunded--grossly. It has no money. It is stuck with doing things like people-to-people exchanges, getting some merchants from Turkmenistan together with merchants from Pakistan, while the big strategic issues are being neglected.

Beyond that, the State Department got just plain bummed out on the TAPI pipeline. This is extremely important. If you ask President Ghani this week when he comes, he will say this is

his top strategic project, but people in State have given up.

There has never been one official strong statement of support either for the New Silk Road or for the TAPI pipeline or any of the key strategic projects, from anyone in the National Security Council, let alone the White House. TAPI would have been built had the White House two years ago come down clearly and unequivocally in support of it. It didn't happen. The people in Ashgabat say that "When we did the pipeline with China, we had the endorsement of Hu Jintao. TAPI would be our life line. We need to know that your top people are behind it."

COMMISSIONER SLANE: Please.

DR. LARUELLE: Yes. I think that there are two reasons that explain the kind of U.S. disappointment or lack of interest. The first one is that in the '90s, we focused so much on democratization as being the kind of main thing we want to bring to the region, that we got disappointed because it didn't work, and then we had to reframe our policy, and then things happened in Afghanistan, and then we focused on security, and the security--so we shift from this democratization that failed to the security narrative.

And I think now we have difficulty in reformulating what we want to do with the region, and what I find very kind of problematic, and Fred mentioned several of these sentiments, but another one is that we are decreasing our ambition in terms of human capital for the region, and if there is really something where you have a U.S. brand that no one can compete with, and especially not China, is what we can do for human capital. That's very cheap compared to all the other projects.

There is no competition and it has a long-term impact. We are decreasing our role in education, training, in developing vocational specialization in science and technology. That's a relatively cheap thing. That's what the Central Asians asked us to do. That's where we could have a long-term impact.

If you look at what will be in ten years, our impact of what we have done in Afghanistan, that will be mostly this human capital. There are schools and so on and a new generation of Afghans who have been trained. That's something we could do relatively cheaply in Central Asia, and I think if really you ask the Central Asians what they want, they will tell you even more--we want road infrastructure, but we want our brains to be trained and to be exposed to the world. That's something which is relatively cheap and we are not doing because we have been blocking between these, oh, we are disappointed because they are not democratizing or we have this security threat, and we couldn't find a way of kind of reemerging as what is really our U.S. brand for them and what they are asking us to do.

MR. PANTUCCI: I would add another slight nuance, and I would say I do think that money does also count. Money and dynamism. I think the fact that the Chinese have come up with these ideas and quite quickly put money on the table and the financing and the companies to actually implement these projects. Secretary Clinton, I think it was in 2011 when she did the speech in Chennai when she mentioned the New Silk Road. And that's kind of it.

You had a few speeches since then, but there hasn't really been sort of much of a follow through. TAPI has not progressed I would argue also because there was never a commercial champion that has sort of taken the lead on that so it's just kind of left as a big idea that's being advanced which hasn't actually had the sort of push behind it.

CASA 1000 is the other big sort of regional project, sort of connect up electricity across the region. That is moving forward but very slowly, very slowly. And it's moving a lot because in some cases seeing that Chinese companies are coming in and actually being willing to sort of help implement and finance some of the project. So I think there is a question here about focus.

There is a question here also about financing.

And then I just quickly wanted to switch back to something that Commissioner Shea mentioned, which was what do the Chinese--do the Chinese like this? I think when the U.S. first enunciated the New Silk Road strategy, they were not very happy. I thought they feel a great sort of possessiveness over this terminology and this sort of outlook, and I think when they saw Secretary Clinton talking about it, they said that has nothing to do with you. That's our little thing in a way.

Now, that's changed, I would argue. That's really changed. And now, in fact, what I think you see is that there is a very great eagerness in Beijing to engage with everybody on these big strategies.

Now when you're sitting in Europe, that's really about trying to get Europe to be the other end of the Silk Road. But I think when you're talking to the U.S., it is about thinking about this region and is there stuff that they could cooperatively do in this region? So I think there is this sort of window there for potential cooperation.

DR. STARR: May I just add a very quick note in your question? What kind of investor invests a trillion dollars and walks away from it?

HEARING CO-CHAIR TOBIN: Thank you.

[Laughter.]

COMMISSIONER FIEDLER: A rich stupid one.

HEARING CO-CHAIR TOBIN: Yeah, right. A rich stupid one!

[Laughter.]

HEARING CO-CHAIR TOBIN: Our Commission, will be using today's information and will do further research on today's topic between now and the publication of our 2015 report. So we'll be arguing the case for greater investment in and greater thought behind our U.S. policy in Central Asia.

As I prepared for this hearing, a couple thoughts came to mind, and I think we can use them as perhaps a way to visualize the New Silk Road. The first thing that came to mind was the tremendous impact of our transcontinental railroad, when we invested in that, and it changed where our country's population lived and how we thought about the whole United States. So the transcontinental railroad could be an image that we use to help position today's discussion about opportunities provided by the New Silk Road.

I think it works well as an area where Central Asia, China and the U.S. could work together well. I worked at Hewlett Packard, and I know that in 2011, the railroad that begins to deliver all of their printers that are made now in the Xinjiang Province, instead of going to market via the maritime route, they're shipping products through to Germany and Belgium on the railroad.

And then as I looked further on this, I was able to see that DHL is doing the same.. I asked staff to convey to our witnesses my question. What do you see as going on now with global companies who are using this transportation route? Who's doing it? Are there success stories? I think HP's is a success story, but you are much closer to the development and the newspapers are not covering this new initiative fully.

DR. STARR: Let me refer both to the Chinese route and the Indian route. For the Chinese route, all the big international logistics firms are on board.

The southern corridor is awaiting exactly the initiative that you just mentioned with regard to railroads. This is what the U.S. should be doing. We should be sitting down with all the countries involved and planning out the Afghan rail system. We should be doing that today,

but it's being left to others.

But let me assure you that there are major Indian firms like Godrej and Boyce that have done very careful planning on how they will utilize these routes.

And by the way, their thinking extends far into the future. They know how much of their product they want to send by air. The computer chips they'll send by air. They know the big heavy machinery they'll send by sea. But they've identified that big middle section of goods that will be more efficiently sent by land once you count in time, and they're already making these calculations.

The Pakistanis are doing it, too. For example, in Islamabad about a year ago, I met the new entrepreneurs who are creating logistics firms. They're already operating in Xinjiang and in Central Asia. They're all over the place, including Afghanistan. The US had the most sophisticated system of transport in Afghanistan you can imagine. One you could identify on a big electronic board where thousands of trucks were at any minute of the day. But we just abandoned this whole thing. None of the firms that were operating it are still there. This is not smart.

HEARING CO-CHAIR TOBIN: Marlene.

DR. LARUELLE: Yeah. Let me--so on that I think you will see the disagreement that the expert community may have. I would have a slightly different perspective than the one Fred had. I think the Silk Road metaphor is not the perfect one we could have for the U.S. policy. I think, because there are other actors like China who also use them. Therefore, I think we are losing what makes our specificity, and we are competing with China on an historical and geographical metaphor where we are not legitimate because we were not there historically and because we are not there geographically.

So I wouldn't, for me, it's not, it's not the good metaphor for the U.S. involvement. Then in terms of--

HEARING CO-CHAIR TOBIN: When you say the transcontinental railroad is not a good metaphor, tell me what you mean?

DR. LARUELLE: No, I think the Silk Road metaphor.

HEARING CO-CHAIR TOBIN: Okay.

DR. LARUELLE: Like us having our Silk Road policy, I don't think that's really--I don't think that makes us competitive compared to China or India coming with their Silk Road narrative because historically we were not involved in that region and geographically we are not there. We are not geographically linked to the region as the others are, and therefore the geographical proximity makes them more legitimate because seen from the Central Asian perspective, that means they know China, Iran, India, Russia, they will never leave the region. They are there geographically. They are neighbors for life.

Our, we are not neighbors for life, and that's the feeling they have, that we come and we leave. We commit and then we stop because just geographically we are far away, and so that's why I think this geographical metaphor is not the best we could have for the U.S. policy.

But then on the trade issue, I think the niche for continental trade is relatively limited. That's true that some companies are trying to identify them, but if you discuss with the private sector, my impression is that they all will clearly tell you sea trade will remain the main, of course, road, route for transportation and air.

So if you put on the side sea and air, then the room for land transportation is relatively limited, also because they are all complaining about the fact that there are too many borders. These borders are very opaque; it's corrupt. So the time it will take to work on making these borders functional will just, I mean it's term of decades because that's where you have the soft

infrastructure, the human capital, and so my impression is that the private sector except for some very, very specific but minimal niches is not so much interested in a kind of transcontinental. They are interested in local trade, of course, but in terms of the big trade going from Asia to Europe, it will continue to be mostly done by sea or by air.

And if we look more in detail on the maps, we can see that, yes, you have a China-Kazakhstan-Europe railway process, which is growing and where China is really interested in developing, but it involves only Kazakhstan. It doesn't involve the other Central Asian countries, and it doesn't really involve Afghanistan. It's a trilateral China-Kazakhstan-Russia to Europe trade, and therefore it's good for Kazakhstan, of course, and you can hope that if it's good for Kazakhstan, it would have repercussion for the region.

But really on the map, it's mostly Kazakh centered and not bringing a lot of things for the other countries.

HEARING CO-CHAIR TOBIN: Thank you.

DR. STARR: A very quick note. Big firms like Maersk, the big freight forwarders, are all German, Swiss, or Scandinavian. They're all deep into this. They attend the major meetings. They have done planning. They have calculated, again, how much of the total trade must go by sea because it's so massive physically, what must go by air because they need it fast, and what might go over the new land routes. This process of analysis far advanced. But the US is a mere spectator to this strategic process.

HEARING CO-CHAIR TOBIN: This is useful, Dr. Laruelle, because you've also reminded us that there are local networks that have to work as well as that longer one.

Mr. Pantucci.

MR. PANTUCCI: Yeah. I would agree with this idea that the Silk Road metaphor doesn't necessarily work for the United States, but it is certainly one that works for Europe. You know this is a Eurasian project, and Europe does sit there so I think when you're sitting at it, looking at it from a European capital, it does make more sense.

The one addition I would add to Marlene's point is I would say it is a bit short-term I'd say that the land route is never going to be cost effective. I would argue that, in fact, it probably is starting to move in that direction. It will take some time. If we look at the borders question, it is a very valid one. You do have all these borders to cross.

Well, the Russians have been advancing this Eurasian Union, which on paper encompasses Kazakhstan, Russia, and Belarus. So, in fact, nowadays, you have to cross one tariff barrier to go from China to basically be at Europe's borders. So if you're sitting there worrying, in a European country worrying about how to get your goods to market, well, that's actually from that perspective, it's not as bad as it used to be.

The infrastructure is not great, and it's not totally in place yet, but we have seen stories of trains going from China all the way over to Spain, the same train. We have seen stories when Xi Jinping visited Germany last year, I think it was, he went to Duisburg, and at Duisburg, he talked to Angela Merkel about the Silk Road Economic Belt because they see it as a route that starts there and goes all the way to Chongqing.

And there have been some stories of VW, which has a car factory out in Urumqi, is getting some of its goods, some of its parts or sending them or bringing them in through these sorts of train routes.

I think the other interesting aspect, which I think talks to some of these sorts of regional economic dynamics that we might sometimes miss, is Alibaba and Taobao, these giant Chinese online traders. I saw some statistics the other day, and I'm going to get this slightly wrong so

please this needs to be verified. But a huge proportion of packages that are going to Russia from China, or, in fact, to Central Asia, as well, are Alibaba or Taobao products.

And so I think there's a huge sort of flood there. I mean the statistic which I have in my head, and again I'm not totally sure about, was like it's a third of the sort of parcels going in that direction are, in fact, Alibaba products. And so I think there's a very interesting local sort of economic dynamic that is happening there which I don't necessarily know we've observed.

But I do think that these land borders and this sort of this land route, it's not one that's totally realized yet, but I think there is, it is going in a direction which I think makes it more viable.

You mentioned the HP products. I think they did that route in 19 to 20 days.

HEARING CO-CHAIR TOBIN: Yes.

MR. PANTUCCI: I think if they tried to do the same routes by sea, it was going to take a month.

HEARING CO-CHAIR TOBIN: Yes.

MR. PANTUCCI: You know, and, yes, there's a cost question, but--

HEARING CO-CHAIR TOBIN: Actually the cost is lower--

MR. PANTUCCI: Well, there you go.

HEARING CO-CHAIR TOBIN: And there's sustainability gains off of it too.

MR. PANTUCCI: But so it is a quicker route.

HEARING CO-CHAIR TOBIN: So we can now hear from my other, my other colleagues. Commissioner Fiedler.

COMMISSIONER FIEDLER: Thank you.

I'll give you a glib answer to your rhetorical question of why an investor leaves a trillion dollar investment? Because he doesn't want to throw good money after bad.

COMMISSIONER BARTHOLOMEW: Or good lives after bad.

COMMISSIONER FIEDLER: Yeah. And there's more than money at stake.

I want to get back to China and Xinjiang for a second. Can anybody tell me at what point the Chinese became the majority population in Xinjiang?

DR. STARR: Yeah, in 1949--I yield to my friend and colleague. We're both in the same institution together although he's on the Swedish side and I'm on the American side. In 1949 when the People's Liberation Army came through Xinjiang, it was 99 percent Turkic and Muslim. And there's debate about the precision of the data, but probably in the last five years, it slipped over toward--but we really don't know--toward a Han Chinese majority. That said, there is in and out movement on the Han Chinese side.

COMMISSIONER FIEDLER: Yeah, I have some questions off of that.

DR. STARR: Yeah, okay. Very recent.

COMMISSIONER FIEDLER: But it was a policy of migration. It wasn't a natural migration.

DR. STARR: Let me say we did a big book on Xinjiang a few years ago, and the demographers who worked on that identified it as being both. It was indeed a policy and a subsidized policy, but increasingly it has become a real migration, and the question is whether even the Chinese state can control it?

COMMISSIONER FIEDLER: And it goes to the economic impact that I'm looking to ask about, which is all this economic activity with Central Asia in terms of benefiting, okay, the people of Xinjiang, particularly the Uyghurs in Xinjiang.

DR. STARR: Yes.

COMMISSIONER FIEDLER: Okay. If one is concerned about instability in the region, one has to be concerned about instability in Xinjiang.

DR. STARR: Yes.

COMMISSIONER FIEDLER: So you have a massive repressive machinery operating in Xinjiang with rhetorical economic overtones, i.e., we're trying to improve the economic condition of the Uyghurs as sort of like they're trying to improve the economic condition of the Tibetans. So it's laughable to me. You have to excuse me.

DR. STARR: Yes.

COMMISSIONER FIEDLER: You have the Production and Construction Corps in Xinjiang which has historically performed a border defense and control function--

DR. STARR: Yes.

COMMISSIONER FIEDLER: --as well as operating the prison system and other things. I don't see the Uyghurs. Can anybody sort of prove to me that the Uyghurs are benefiting?

DR. STARR: Let me just say on that, yes, they are benefiting. I mean there are all sorts of--

COMMISSIONER FIEDLER: More than rhetorically. I'd like to know how.

DR. STARR: There are all sorts of affirmative action programs the Chinese can point to. They have the idea that as people get fat and comfy they calm down on everything else. The problem is the situation for the Uyghurs and other Turkic peoples in Xinjiang has evolved much more slowly than the incoming Han Chinese. The Chinese have the money. They have the jobs. They have the cities. They have the top access to education.

COMMISSIONER FIEDLER: And they have the politics.

DR. STARR: And they have--that's right--the control.

COMMISSIONER FIEDLER: And they have the repressive--

DR. STARR: —This is not exactly right. I'm not saying this in defense of China's repressive policies, but they do have the idea that prosperity solves all problems. What the Uyghur and Kazakh, and, by the way, there are also a quarter million Tajiks in the Southwest, all have in common is that they long wanted, and would have been satisfied with, only a full implementation of the name that Mao Zedong himself gave to the province, namely, "Xinjiang—"new frontier"Uyghur Autonomous Region." The Chinese refusal to accommodate them has led to a steady process of radicalization as in the North Caucasus.

COMMISSIONER FIEDLER: What do the Kazakhs do when the Uyghurs, when the Uyghur repression no longer works in China, and there is major problem? You've--I'm asking the other witnesses.

DR. STARR: You've identified--I'm sorry--you've identified the mother of all problems for the region.

COMMISSIONER FIEDLER: Yeah, I mean that's what the hearing is all about. I'm trying to get away from--I want to get back to China and some of the security problems that exist for them in this, and that would be an interruption of trade for everybody else if the ultimate destination is China. So can somebody comment on that other than Dr. Starr for a moment?

DR. LARUELLE: Yes, thank you.

I think the Uyghurs feel that they are really more and more marginalized in their own region. They have been marginalized from trade with Central Asia. They were controlling local trade with Central Asia in the '90s. Now they have been totally marginalized. It's either Han trade or its Dungan Hui trade organized.

They are marginalized for the big agricultural projects, which has mostly Han Chinese,

and they are marginalized for the new industries coming where the workers are mostly Han Chinese, plus they feel marginalized because Beijing is pushing for the other Turkic minorities to become more involved.

Therefore, the promotion of the Kazakh minorities in Xinjiang is received as something going against the interest of the Uyghurs, and I think one of the elements that demonstrates how they feel marginalized, that you have a growing migration of Uyghurs out of the Xinjiang region going to other regions in China because they consider they cannot find jobs in their own region and therefore they migrate.

And that's why this inter-ethnic problem is becoming less and less controllable by Beijing because it's not only in Xinjiang now. It just has Uyghur tensions that can happen everywhere in China.

And for Kazakhstan, so Kazakhstan has like 300,000 minority, Uyghur minority. They have been relatively--all the political association of Uyghurs, the more political have been repressed in the mid-'90s when Kazakhstan understood that if it wants to have good relations with China, there is no way it cannot look like it is welcoming any kind of Uyghur independence or autonomous movements. So they are largely repressed even if you have some Kazakh Uyghur businessmen that are, in fact, kind of the underground world working relatively in support for their Uyghur counterparts in Xinjiang.

But that's a big question for Kazakhstan. The impression is that if suddenly something happened in Xinjiang, and then their own diaspora suddenly react, they will have to repress themselves. Otherwise China will ask to come and repress for them. So that's also a big tension for Kazakhstan is that they need to be competent in their own security, in providing their own security and their own repression means. Otherwise China could use that as an argument to intervene.

MR. PANTUCCI: The one curiosity I would add on this sort of point about Kazakhstan, in particular, is, of course, what's interesting about Kazakh-China relations is one of the main interfaces is Prime Minister Massimov, who speaks excellent Mandarin, and is, of course, ethnically Uyghur. So there is, it's a very sort of complicated sort of relationship at the same time that I think the Kazakhs have domestically.

I wanted to go back a bit on sort of the point about Uyghurs. I would agree with Fred's point about the fact that actually on paper Chinese policy in terms of trying to reach out to minorities, give them affirmative action on these things, is quite good. But there's a question about implementation.

COMMISSIONER FIEDLER: Yeah, the constitution--their constitution is perfectly good.

MR. PANTUCCI: And implementation is the problem.

COMMISSIONER FIEDLER: I would live under their constitution if they--

MR. PANTUCCI: Yeah, right.

COMMISSIONER FIEDLER: --enforced it.

MR. PANTUCCI: Right, right. And I've spoken to Western companies that have gone out there and been doing projects in Xinjiang because the government does incentivize companies to go out there and do stuff, and when they have their local subcontractor--and they have a rule that you have to employ--I don't know--ten percent Uyghurs, let's say, on every project you do, and they go and actually check on the project, it's not actually happening.

And so then they complain and they get in--so it's a question of sort of implementation that is a huge problem.

The other thing I would sort of highlight in terms of where Uyghurs may not be benefiting from this sort of investment into Central Asia and Xinjiang, in particular, is that Uyghurs are at the moment mostly concentrated in that southern corridor of Xinjiang. If we go from Akto all the way down to Hotan, right, that's the kind of main corridor where we still see a majority Uyghur population.

And if you think where does that link up into Central Asia, well, it's into Kyrgyzstan, it's into Tajikistan or Afghanistan, which are borders that have huge high mountains that are quite difficult still to cross, or it's into Pakistan, which has all sorts of other issues associated with it.

So if you look at Kyrgyzstan, which is sort of the main route out, the markets there, which I visited last year, down in Kara-Suu and up in Bishkek, they're increasingly getting smaller. They're getting much smaller, and the goods aren't necessarily flowing there anymore because it doesn't make economic sense for goods to be going out of Kashgar in this direction. So there's a question of this sort of economic corridor.

I think something that Marlene identified before, I think one of the sort of worrying aspects of the Silk Road Economic Belt, which hasn't totally expressed itself, is this idea that it is just going to be something that starts in Urumqi, goes through Kazakhstan into Russia, and ultimately to European markets, and these parts of Central Asia, Kyrgyzstan, Tajikistan, might not benefit from it. And from a domestic Chinese perspective, that southern corridor, where I think the Chinese have a lot of their concerns focused at the moment, don't necessarily reap the sorts of economic benefits that I think the Chinese government are ultimately hoping would get out there.

The final sort of point I would add is at the moment I think the difficulty that the Chinese have is that it's not only in the question of implementation, but the fact that violence is so bad, and the fact that you are seeing so many people getting killed out there in incidents and clashes between Uyghurs and the state or in inter-ethnic violence.

And so I think the security apparatus is very much the one that has the upper hand in sort of dictating what's happening out there. And so when they're saying, okay, what are we going to do at the moment, they're like, well, we need to make sure the roads are secure, we need to make sure we control the Internet, we need to make sure we control everything so that we can guarantee security and stability rather than the sort of bigger economic push which I think you saw.

And I think you can see this in the two big work conferences that they did on Xinjiang--the one under Hu Jintao back in 2010 in the wake of the 2009 riots where the big message out of it was economic development is the key--it was leapfrog development that they wanted to do Xinjiang--to the one that we saw last year under Xi Jinping where instead we saw economic development still a priority but stability and security suddenly was put back up in the sort of important part of the agenda.

HEARING CO-CHAIR TOBIN: Thank you.

DR. STARR: Can I add just one note about this? The geographical focus right now of your questions is the city of Kashgar. Kashgar is a historic Turkic and Muslim city, a real cultural center for over 1,500 years. It is being destroyed, and its historic center is being obliterated and replaced within a Han city.

This is going to have vast cultural repercussions, and is dangerous because Kashgar is right on the border.

When the SCO was created, the first purpose of it, as Mr. Shea noted in the beginning, was actually to secure Xinjiang, and to assure that the three neighboring countries would

suppress all pro-Xinjiang activities, even legal ones, within their borders and turn over their own citizens if they are accused of supporting “splittism” in Xinjiang. They have all done this, compromising their sovereignty in order to preserve it.

COMMISSIONER FIEDLER: So much for non-intervention policy.

DR. STARR: Sir?

COMMISSIONER FIEDLER: So much for a non-intervention policy.

DR. STARR: Yes, and we have no response to that.

HEARING CO-CHAIR TOBIN: We have some more questions coming from Commissioner Bartholomew, please.

COMMISSIONER BARTHOLOMEW: Thanks very much.

This is all so interesting, and we're blessed here with getting access to so many brilliant people, though I have to note, particularly, Dr. Starr, I'm not sure that we've had a renaissance man quite like you testifying before with somebody who's got a background in archeology and an interest in jazz. I'm not sure that there's anything that your life doesn't encompass. So I will confess that I started out as an archeologist myself, but after reading about projectile points for several semesters, I--

[Laughter.]

COMMISSIONER BARTHOLOMEW: --I took off and went in a different direction. So I'm always interested to see people with different backgrounds.

Following up, I guess, a little bit on what Jeff was asking about, which is digging in on this issue of how China's treatment of its Muslim population is being--how does it have an impact on its relationship with these secular Islamic countries that you're talking about?

I was actually very fortunate to be able to be in Istanbul last week just for a couple of days. It was my first time there. It was very interesting. But how, how is this playing out? I mean as there's a crackdown on things like fasting and Ramadan and beards and head coverings, how are these countries able to balance their own interests in being secular Islamic countries with this crackdown on Islamic practices?

And then sort of connected to that, Dr. Pantucci, you mentioned that we don't want to let bad governance fester, but it is festering in a lot of these countries in the region, and I wonder how, when these countries can deal with a China or Russia that is not going to be pushing them on democratic reforms or respect for human rights or lack of corruption or transparency, any of those dynamics, why they would be interested in dealing with the United States where that push is coming from?

And then third--sorry, there's a lot here--third is just this question about, to the best of my knowledge, there actually isn't anything stopping the U.S. business community from investing in these countries, but they do a cost-benefit analysis, and they have apparently decided that the costs are going to be greater than any return they would get on their investment.

So Dr. Starr, if there's time, I'd like you to dig into that a little bit because there's a conflation of U.S. government role and U.S. business interests going on, and I'd like to see if we can separate those out just a little bit and see what's going on.

There's a lot that I just asked about.

MR. PANTUCCI: All right. Well, maybe I'll start. I would say, first of all, in terms of Muslim populations in China, I think you have to refer specifically to Uyghurs because there are other Muslim populations in China as well. There is a Kazakh population, there are Kyrgyz populations, and there's a Hui Muslim population, which is huge. In fact, I think in some reports it's as big, if not bigger, than the Uyghur one. So I think that's a sort of important detail to

remember here.

When we're talking about these sorts of policies, we are talking more specifically on the impacts of Uyghurs.

COMMISSIONER BARTHOLOMEW: Well, just a factual question. Is there concern about radicalization in those other Muslim populations?

MR. PANTUCCI: I've seen in some more sort of hysterical reporting that there does seem to be, but I've seen very little evidence of it. We've seen a handful maybe of what don't look like Uyghur, but speak Chinese, faces showing up in Syria and Iraq, but I think that really speaks to the fact that what's happening in Syria and Iraq with ISIS is just this huge flame that's drawing in moths from every single where rather than necessarily a sign of a sort of greater radicalization amongst that community.

I think in terms of how that's sort of reflected on China's global relations, I think most countries tend to sort of prioritize the economic relationship that they see with China over worrying about these sorts of concerns, though we have had Turkish authorities make some quite big statements in the wake of incidents in China, and we had Erdogan talk about a genocide out in the region after the 2009 riots which had to sort of peddle back out of it.

But, I mean if you're in Istanbul, I don't know if you visited, but in the shade of the Blue Mosque, there is the little park which is dedicated to one of their former leaders, Alptekin, one of the leaders of the sort of Uyghur resistance, and that was something that was set up by Erdogan, so there is a sort of connection there, but I think what you can see globally is that most countries tend to prioritize the sort of bigger relationship with China over worrying about the sort of concerns of this ethnic minority within the country to the detriment of that community I would argue.

So I think that's something that you can see globally. I think on your question which is maybe more directed directly to me, why would they come to the U.S. when we're seeing these countries as places that are, have bad governance, and maybe the Chinese and the Russians aren't really criticizing on it, well, yes, that may be true, but then, on the other hand, that assumes that these countries don't want to reform and don't want their situations to be better and don't want to develop into a booming economy that isn't just either a place which is a source of labor migrants that will go to other countries or just a transit route for goods going to other places or a place where bigger countries come and extract.

I think one of the huge concerns you do find on the ground in Central Asia is this sense of being swallowed by China. You know they worry that this is not--their concern is that they will just become provinces of Beijing, and as China continues to expand and put all this investment in and develop these strong links to the leadership and be able to assert authority maybe politically as well, what does that mean for them as nations? And they will sort of lose their identity.

And so this is why there really is an important need for the U.S. to engage and for Europe to engage with these countries and to reach out to them and show them that this multivector foreign policy they all like to talk about is something that we are all trying to participate in as well, and it's not just them trying to balance between two what they perceive as potentially bad options.

And then the other point--

HEARING CO-CHAIR TOBIN: Briefly, if we could have responses relatively briefly so that we have two more sets of questions coming forth. So--

DR. LARUELLE: If I can just add on this question--

HEARING CO-CHAIR TOBIN: Please.

DR. LARUELLE: --of the relationship between--I mean the Islam issue. I mean all the five Central Asian states, as Fred said, are secular so officially they share the Chinese narrative about Uyghurs being extremists because they have no other room for maneuver. They are not Turkey. They cannot afford to be critical.

Among the population in the elites, you have, of course, more mixed feeling. You have not really Turkic solidarity except for some small kind of nationalist oriented group, but you have the feeling that the Central Asians are projecting themselves as ethnic minorities with this narrative: we were ethnic minorities within the Soviet Union with the Russians, and we can look at Uyghurs are being discriminated by the Han majority. And the general narrative in Central Asia on that kind of ethnic issue would be that what China is capable of doing to its own minority--

HEARING CO-CHAIR TOBIN: Right.

DR. LARUELLE: --they could one day try to do it to us if we really become purely protectorates. That's the first point.

The second one is that even if they are a secular state now, you have a growing part of the younger generation which is identifying with Islam. The last sociological survey we have shows that you have 30 percent of the Tajik and the Kyrgyz population that is in favor of introducing Sharia in the legal system. So you have this growing Islamic sensibility, which would, of course, make then relationships to Uyghurs change and therefore they would become more sensitive to Chinese repression over practices of Islam.

And you have the general perception that historically China is an enemy of Islam, and that's something which, of course, will be growing probably because the Central Asian younger generation are more and more sensitive to their Islamic identity.

DR. STARR: A quick note. Who are these Uyghur people? We'd never heard of them. Nine million strong, they are the oldest sedentary Turkic people, and they had a written language before any of the others. And they're now wondering how their neighbors to the West, whom many of whom were nomads until a century ago, now have representation in the U.N., they have sovereignty and so on. What's wrong with us?" There are really deep feelings that feed this.

On the question of the governments of the former Soviet parts of Central Asia, I would submit it's very difficult to expect a really functioning democracy in a state under siege. Besides, these are new sovereignties. I remind you of the Alien and Sedition Acts in the early days of our own country. It took us awhile to get over that.

And as to the one-man rule we see in central Asia, if I'm not mistaken, one of the submissions to the competition to design the White House had a throne room. So maybe we need a bit of patience if we want to advance our agenda on rights and governance, and to be more attentive to their agenda, the cornerstone of which are sovereignty and security.

HEARING CO-CHAIR TOBIN: Thank you.

Senator Goodwin.

COMMISSIONER GOODWIN: Thank you.

As I was preparing for the hearing this morning, I was going through the briefing materials and saw a passage that jumped out, and I wanted to get the panel's reaction to it, and it's a quote from a foreign minister from Turkmenistan given at the time of the dissolution of the Soviet Union, which was done apparently without the input or even the knowledge of the Central Asian republics.

And the quote is "we are not celebrating, we are mourning our independence." And my

question for the panel is, was that sentiment, in your experience, given, based or derived rather solely from fears of economic collapse and insecurity or through lasting and historical connections and loyalty and affinity to Russia?

And to the extent that it is the latter, how do these feelings continue to inform the Central Asian republics' response to Chinese investment in the region?

DR. STARR: I'd be very glad to just say that narrative was very popular in the West in the early '90s. I think it's wrong. Why? Because the first massive demonstration against Russian rule occurred in Almaty in 1985. A number of people were killed. It was Gorbachev's effort to impose a Russian First Secretary in the Communist Party where there had been a Kazakh one. This same thing was going on all over the region.

Now, they knew full well that their transport system and economies had been totally knit into the Russian economy. Kyrgyzstan, aside from a big factory that made electronics, had assigned the role of supplying meat to the Leningrad region. They knew that dismantling this set of relations would be extremely difficult, which is why you got these kinds of statements.

On the other hand, today, in three of the countries of the region, there are major museums of colonialism and of colonial repression. They're looking into this history now. Kyrgyzstan, for example, which is just on the lip of joining Putin's EEU and which has no choice in the matter, is quietly planning the centennial of the 1916 anti-World War czarist draft riots in which several hundred thousand people were killed.

So do not think they didn't want to rule themselves.

DR. LARUELLE: If I may add a little bit on that. I think what they are mourning from the Soviet Union is the welfare state because that they lost it and that's a costly loss, and the price, the social price of the political independence is very heavy, and I think they were not ready to imagine it would be so costly to get sovereignty.

What I think is important that you have at least five million Central Asians who are migrants in Russia knowing that with the current economic crisis, we don't know how this relationship will evolve. So not only you have five million people that work in Russia, but you have the general Russian media influence in Central Asia which is really powerful.

So you have a kind of--you have two levels. People can tell you at the domestic level that they are complaining about Russian domination, Russian kind of disdainful attitude toward their sovereignty, their identity, their culture. That's one thing.

But if you ask them their vision of the world, they are so much shaped by the Russian media influence and globally by the Soviet memory and the fact that they were part of a big prestigious state, and now they are small things that don't get a lot of interest and therefore they have this kind of pride patriotism for the lost Soviet Union.

They would largely share the Russian's perspective, and I think that was one of our mistakes of being so surprised to see that during the Ukrainian crisis, if you look at sociological survey, the majority of Central Asians were sharing the Russian perspective, not the elites because the elites can access other kind of information, but the average citizen because they're just part of what is their life, and they have so many members of their families in Russia that they are still part of these big kind of cultural groups. I know Fred would disagree with me.

[Laughter.]

DR. LARUELLE: And last one, if you ask them their kind of cultural feeling of China, they will clearly say, okay, we prefer to be with the Russians because we know them. We know how we can survive Russian domination. We don't know how we can survive Chinese domination because Russian domination is not the demographic domination; it's a

political/security domination. But your nation can survive. Your sovereignty can survive the Russian domination.

If you have a Chinese demographic domination, you are done. You are over as a nation. And I think they have this very strong feeling.

DR. STARR: I agree with you. I just wanted to add a very slight note, that you mentioned the Russian media domination of the whole region as well as Ukraine. We have produced absolutely no response to that.

HEARING CO-CHAIR TOBIN: Mr. Pantucci.

MR. PANTUCCI: I would add a very brief point to say that the migrant labor, they're always only going to go to Russia, they're never going to go to China. So that flow is always going to continue to exist, to sort of hammer that point home.

But then the other aspect, which Marlene didn't mention, is security and the sort of security provider. You know there is no expectation that the Chinese are going to come and help defend their borders, but they've got Russian units serving on the border with Tajikistan to Afghanistan. You've got Russian forces moving in to sort of help strengthen the Kyrgyz sort of infrastructure there.

China is not seen as the sort of security provider there. Russia still is. And if you look at sort of leadership visits, now we haven't really had a leadership transition or change in the region for awhile, but the one country where you have seen it happen is in Kyrgyzstan, and the first place the Kyrgyz leaders will always go is to Moscow because Moscow is still the sort of main partner that they have even though economically speaking that really is no longer the case. It's much more China.

HEARING CO-CHAIR TOBIN: And our last question, Senator Talent.

COMMISSIONER TALENT: Briefly, Dr. Starr suggests that American policy should be to move aggressively to bring the southern corridor within the American New Silk Road program, and I presume actually have a robust New Silk Road--it's not going to do much good to bring it within the program if we continue doing nothing to the program--in part I guess as a way of balancing against the danger that China could control this route it's building and through that dominate the region.

Do you all--do you two agree, and if you want to comment, Dr. Starr, please do.

And then one other, very briefly, is it--it seems to me true that the more China invests not just in the Silk Road but the broader policy it suggests, the more--I don't want to use the word paranoid because they may have something to be afraid of--but the more concerned and harshly they're going to respond to Uyghur violence because that really could be the choke point for the whole thing; right?

In other words, am I correct in believing that if they lose control beyond a certain point in terms of violence and ethnic uprising there, this whole program now is in danger, all this investment, this whole policy, because it breaks the link. Am I correct in believing that? And do you think that suggests that they may become even more repressive in the future?

DR. STARR: Well, on the former, it seems to me the degree of balance in the control of the major transcontinental routes is up to us. Absent a more active role than we've had, China will dominate the construction, at least. That I think could be destabilizing if it goes too far, especially vis-a-vis India and Pakistan.

Second, I think your formula is exactly right. The worse the unrest in Xinjiang becomes, the more threatened the Chinese will feel with regard to this entire corridor.

And back to your initial point, as the perceived threat increases, China is likely to ratchet

up its response. It could be very bloody indeed. Again, it's not just a handful of people on the other side. We're talking about more than nine million Uyghurs alone.

DR. LARUELLE: I have just one sentence on the U.S. involvement. I think the fact that the West is so little present economically in the region, not only we push them, the Central Asians, to consider that China is more or less the only actor really about to invest, but also we put them in this kind of crazy dilemma where they have to hope for Russian economy to be strong because it would be worse for them to have a weak economic Russia, than to have a powerful Russia.

So they have this kind of dilemma where they want Russia to be powerful economically because it's good for them. If it totally collapses, they will partly collapse with it, and at the same time they don't want to have to pay the political or geopolitical price of a powerful Russia. So it's kind of terrible dilemma precisely because the West is the kind of absent actor of the game.

MR. PANTUCCI: Yeah, I mean I agree. I think the U.S. does need to breathe some life into this New Silk Road though I would argue they probably should think about developing a different name for it.

I think in terms of Xinjiang as the sort of choke point of all of this, I could see how that might happen, but then again I think that the violence out there if it gets to a certain point, what that will mean is that foreign investors won't come in. So that means the European, Western companies won't actually go in there.

Chinese companies will still go, partially because they're state-owned enterprises and the state says you will go and do a project out there, and so they will go do a project out there. And there's kind of that hurdle to cross. I think it's Western companies and the sort of outside investment that actually the Chinese really want and are very keen to attract.

Every September, they have this Eurasian expo out in Urumqi where they call for people from all around the world to sort of come to invest in the region and help turn Urumqi into the gateway of Eurasia, but that's very difficult to do if there's a sense of instability in the region and not really because there's necessarily a question of violence against these sorts of actors but because of government response.

If we go back and look at how the government has responded in the past, shutting down the Internet for six months after the 2009 riots, well, I can't set up my business in a place where the Internet might suddenly get switched off for six months at a time. There is still also an infrastructure problem out there, and it still does need to be sort of crossed.

So I would argue that I'm not sure that I would necessarily see the violence in Xinjiang becoming such a choke point.

Also, the fact, the point I mentioned before is that we're increasingly seeing the violence focused on the southern corridor. And these Silk Roads can start in Urumqi, go up north through regions that are not really majority Uyghur at all, into Kazakhstan and then on, and that's not really going to be impacted by violence in the same way.

HEARING CO-CHAIR TOBIN: We're going to have one last--that was the apparent last question. But Commissioner Bartholomew.

COMMISSIONER BARTHOLOMEW: Sorry. Thank you. I appreciate your forbearance.

I just wanted to try to flip Jim's question the other way around, which is in the 1990s, there was some muttering that one of the reasons China might have been doing missile proliferation with Pakistan was because in exchange, it was going to try to help control what was

going on with the Uyghurs.

So is it possible that the Chinese are investing in these other countries in the region as a way to try to get their participation in managing the Uyghur problem, to try to fend off more fundamentalism, rather than the other way around?

DR STARR: On the Pakistan point, it is true that China did the first phase, and now they're doing the third phase in the development of the port at Gwadar. Look on the map. This is extremely important. One of the real failures of the U.S. during the Afghan operation was our total disinterest in developing that port. We should have worked with Pakistan and China, for the project is not against anybody.

Gwadar would be the natural port for all Afghanistan. But because we did not develop the short link between Gwadar and Kandahar in Afghanistan, we forced most of Afghanistan's trade through Iran. Again, this constituted a big subsidy of Iran.

On this issue, U.S. interests and China's interests were exactly compatible, and by the way, not against Indian interests, because Indian firms recognize that that would be a faster route than what they're taking through the Iranian port at Chabahar.

HEARING CO-CHAIR TOBIN: Thank you.

We could talk, I think, the entire day, and we will be in touch with you because this is part of--as you know, we have a report that we do present with recommendations. Thank you very much.

VICE CHAIRMAN SHEA: Thank you. We'll reconvene at 11.

HEARING CO-CHAIR TOBIN: And we'll reconvene at 11 for our second panel.

**PANEL II INTRODUCTION BY COMMISSIONER VICE CHAIRMAN DENNIS C. SHEA**

VICE CHAIRMAN SHEA: It's after 11 o'clock so we'll reconvene. If I could have everyone's attention, please.

This panel, this next panel, will focus on China's investment in Central Asia's energy and infrastructure. The three distinguished experts on the panel will assess China's economic inroads into Central Asia and explore their implications for the Central Asian countries themselves, U.S. interests in the region, and global energy markets.

First up is Alexander Cooley, a professor of political science at Barnard College, Columbia University. Dr. Cooley is Professor and Chair of the Department of Political Science at Barnard and Deputy Director for Social Sciences Programming at Columbia University's Harriman Institute.

Professor Cooley's research examines how external actors, including international organizations, multinational companies, NGOs, and foreign military bases, have influenced the development and sovereignty of the former Soviet states with a focus on Central Asia and the Caucasus.

Dr. Cooley's latest book, *Great Games, Local Rules: The New Great Power Contest for Central Asia*--and Katherine is going to hold it up here--we're trying to increase the sales. Get those sales on Amazon.com. This book received an Honorable Mention from the Central Eurasian Studies Society 2014 Book Prize Committee.

Next we'll hear from Sebastien Peyrouse, Research Professor of International Affairs at George Washington University. Prior to joining George Washington University, Dr. Peyrouse was a doctoral and postdoctoral Fellow at the French Institute for Central Asia Studies in Tashkent, a Research Fellow at Hokkaido University's Slavic Research Center in Sapporo, and a Research Fellow at the Woodrow Wilson International Center for Scholars here in Washington, D.C. And he's familiar with the traffic patterns here in the city quite well.

From 2008 to 2012, he was a Senior Research Fellow with the Central Asia-Caucasus Institute & Silk Road Studies Program, where he worked under the tutelage, I suppose, of Dr. Starr at Johns Hopkins School of Advanced International Studies, and with the Institute for Security and Development Policy in Stockholm.

Dr. Peyrouse has conducted extensive research in such areas as political systems, economic development and religion in Central Asia, and Central Asia's geopolitical positioning toward China, India and South Asia. Welcome.

And, finally, we have Erica Downs, whom we are all very familiar with and welcome you again to the Commission. Erica is a Senior Analyst at the Eurasia Group. Dr. Downs focuses on China with a particular emphasis on China's energy sector. She also follows China's overseas investment and lending and the geopolitical implications of China's international commercial activities.

Prior to joining Eurasia Group, Dr. Downs was a Fellow in the Thornton China Center at the Brookings Institution. Previously, she worked as an energy analyst at the Central Intelligence Agency and as a lecturer at the Foreign Affairs College in Beijing, China.

Dr. Downs, as we all know, has published extensively on China's energy policies, oil industry, cross-border investments and related foreign policy issues.

And they are all "Doctors" so it's easy to remember in terms of how to address them, but we'll begin. Again, please--

HEARING CO-CHAIR TOBIN: Dr. One, Dr. Two, Dr.--

VICE CHAIRMAN SHEA: Two. Right, right. Please keep your oral remarks to seven minutes, and Dr. Cooley, we'll start with you.

**OPENING STATEMENT OF DR. ALEXANDER COOLEY  
PROFESSOR, POLITICAL SCIENCE, BARNARD COLLEGE, COLUMBIA  
UNIVERSITY**

DR. COOLEY: Thank you very much, and it's a pleasure and honor to be here today and also to be here with such distinguished experts.

Let me just add a comment to the first panelists in terms of the overall strategic picture. And that is that it is certainly true, as Fred mentions, that multivectorism--that's the term of art we use--is sort of the foreign policy credo of all of these states.

However, one of the things we've seen in 2014 is that the Chinese and Russian vector is strengthening--right--and the U.S.-Western vector is diminishing, and that's in part due to the perceptions of withdrawal from Afghanistan. Right. So our foreign policy in Central Asia has been mostly a function of our Afghanistan policy, ensuring logistics routes, supply networks, military bases, these kinds of things.

So the perception of U.S. withdrawal carries I think much bigger kinds of geopolitical and normative perceptions that we are leaving this neighborhood and that you've seen it in terms of sort of Russia's vigorous reengagement with Kyrgyzstan and Tajikistan, in some ways, really trying to make them classic client states, and China's economic plans--they're upping; we're withdrawing. That's a perception that's shared throughout the region, as well as by companies, NGOs, international organizations that are taking stock of the situation.

So I think your hearing comes at a pivotal point. 2014 has taken a significance that's, I think, much bigger than just sort of the facts on the ground.

Let me just discuss I think some of the caveats that I see. In general, I agree with a lot of what's been said today, but I do want to open up, throw up some issues for discussion.

First, I just want to emphasize how remarkable China's increasing economic engagement with Central Asia has been. One chart that's in the book that I updated for this testimony is sort of overall trade with the region, that in 2000--this is 2000--right--Chinese trade was estimated about \$1 billion with the region--right. By 2010, it had surpassed 30 billion. By 2013, 50 billion. 50 billion. 50-fold increase, right, in 13 years. That's actually probably lowballing it, right, because Central Asian customs officials underreport trade with China, and there's the shuttle trade, right, so this has been remarkable.

And it was really during the financial crisis that China surpassed Russia as the region's leading external economic and trading partner. Right. That's a pivotal inflection point for the geopolitics in the region.

What I want to argue today, though, that far beyond just being a leading investor and trading partner, what we've seen over the last five years is China's acceleration into playing what I regard as a more political role, an acknowledged political role as the region's collective or public goods provider--right--that it has performed the functions that providers of collective goods perform. It has tried not to draw attention to it, not to put labels on it, in part because of deference and sensitivities to Russian concerns, but that's a big part of what's going on.

So I think the pipelines, the development lending, all these things, they have real political and governance dimensions as well as the economic dimensions.

Now, Erica is the expert on the pipelines. Let me just mention one thing about the legal structure of the Central Asia-China gas pipeline, which broke Gazprom's monopoly. This is not a consortium. It's a set of joint ventures--50 percent China-Turkmenistan, 50 percent China-Uzbekistan, China-Kazakhstan. And that's important in the sense that that thrusts China into the

role of regional mediator, right, over the pipeline, any types of disputes or fallouts and so forth. It's China that's bringing the parties to the negotiating table, right, and I think that has real downstream consequences.

Also, on the Kazakhstan spur, CNPC is actually gasifying cities in Kazakhstan; right. It's not just taking the gas and sort of shipping it so really there's been a transformative role that CNPC has played in both its sort of political and distributional consequences.

Similarly, in terms of the loans-for-shares agreements that China concluded during the financial crisis. Take Turkmenistan--right--\$8 billion worth of loans secured by energy. This meant effectively that Turkmenistan didn't have to turn to the international financial community for support, didn't have to turn to sort of private banks, that China played this lender of last resort function, right, which it received energy for, but it had that kind of economic stabilization role.

And also a \$13 billion package with Kazakhstan, which I have details there, including three billion after CNPC got into the Kashagan international consortium.

But China also functions as the region's de facto development assistance provider, right, both through these energy-related loans-for-shares but also through funding in energy infrastructure. Confusingly, it says it does it through the SCO, but these are actually bilateral types of initiatives that it then sort of refers to at SCO. It is very confusing.

For instance, in Tajikistan, as of July 2014, the Chinese Export-Import Bank held 41 percent of Tajikistan's total external debt; right? The World Bank, by comparison, was 16.4. Asian Development Bank, 14.3. So you're seeing China playing these governance functions.

On the face of it, Russia says it's okay with this, right, that there's a very neat division of labor: we do politics and security; you do economics. Any kinds of attempts to drive a wedge between us, this is just the West trying to divide this.

In practice, it's not so tidy, and that's because Russia has at every point dragged its feet in sort of signing off on major Chinese regional economic initiatives, especially through the SCO. It prevented the emergence of a stabilization fund of \$10 billion that the Chinese wanted to do for infrastructure. Free trade was always off the table even though the Chinese would have liked to have it on the table, and most recently, it's Russia that essentially tabled the proposal for the regional development bank, citing the need for more technical studies; right?

Why is this? Because Russia wants to push its own regional economic architectures in the region, including what has been mentioned, the Eurasian Economic Union.

So the relationship is there, but it's an asymmetrical relationship; right. And I think, in public, Russia supports sort of Chinese efforts. In private, it's very concerned. But neither side voices this; right? And I think the Chinese are very smart in the way that they understand Russian sensitivities.

Let me mention, then, the three--very quickly--development challenges. One is hardware versus software. We heard a lot about hardware here; right. We need to talk about software; right. Is development going to come from having all this infrastructure, or according to indicators, like the ease of doing business, Central Asia--which I provided here--is the most trade-unfriendly region in the world formerly; right. Export/import times are three times what they are in the Middle East, twice what they are in Southeast Asia. You can't find a more trade unfriendly region just in terms of the software; right.

So hardware without accompanying improvements in software I think is going to be very difficult.

Two, displacing U.S.-led governance standards and institutions; right. You probably talked a lot about the AIIB and some thoughts on it. It's precisely the U.S. concerns with the

Asian Infrastructure Development Bank that we see red--these types of issues--we see red flags about in the region.

Sorry. And I know I'm--

VICE CHAIRMAN SHEA: No, that's okay. Keep going.

DR. COOLEY: Yes. And we have a test case of this; right. The Dushanbe-Chanak road that was built by Chinese development assistance--right--was then misappropriated locally, toll booths went up, an offshore registered company started collecting tolls. The revenue streams reportedly go to the presidential ruling family. This is what happens when you have unconditional aid. It can actually, despite Chinese intentions, which I think were good, it can be manipulated by local actors for their own sort of private kinds of purposes.

And so, again, you know, the governance standards are one, and then the ability of the Central Asian states to then turn to the World Bank and say we don't need your loan because we have Beijing, I think that's another important dynamic. And, again, that operates almost independently of what China says; right? Oh, we want to be a complement; we don't want to displace these kinds of things. That's fine, but local actors like to play these organizations off one another.

One final point I would ask you to pay some attention to is this business of how do we connect our Eurasian and Central Asian policies and outlook with our East Asian outlook? It used to drive some Chinese officials quite crazy that we had such an incoherent response on the SCO, and they would say we talked to your Asian Bureau, they have one policy. We talked to Europe and Central, they have another. You know Multilateral Affairs, of course, was the most opposed. Everyone had a different SCO policy.

And I think that kind of inconsistency also I think frames the way we view Chinese investment in the region--right--through kind of a Central Asian-Eurasian-Russia lens versus sort of East Asian. So I would encourage the Commission to think about some common sense principles, some common prescriptions that we can apply equally to East Asia, Central Asia, and other third-party regions of the world where we see this rising Chinese economic engagement.

**PREPARED STATEMENT OF DR. ALEXANDER COOLEY  
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“China’s Changing Role in Central Asia and Implications for US Policy:  
From Trading Partner to Collective Goods Provider”

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Prepared Remarks for “Looking West: China and Central Asia”  
U.S.-China Economic and Security Review Commission  
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Members of the Commission, Ladies and Gentlemen:

Thank you for this opportunity to address you today as part of your hearing on China’s growing role in Central Asia. It is an honor to participate along with leading experts on the topic. As others have underscored, we are examining this important issue at a critical time for the region and for US policy. For over a decade, US policy towards Central Asia has been an appendage of our security footprint in Afghanistan, focusing on securing access agreements and the logistics networks necessary to supply US forces. Although this was an important task, this singular focus prevented us from thinking more broadly and strategically about our longer-term interests in Central Asia and how China’s growing economic engagement with the region might fit in with these reformulated objectives.

In general, let me offer qualified support for the position that China can help to forge a more interconnected Central Asia that will foster economic development and political stability. The region remains poorly governed and underdeveloped and China’s efforts, including its new commitment to include the region as part of its new Silk Route initiative, should be generally welcomed. However, there are also some important caveats and policy challenges that China’s emerging role in the region brings that I hope we can also discuss.

**Scope of Economic Engagement: China’s Emerging Role as Regional Patron and Collective Goods Provider**

As has been repeated today China’s increasing economic engagement with Central Asia has been nothing short of spectacular. In the year 2000, according to IMF trade statistics, China’s overall trade with the Central Asian region was estimated at about \$1bn (See Figure 1). By the end of the decade (2010), this figure had increased by thirty times and in 2013 trade volumes

surpassed \$50bn. During the financial crisis, China surpassed Russia as the region's leading trading partner, while the current economic tumult as a result of Russia's ruble crisis has further spotlighted China's crucial role as a regional economic stabilizer.

In addition to this exponential rise in trade, China has built critical new infrastructure, including two important new energy pipelines (the Atyrau-Alashankou oil pipeline across Kazakhstan and the China-Central Asia gas pipeline), new highways and rail networks, and emerged as the region's leading source of developmental finance. Considered as a whole, then, China's role in the region is shifting from external commercial partner to a more comprehensive regional provider of collective goods- including economic mediation and governance, development financing and even emergency lending. The political implications of these new economic roles remain unacknowledged in public, mostly out of sensitivity to Russia and Beijing's public deference to Moscow's position as the leading power in the region.

### *Pipelines and China's New Roles*

Consider, for example, the broader implications of Beijing's considerable energy investments. The landmark China-Central Asia natural gas pipeline, inaugurated in December 2009, effectively broke the near monopoly that Russia's Gazprom exercised across the region. Since, the Russian energy giant has effectively ceded the region to China and CNPC. The China-Central Asia pipeline is comprised of three lines (A, B and C) that originate in Turkmenistan and traverse Uzbekistan and Kazakhstan before feeding into China's West-East pipeline network. By the end of 2015, this pipeline will deliver an estimated 55 billion cubic meters (bcm) of gas, or about 20% of China's annual gas consumption. In addition, a fourth line (line D) currently is being built that will transport gas in Tajikistan and also transit through Uzbekistan and Kyrgyzstan. This will add another 30 bcm in capacity and effectively expand the CNPC network into every Central Asian state.

Less appreciated is the political significance of the pipeline's legal structure. Unlike other pipelines that are consortia, the China-Central Asia pipeline is itself comprised of three separate joint ventures, each based on 50% ownership between China and Turkmenistan, China and Uzbekistan and China and Kazakhstan. Effectively, this means that any regional disputes concerning price, volume, pipeline maintenance, or environmental impact will be mediated by the common party- China. Moreover, an additional spur of the pipeline in Kazakhstan has been built from Bozoy to Shimkent, which will link to the main export pipeline but will also deliver gas for consumption to Kazakh cities and industrial areas. In short, CNPC is becoming both a regional distributor and an exporter of Central Asian gas, as well as a *de facto* mediator among the Central Asian states in its network.

### *Loans for Energy Agreements*

Second, China's particularly close relationship with Turkmenistan in energy development also carries an important patronage role. During the financial crisis, Beijing concluded two loans for energy deals with Turkmenistan, similar to deals it struck with Latin American energy producers, for about \$8 billion. These loans effectively freed the cash-strapped government in Ashgabat from having to borrow money privately or from turning to international financial institutions. These emergency loans were secured with promises of gas deliveries and have yielded a mutual dependence: Turkmenistan remains China's single largest source of imported gas, while

Turkmenistan is only second to Myanmar in terms of its dependence on China as an export market. China also concluded \$13bn worth of loans-for energy deals with Kazakhstan, including most recently another \$3 billion loan that was extended in 2013 after CNPC acquired a stake in the Kashagan international oil consortium. China's energy deals and financial power have made it a regional lender as well as a leading investor in Central Asia's energy producers.

#### *China as a Development Assistance Provider*

Third, China, through government-sponsored agencies such as the Export-Import Bank, has expanded its role as a development assistance provider by funding a number of regional infrastructure projects. The announcement in 2013 of the New Silk Route Belt was accompanied by a series of high profile visits by President Xi Jinping to each Central Asian country where he announced new multi-billion dollar investment packages and the upgrading of these bilateral relations to strategic partnerships. China already has been financing the construction of highways, railway networks and energy infrastructure. According to the World Bank, the Chinese Export-Import Bank remains, by far the largest single creditor to aid-dependent Tajikistan, as of July 2014 held 41.3% of Tajikistan's external debt, compared with the World Bank and Asian Development Bank that held 16.4% and 14.3%, respectively. Chinese specialists and academics last year also communicated to me that they would like to also offer technical assistance on developmental issues, comparable to what USAID or the European Union provide to the region.

#### *Whose Backyard? Russia's Reaction*

China's emerging role of "collective goods" provider has been accepted, but not embraced by other regional parties. Russia, in particular, supports Chinese economic activities and Russian officials and analysts posit a distinct division of labor that both sides are comfortable with: China provides economic investment, while Russia provides security and exerts political influence. Yet, this distinction does not always line up so tidily. Most notably, Russia has quietly opposed or dragged its feet on nearly every major economic initiative that China has proposed within the framework of the Shanghai Cooperation Organization (SCO)- the regional organization, established in 2001, comprised of China, Russia, Kazakhstan, Kyrgyzstan Tajikistan and Uzbekistan. For example, Moscow opposed early Chinese calls to make the SCO a vehicle for a regional trade agreement, while during the financial crisis it refused to contribute to a \$10bn emergency SCO anti-crisis fund that Beijing had proposed to provide infrastructure investment to the region. Then, in the run-up to the 2012 SCO summit in Beijing, Russia tabled a Chinese-backed initiative to create an SCO Regional Development Bank.

Russia is reluctant to further empower China, even in a multilateral setting, as it prefers instead to promote its own regional economic architectures such as the Eurasian Economic Union (comprised of Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan as of May 2015), or the Russian-Kazakh Eurasian Development Bank. Beijing in private has grown frustrated with this Russian reticence, but, undeterred, China has continued its economic activities bilaterally, often referring to its own initiatives as "SCO" projects.

### **The New Silk Road: Regional and US Policy Challenges**

How, then, should the United States respond to China's growing regional footprint and its

shift to a role as a regional patron, mediator and collective goods provider? Central Asia remains a region that is investment-starved and in desperate need for upgrades in its crumbling, Soviet-era infrastructure. The upgrades that China is providing are vital, even if they are tied to a broader Chinese strategic agenda of connecting much of the Central Asian region with Xinjiang in an attempt to modernize and stabilize its restive Western region. However, I do wish to flag some caveats for the Commission that I also believe are important to consider.

### *The Developmental Challenge: Hardware vs. Software*

First, while a general upgrade of the region's infrastructure is urgently needed, an influx of large amounts of external funds for the completion of large projects will strain the region's absorption capacity.

We can think of the issue as developmental hardware versus 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 trade-unfriendly regions in the world. Bureaucracy and red tape continue to hamper formal economic exchange, while state agencies and border officials continue to profit from regulations associated with cross-border transactions.

As Figure 2 shows, in 2014 the average time for imports and exports in Central Asia, based on World Bank "Ease of Doing Business" data, was 79/67 days, having improved modestly from 85/79 days in 2006. However, these long import/export times are still three times longer than comparable times from Eastern Europe and Latin America and the Caribbean, nearly three times longer than the Middle East, and still over twice as long as comparable indicators from South Asia. Simply put, I see little evidence that the trade climate has significantly improved in the region over the last decade, despite the numerous externally-sponsored trade and investment projects that outside actors, including the United States, have introduced.

Accordingly, we will have to see whether large injections of Chinese funding for public works will actually support the strengthening of market institutions and norms in the region or, instead, whether expectations of more large-scale projects will lead national and local elites to anticipate more opportunities for government predation. Finally, even if these projects deliver the infrastructure improvements that they promise, the twin issues of capital flight and kleptocracy continue to plague the region. According to the IMF, for example, Tajikistan suffered capital flight of about 60-65% of its GDP in recent years. Thus, an additional concern with the New Silk Route that I have is that these funds may ultimately make their way to offshore bank accounts and opaque companies, rather than into the region that they are supposed to be economically integrating. The New Silk Route Economic Belt may take several detours off course.

### *Displacing US-Led Governance Standards and Institutions*

A second concern for US policymakers should be the question of whether this new Chinese role as a regional collective goods provider is weakening the influence of international lenders in the region and eroding international governance standards, most notably in the areas of controlling corruption and protecting the environment.

A striking feature of Chinese lending and financing in Central Asia is how walled off it remains from the activities of other international donors in the region. Unlike other aid-intensive areas, Chinese officials in Kyrgyzstan and Tajikistan, the region's two most aid-dependent states, do not coordinate or plan their activities with other donors. Perhaps this itself is rooted in the fact that China's policy towards Central Asia is framed by its regional concerns about Xinjiang, but for international officials active in the region this remains a source of frustration and uncertainty regarding the terms and purpose of Chinese projects.

As this committee is undoubtedly aware, US policy towards new Chinese-led regional lending institutions has varied. In recent years US officials have broadly supported the SCO's efforts in Central Asia, showed some caution about the new Development Bank of the BRICS, and most recently, have been openly critical of the Asian Infrastructure Investment Bank (AIIB). US concerns about the AIIB's lax standards for governance, accounting and lending criteria are especially applicable to the Central Asian cases. Though the exact scope and activities of the AIIB are still being discussed, it is likely that the bank's operations will extend into Central Asia; Kazakhstan and Uzbekistan, the region's two biggest economies, were among the 21 original founding members, (along with Pakistan), while Tajikistan joined the AIIB in January 2015.

These concerns merit careful consideration and are supported by actual recent episodes in the region. According to the International Crisis Group, for example, Chinese funding of Tajikistan's cross-country Dushanbe-Chanak highway provides a cautionary tale about how China's unconditioned loans can be used by local officials for their own narrow purposes. Soon after the completion of the highway in 2010, tollbooths appeared on the road and an opaque company registered in the BVI started collecting revenues. The toll effectively made the road prohibitively expensive for many Tajiks. What had been intended by China as a project to benefit the country as a whole, had generated what appears to be a private income opportunity.

This anecdote also touches on a final, related concern: that governments in the region may use the presence of Chinese patronage, regardless of Beijing's actual intentions, to push back and bargain against the conditions and terms demanded of them by more traditional Western lenders. US policymakers should be aware that this "alternative patron" problem will continue to diminish the power of conditional lenders, even when dealing with weaker and more economic dependent countries that now have other options for their development and project financing.

### **Reconciling US Policy towards Eurasia and East Asia**

Finally, from a strategic perspective, US officials also need to engage in long-term planning about how to connect what are currently distinct regional policies towards Eurasia and East Asia. In Eurasia and Central Asia, US officials tend to view Chinese economic activity as decreasing these states' dependence on Russia and as therefore increasing their sovereignty and independence, while in East Asia, a more competitive view of China's regional role has emerged as embodied in the discussions about the rebalance and negotiations over the Trans-Pacific Partnership (TPP). Certainly, in the area of US policy towards the SCO, Chinese officials have expressed confusion at how the various divisions in the State Department (South and Central Asia, Russia and Eurasia, East Asia, International Organization Affairs) each developed a different view regarding the SCO's purpose and US policy towards it.

For their part, Russian policymakers and analysts increasingly assert that Russia's pivot towards Asia and China will become an important geoeconomic source of influence and a new potential axis to balance against the West. Ultimately, this is an uncomfortable formulation for

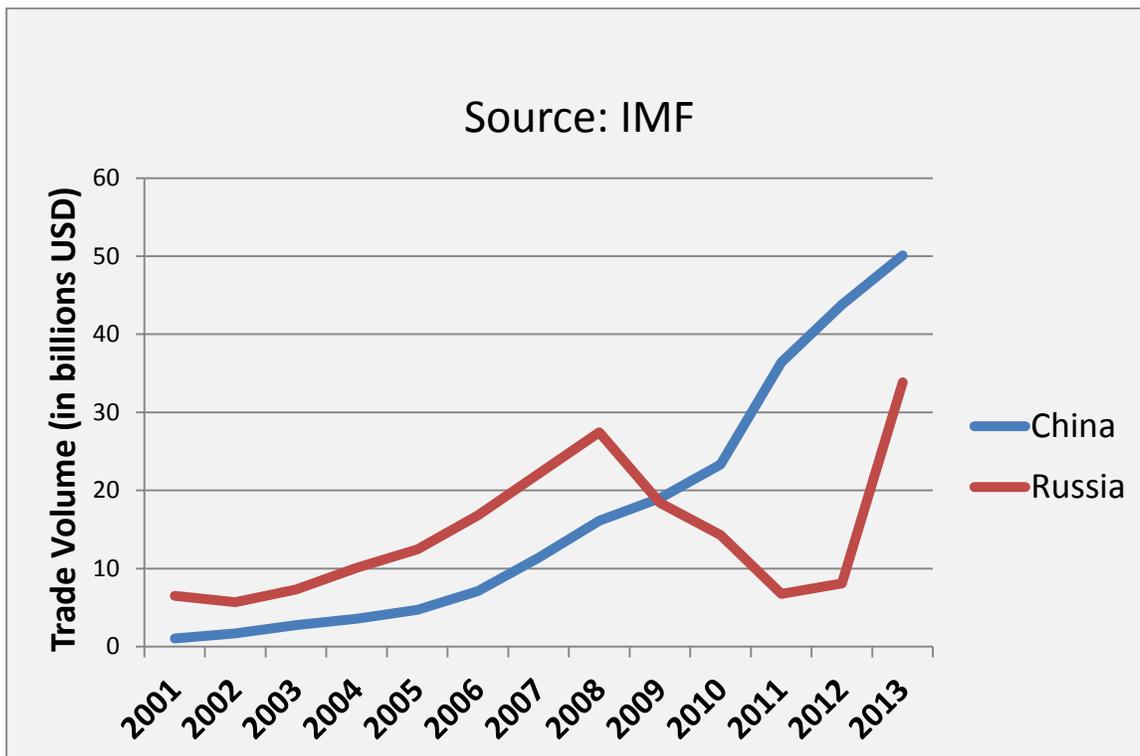
Beijing, which does not want to be forced into choosing between economic engagement with Russia and its economic engagement with the West. Contrary, to some alarmist views, the West has little to fear from increasing Russia-China-Central Asian economic cooperation and integration, especially if it helps to embed Central Asia into new trade networks and transit corridors that will increase overall Europe-Asia commercial ties. Russia will have to prove itself a reliable partner in these new links, otherwise these new networks will not be used to their potential.

A more pressing strategic issue for US policymakers is to fashion a response if Beijing starts to link US policy in one region to the other. For example, how would Washington react if Beijing conditioned more cooperation and economic assistance to Afghanistan to the US backing off from some of its recently announced commitments to its Pacific allies that were made as part of the rebalance? Ultimately, US officials need a more consistent and principled policy towards China's growing role as a collective goods provider that can be applied across the many regions, including Central Asia, where China continues to make important inroads as an economic patron.

Thank you ladies and gentlemen and I look forward to answering your questions.

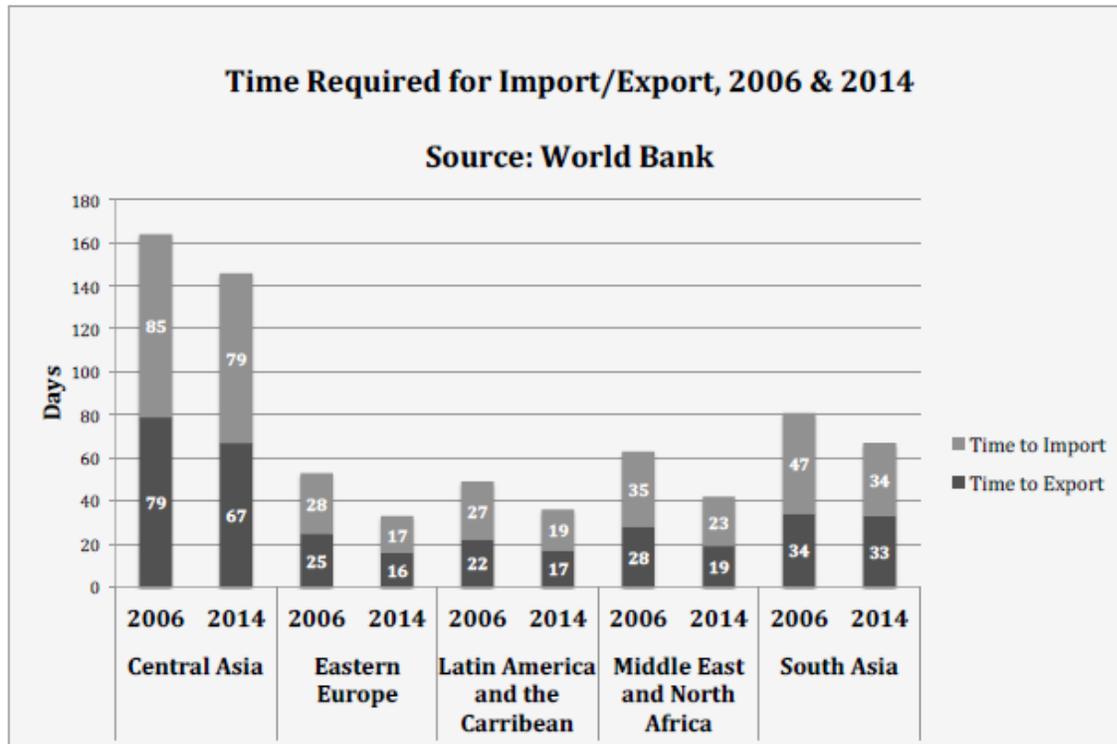
**Figure 1:**

Central Asian trade with China and Russia, 2001-2013



**Figure 2:**

Central Asia's Informal Trade Barriers and Border Controls in Comparative Perspective



**OPENING STATEMENT OF DR. SEBASTIEN PEYROUSE  
RESEARCH PROFESSOR OF INTERNATIONAL AFFAIRS, GEORGE  
WASHINGTON UNIVERSITY**

DR. PEYROUSE: Thank you very much, for first of all, inviting me today. I will focus on the socioeconomic involvement of China in Central Asia and maybe will say a few words on the economic consequences of that investment and of Chinese presence of China in Central Asia.

And as Alex said, I mean China has gained so significantly in importance in Central Asia since these last 20 years, and, indeed, in 2013, Chinese and Central Asian trade nearly reached about \$50 billion. And although Central Asia still represents less than two percent of Chinese foreign trade, Chinese investments have enabled all the Central Asian states to develop and to escape from increased isolation that they had experienced after the fall of the Soviet Union.

So let me maybe mention quickly the main sectors in which China is involved in Central Asia. I won't focus on the hydrocarbon sector because I guess Erica will do that. I mean you know that China is involved in the oil sector in Kazakhstan. It's involved in the gas sector, not only in extracting oil and gas, but also in building gas and oil pipelines, but China's economic presence does not only bear on the hydrocarbons, it also aims at many, many other sectors.

Let me mention some of them. Uranium first plays a major role in the economic partnership between Kazakhstan and China. Several cooperation agreements were signed between Kazatomprom and Guangdong Nuclear Power Group. And Kazakhstan has agreed to supply a total of about 24,000 tons of uranium by 2020.

A very important sector is infrastructure which has aged and has often been neglected by the Central Asian states. Since independence, the political authorities have lacked the means to invest the large sums of money required to update, to improve the infrastructure, and so have ended up relying only on infrastructures inherited from the Soviet times.

So one of the fields in which China is investing and is present in infrastructure is electricity. The establishment of Chinese companies in Central Asia has been centered on two axes. First, the construction of new hydroelectric stations and, second, the installation of new electric lines, and, in particular, high-voltage ones.

China is investing ever greater sums in the Central Asian transport system, following a twofold strategy: it is seeking to improve the routes heading to its border posts in order to increase trade and to open up the most isolated regions of Central Asian countries in order to facilitate internal communications.

Chinese firms also offer their services in the cement sector, for example, and are involved in the construction of several cement factories in Tajikistan and in Kyrgyzstan.

As you know, the telecommunication sector/ the telecommunications market is in rapid expansion throughout Central Asia, and Chinese firms are very well-established in the service sector, mainly China Telecom and Shanghai Bell-Alcatel, and in the technology domain, mainly with Shenzhen Zhongxing Telecom Equipment Corporation and Huawei Technologies. And Kazakhstan also aims to strengthen bilateral cooperation with China in the sector of high technology even if this trend is only in its beginning.

And last, but not least, China is one of the only investors present in China which attaches such importance to the frequently neglected banking sector, a sector that enables the Central Asian states to pursue large-scale projects.

So one word on the consequences of the Chinese investment and of Chinese presence in Central Asia, which are both, of course, positive and negative. Chinese investment infrastructure

really enabled, as I said, the Central Asian states to escape from the increased isolation they have experienced after the fall of the Soviet Union.

Concerning the development of these landlocked regions, China seems really I would say at this time to play the kind of role, the same role in the 21st century that Russia played in the 19th and 20th centuries. Moreover, thanks to China, Central Asian societies benefit from consumer products that are appropriate to their low living standards but which are also capable of satisfying the growing consumer technology needs of the middle classes and, in particular, in Kazakhstan.

The massive influx of Chinese products also gives the people of Central Asia the opportunity to reassume their traditional role as a transit culture exporting goods as far as Russia and Afghanistan and even further west.

There are, of course, I mean several concerns. Above all else, Beijing privileges the extraction industry and exploiting subsoil resources. The development of Sino-Central Asian relations such as it is now sort of taking shape entails the economies of Central Asia into restrictive specializations. Being nearly exclusively exporters of raw materials, the new states run actually the risk of having their last processing industries disappear, already facing big issues in the coming future.

Such limited specialization coupled with the continued de-industrialization of the area could be factors of social destabilization since they may accelerate the pauperization of lower strata of the population.

Small- and mid-size Chinese enterprises are rare since the Central Asian market is very limited and the investment climate is regarded as negative in Central Asia with, of course, differences between the republics, but generally speaking, the investment climate is viewed as negative in Central Asia.

Heavy industry as much as the resale of Chinese products constitutes paradoxical elements of the Central Asian economies which do not necessarily contribute to fostering the circulation of wealth and the production of knowledge, and, moreover, these sectors enrich corrupted milieus, such as the ruling circles and oligarchs linked to them who control the profitable sectors, especially in the field of extraction.

And my last point, the Chinese methods of economic settlements are decried by Central Asian actors. Chinese firms come with their own equipment; they come with their own materials. They do not give work to local enterprises, mostly hire Chinese workers who live in isolation at their place of work, and engage little with the host society, and often submit the few locals they do employ to difficult working conditions, which is actually a fact which is not specific to Central Asia, but you have in many other countries where China is involved like in many, for example, in Africa.

And I'm already late so I will stop there. Thank you.

**PREPARED STATEMENT OF DR. SEBASTIEN PEYROUSE  
RESEARCH PROFESSOR OF INTERNATIONAL AFFAIRS, GEORGE  
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**March 18, 2015**

**Sebastien Peyrouse, George Washington University**

**Testimony before the U.S.-China Economic and Security Review Commission**

**CHINA AS AN ECONOMIC ACTOR IN CENTRAL ASIA:  
BETWEEN DEVELOPMENT AND CONCERNS**

China's economic presence in Central Asia is very multi-faceted. Beijing seeks to establish itself in as many sectors as possible with an eye to occupy the many economic vacuums left by the collapse of the Soviet Union. In 20 years, China has gained significantly in importance in Central Asia and has gradually emerged as the region's main economic partner. China's trade figures, which began in the first half of the 90's at 350 million dollars, doubled to 700 million dollars by 1998. Between 2002 and 2003, trade increased about 300 percent, going from about US\$ 1 billion per year to more than 3 billion. An increase of 150 percent followed between 2004 and 2006, with trade reaching more than US\$10 billion according to Central Asian figures. In the second half of the 2000s, China closely trailed Russia which had been so far the main trading partner of Central Asia. In 2008, before the world economic downturn, trade between China and Central Asia exceeded US\$25 billion, while trade between Russia and Central Asia was US\$27 billion. Since then, China has clearly gained the upper hand while Russia has stagnated. In 2013, Chinese - Central Asian trade reached US\$49 billion.

Although Central Asia still represents less than 2 percent of Chinese foreign trade, in 2013, the Chinese president Xi Jinping took a step forward and unveiled his new strategy, referred to as the Economic Corridor of the Great Silk Road. Its main objective is the development of economic cooperation by constructing transport infrastructure, increasing trade, and removing barriers to trade and strengthening the role of national currencies in mutual trading. The long-term implications of China's economic engagement for landlocked Central Asia will partially determine the future of the region. Chinese investments have enabled all the Central Asian states to develop and to escape from the increased isolation that they have experienced after the disappearance of networks dating from the Soviet era. However, their impact on good governance and population is double-edged and raises concerns.

**CHINA AS A GLOBALIZED ACTOR IN CENTRAL ASIA**

Chinese interests in Central Asia have been structured in phases. In the first half of the 1990s, Beijing's concern was to sign demarcation treaties, demilitarize the borders, and prevent the strengthening of Uyghur separatism. In the second half of the 1990s and early 2000s, it aimed to

create a platform for discussion and mutual discovery, and to build a collective security framework through the Shanghai Cooperation Organization. In the first half of the 2000s, China moved to establish itself vigorously on the Central Asian market, mainly in hydrocarbons, extractive industries, infrastructures, and communications. Finally, since 2005, Beijing has been trying—still timidly—to establish ways to promote its language and culture and to train Central Asian elites according to the Chinese model. Despite China’s initially negative overall image in Central Asia, the Middle Kingdom has succeeded in improving its reputation with soft-power diplomacy, and drastically changed the economic given on the Central Asian arena. It positions itself as the second most influential external actor in the region, surpassing Russia in economic terms, but not strategic or cultural ones.

In the Chinese perception of its environment, Central Asia is not only a part of the post-Soviet world, but also a part of West Asia. China’s positive reappraisal of the continental routes to the detriment of the maritime routes must be understood as part of a long-term historical evolution. Since the nineteenth century and its confrontation with Europe during the opium wars, China saw its development concentrated on its maritime façade. However, today’s Chinese ruling elites know that domestic unity and stability, not to mention great power status, will pass through a rebalancing in favor of the continent. Beijing is therefore increasingly looking toward building a privileged partnership with the Muslim world.

Central Asia is unique to Beijing in terms of its direct interference with domestic issues. The cultural, linguistic, and religious similarities between the Central Asian and Uyghur populations are not only important, but are also regularly revived. Central Asia’s ethnic contiguity with the Uyghur world is perceived by Beijing more as a danger than as an opportunity; nonetheless the region is also conceived as a key engine for Xinjiang’s current economic development and future stabilization. Beijing’s “open door policy” and “Far West Development Program” have indeed helped to transform this landlocked region into a place of major subsoil resource exploitation and an outpost for the advancement of Chinese trade in Central Asia, Afghanistan, and Pakistan. The Chinese policy is thus double-sided: It is repressive in political terms when it comes to pressuring the Central Asian governments to eliminate Uyghur associations, but constructive in economic terms when it comes to offering development aid on the principle that the improvement of living standards defuses political conflict.

Finally, Central Asia has come to position itself on the Chinese radar as partial solution to two concerns: securing continental energy supplies that are not subject to global geopolitical complications, especially in the Straits of Malacca; and appearing as a peaceful rising power able to play the card of multilateralism. In Chinese energy strategies, Kazakhstan has emerged as an exporter of oil and uranium, and Turkmenistan as an exporter of gas, while Tajikistan and Kyrgyzstan have the potential, still unrealized, to export hydroelectricity and water. As for the second concern, through the Shanghai Cooperation Organization (SCO) China is experimenting with new platforms for discussion between powers and ensuring its “peaceful rise” (*heping jueqi*) in order to allay international concerns about it.

However, these two most publicized elements should not be overestimated. Even if energy and multilateralism remain important components of Chinese international positioning, Beijing’s interest in Central Asia is primarily driven by the duality of domestic stability in Xinjiang and

good neighborly relations with local governments, and the transformation of Xinjiang and Central Asia into areas of transit trade for the conquest of new markets. Central Asia is therefore, paradoxically, fundamental in terms of domestic stability because of the Uyghur issue and secondary to the preoccupations of Chinese foreign policy as a whole. It is not related to Japan, North Korea, or even to Taiwan since the Central Asian governments have not sought to challenge the “One China” policy. Even if the region is partly related to relations with the United States, it remains a relative problem compared to the issues of trade, currency, and human rights that occupy everyday U.S.-China relations.

### THE ECONOMIC STRATEGY OF CHINA IN CENTRAL ASIA

Growing Chinese influence has profoundly changed the economic status quo in the region. As in the other regions of the world where Beijing is establishing itself, its settlement economic strategies respond to many objectives, seen by the Chinese authorities as intrinsically related. First, China consolidates its geopolitical influence in Central Asia by creating economically based good neighborly relations that work to diffuse potential tensions. Secondly, it contributes to regional development in order to avoid political and social destabilization, which could slow down Chinese economic growth. Lastly, the Central Asian states provide new markets for Chinese products, markets that could open up to the whole of Russia, Iran, and Turkey. For landlocked Central Asia, the Chinese economic engine opens up the prospect of new trans-Eurasian corridors and is thus seen as a unique historical opportunity.

China’s Place in Imports, Exports, and the Trade Total of Central Asian States  
in 2013 (in millions of US\$)

	Imports	Ran k	Exports	Ran k	Total trade	Ran k
Kazakhstan	13,509 (31.1%)	1	14,265 (23.4%)	2	27,775 (26.6%)	2
Kyrgyzstan	5,468 (51.7%)	1	56 (5%)	6	5,524 (47.3%)	1
Tajikistan	2,014 (41.6%)	1	79 (8.5%)	3	2,093 (36.2%)	1
Turkmenistan	1,229 (13.3%)	4	7,916 (68.5%)	1	9,148 (43.9%)	1
Uzbekistan	2,816 (20.6%)	1	1,707 (28.1%)	1	4,523 (22.9%)	1

*Source: European Commission, <http://trade.ec.europa.eu/>*

#### *Energy-Thirsty China’s Resource Diplomacy*

China’s priorities are clearly defined: it wants not only to diversify its imports, but also to secure them by directly acquiring foreign oil fields. The war in Iraq, which was perceived as a threat to energy security, reinforced Beijing’s energy decisions. The Chinese appetite for energy contributes to strengthening relations with the Central Asian states, which are searching for new export markets for their hydrocarbons to dilute their reliance on Russia. In contrast with the projects oriented toward the west, which necessitate agreement between numerous partners, international majors, transit countries, and destination countries, the projects oriented toward the east concern

above all bilateral relations between the Central Asian and Chinese governments and as such are easier to implement. In addition, Chinese companies are not put off by the often excessive prices of the Central Asian market, since its commercial decisions are legitimated by much larger political and geopolitical rationales.

With close to forty billion barrels in proven reserves, Kazakhstan possesses 3.2 percent of total world oil reserves. The other Central Asian states are distinctly less blessed. Uzbekistan reportedly has close to 600 million barrels of proven reserves, mainly concentrated in the regions of Bukhara and Khiva. Turkmenistan allegedly has similar amounts of reserves to its neighbor, a little less than 600 million proven barrels. In the natural gas sector, the show has been stolen from Kazakhstan by Turkmenistan. The new site of Yolotan-Osman, situated in the Mary region, allegedly contains huge reserves: with between 4,000 and 14,000 bcm, it would be the fourth or fifth-largest deposit in the world. Even if production costs for Central Asian hydrocarbons prove higher than those in the Middle East, they hold two advantages: they are not subject to global geopolitical hazards since they arrive via a continental route without passing through any intermediary country or ocean, and Beijing considers them reliable long-term investments, since they go hand-in-hand with political alliances and a solid coordination of interests with the Central Asian governments.

Central Asian hydrocarbons have thus great potential, but it is costly to realize. The deposits can sometimes be difficult to access, such as those, for example, on the Ustyurt Plateau and in the Aral Sea. Some are also sensitive on the environmental level, like the Kashagan deposit in the Caspian Sea, and others still involve unresolved legal conflicts, like the Turkmen offshore deposits, disputed with Azerbaijan or Iran. Moreover, the extraction conditions are technically complex: on most sites the gas is associated with oil; the sites contain a large volume of sulfur and carbon dioxide; and the deposits are deep and have high pressure levels. Without a mastery of cutting-edge technology, the Central Asian state-run companies cannot perform the work alone and Russian and Chinese companies are less qualified than the large international majors. Lacking capital and know-how, the Central Asian states are reliant on foreign countries to develop their hydrocarbon reserves and so have to contend with the geopolitical game that goes along with the control of resources.

The construction of gas and oil pipelines connecting Central Asian fields to Chinese markets is however a technically and financially complex affair: it covers distances ranging from 3,000 to 10,000 kilometers and cost up to several billion dollars. In addition, China arrived several years after the big international majors had already established themselves on the most promising sites. China's breakthrough, however—accomplished in less than a decade—is very visible and entails very many geopolitical developments. Beijing has become an increasingly important player in the Central Asian hydrocarbon market, one that can be counted on to offer alternative strategies, but it will not replace the large international majors in terms of exploitation, or the Russian pipelines to Europe in terms of export paths.

The Chinese energy thirst obliges the country to develop paradoxical commercial logics. As large Western companies already control the majority of exploitable oil fields, Chinese companies had to specialize in old or difficult-to-exploit fields, or settle in countries seen as unstable or that have been sanctioned by the international community. In addition, they do not possess the same

technical skills as the large majors, and prefer to minimize the risks of exploration by utilizing already-known extraction sites. On their side, however, Chinese firms have all Beijing's diplomatic and financial support, which enables them to outbid competitors during negotiations and put forward complementary good neighborhood measures. These strategies elicit angry reactions from competitors, who often perceive Chinese energy policy as overly aggressive.

China has succeeded, within the space of a few years, in imposing itself as one of Central Asia's main energy partners. Although they arrived late on the scene in Central Asia, Chinese companies such as CNPC and its subsidiaries, the China National Offshore Oil Corporation (CNOOC) and the National Oil and Gas Exploration, as well as the Development Corporation (CNODC), and Sinopec (China National Petrochemical Corporation), have set up an offensive strategy, which is reinforced by their acceptance of the rules of the game laid down by KazMunayGas, not to mention the good political relations between the Chinese and Kazakh governments. Today China controls about a third of Kazakh oil production, thanks to its main deposit of Aktobe (AktobeMunayGas), but also through the acquisition of numerous smaller sites situated along the Sino-Kazakh pipeline (North Buzachi, North Kumkol, and Karazhanbas) and of the offshore deposit of Darkhan. Beijing failed in its bid to establish itself on two of the three main sites: Tengiz and Karachaganak. However, at the end of 2009, the CNPC bought MangistauMunayGas, one of the largest oil companies in the country, which exploits or explores thirty-odd sites, in particular those of Kalambas and Zhetybay. CNPC has acquired an 8.33% stake in the development of Kashagan.

China now has its sights set above all on Turkmen gas. In 2007 the CNPC pulled off a major feat: it became the only foreign country permitted by Ashgabat (after the exceptional case of Burren, which dates back to the 1990s) to exploit the onshore deposit of Bagtyyarlyk on the right bank of the Amu Darya, with 1.3 tcm of reserves. This Amu Darya natural gas project is China's largest overseas natural gas project so far, but Chinese success does not stop there. In early 2010, Ashgabat announced that the tender bid for US\$10 billion to develop South Yolotan had been won by a consortium consisting of the CNPC, LG International, Hyundai Engineering, the Gulf Oil & Gas FZE, and Petrofac International. In this framework, CNPC signed a US\$3 billion contract, according to which it can produce up to 10 bcm per year and retain 3.13 bcm per year to fill the gas pipeline. The Chinese Development Bank, on its part, provided Turkmenistan with a US\$3 billion loan for developing South Yolotan, and the provision of another US\$4 billion for the completion of the project's first stage. In 2013, China signed an agreement to initiate and finance the second phase of the Galkynysh gas field, which seals Chinese dominance of the Central Asian gas sector.

China has therefore succeeded, within the space of a few years, in establishing itself on numerous sites, and has demonstrated its tenacity with the construction of both oil and gas pipelines, which many observers dismissed as too costly and too complex to become rapidly operational. In 2006, Kazakhstan opened its first export route able to bypass Russia, the Atasu-Alanshankou pipeline to Xinjiang. It is part of a bigger structure, namely the gigantic oil pipeline linking the shores of the Caspian Sea to China, whose Kazakh part was constructed in three sections. The first has been in operation since 2003 and connects the deposit of Kenkiyak to Atyrau; the second is the pumping station and the railway terminal of Atasu in the region of Karaganda, at the Sino-Kazakh border post of Dostyk-Alashankou; while the third, linking Kenkiyak to the Kumkol fields via the town of Aralsk, was finished in 2011. China thus have the advantage of an oil pipeline of 2,228

kilometers in length connecting the shores of the Caspian to the Dostyk-Alashankou border post, with a capacity of 20 million tons a year.

Beijing succeeded in convincing the Turkmen, Uzbek, and Kazakh governments to build a common gas pipeline to transport 30 bcm annually, a capacity which will rise to 50 bcm in coming years. The CNPC was committed to investing more than US\$2 billion in it. The pipeline, inaugurated in December 2009, draws from the Turkmen reserves of Samandepe, on the right shore of the Amu Darya, runs 180 kilometers to Gedaim at the Turkmen-Uzbek border, and then crosses through Uzbekistan for 500 kilometers and Kazakhstan for more than 1,300 kilometers, before reaching the Chinese border at Khorgos. A second line was completed by the end of 2010 and a third line became operational in June 2014. Each of the three countries is committed to delivering 10 bcm, although Ashgabat planned the delivery of the 30 bcm promised in the 2006 agreement by 2015. Beijing seems interested in controlling the Turkmen market as much as possible and has offered to raise capacity possibly to 65 bcm, and the construction of a second gas pipeline fourth line from Turkmenistan through Uzbekistan, Tajikistan and Kyrgyzstan, with a projected capacity of 30 bcm per year.

The growth of Chinese activity however does not come without arousing anxiety concerning the autonomy of the Turkmen authorities, who risk becoming prisoners of Chinese supremacy in the coming decades. China enjoys preferential tariffs well below the gas market price, and Ashgabat risks being unable to increase prices once Beijing acquires a quasi-monopoly status. However, under current geopolitical conditions, it serves Turkmenistan to open its gas market to such a well-paying client and especially one that is so thirsty for energy. Kazakhstan finds itself in a more flexible situation, since it can play off several actors against one another, and does not risk seeing its oil dependency on China become too problematic since Russian and Western actors are long-term sustainable partners.

### *Chinese Economic Inroads in Landlocked Central Asia: Investments in infrastructures and other sectors*

China's economic presence does not only bear on hydrocarbons; it also aims at a multitude of other sectors. If advantage is to be taken of the new commercial rationales that opened up with Central Asian independence and the region's insertion in a global market, massive investments must be made in the domains of mineral extraction, transport infrastructure, and communications, all of which are key sectors that will enable the Central Asian states to take advantage of their subsoil riches and/or their geographical position.

Uranium plays a major role in the economic partnership between Kazakhstan and China. Priority is given by the Chinese authorities to partners with whom they have already established global economic cooperation, like Kazakhstan. In 2006-2007, several cooperation agreements were signed between Kazatomprom and the Guangdong Nuclear Power Group (CGNPC). In 2008, a tripartite strategic partnership between the Kazakh national company and two Chinese state companies, CGNPC and China National Nuclear Corp. (CNNC) propelled Kazakhstan to the rank of China's main foreign supplier of uranium, ahead of its traditional partner, Areva. Both Chinese companies invested considerable sums of money in three extraction joint ventures, and Kazakhstan

has agreed to supply a total of about 24,000 tons of uranium to China by 2020. As a symbol of this increasing partnership, Kazatomprom opened a representative office in Beijing in fall 2009. The Guangdong Nuclear Uranium Corp. is also active in Uzbekistan and in 2009 signed an agreement with the State Committee of Geology and Mineral Resources to establish a joint venture, Uz-China Uran, for the exploration of the Boztauskoye deposit in the Navoy region, whose uranium will be commercialized by the Chinese company.

Infrastructure has aged and has often been neglected by the Central Asian states: since independence they have lacked the means to invest the large sums of money required, and so have ended up relying only on infrastructures inherited from Soviet times. Since these infrastructures are completely oriented toward the north, they prevent a southward reorientation of flows. It is precisely in these areas that Beijing has many trump cards up its sleeve. Its companies, whether public or private, have expertise to share, and offer much more attractive prices than other foreign companies.

The Central Asian electricity sector, still relatively underdeveloped, appears promising. With domestic demand for electricity expected to remain weak due to industrial crisis, coupled with high production potential, exports of electricity are destined to experience considerable growth. Beijing views Central Asia as an area capable of supplying it with cheap electricity. Contrary to its hydrocarbon policy, the aim of the Chinese here is not, at least not primarily, to have this hydroelectricity delivered to its large cities in the east (the electrical lines required would need to stretch over about 6,000 kilometers), but rather to make up for the energy shortfall in Xinjiang. China would also like to be able to sell Central Asian hydroelectricity to countries of the southern corridor (Afghanistan, Pakistan, and India) because of the significant transit fees it would accrue. The establishment of Chinese companies in the region, like those it has set up in Russia and Mongolia, has thus been centered on two axes: first, the construction of new hydroelectric stations; and second, the installation of new electricity lines, in particular high-voltage ones.

The strategic China-Kazakhstan partnership signed in 2005 provides for cooperation between the national electricity company of Kazakhstan, KEGOC, and China's GRID Corporation, and seeks the establishment of an "electricity bridge" between the two countries. Tajikistan is the second largest producer of hydroelectricity in the CIS after Russia, and accounts for more than half of the total hydroelectric resources of Central Asia. With Dushanbe's support, China has decided to invest mainly on the Zarafshan River in the Penjikent region near Uzbekistan. The Chinese Theban Electric Apparatus Stock Company (CTEAS) built two strategic electric lines: the Lolazor-Obi Mazor, one in the Khatlon region in the country's south; and the 350 kilometers-long 500 kV high-voltage North-South line which can transfer eight billion kWh to Afghanistan, Iran, and Pakistan and was completed in 2010.

As is the case in the hydrocarbon sector, China has also arrived somewhat late on the Central Asian hydroelectricity market. The largest projects for hydroelectric stations were already launched during Soviet times and are today in the hands of mainly Russian companies, with Iran also involved in Tajikistan. However, multiple delays and conflicts of interest between the political authorities and foreign investors, as well as the Uzbek blockade, have ground these large projects to a halt. Despite the repeated calls by Bishkek and Dushanbe, the Chinese authorities are mostly concentrating on small to medium-size projects, and are not participating, at least not for the

moment, in the two large projects of Kambarata and Rogun.

China is investing ever greater sums in the Central Asian transport system, following a twofold strategy: it is seeking to improve the routes heading to its border posts in order to increase the rhythm of trade, and to open up the most isolated regions in order to facilitate internal communications. The financial allocations come from the China Import-Export Bank, and are directed mainly to the weakest states, Tajikistan and Kyrgyzstan. In the latter, Beijing has established itself in the south of the country, mainly around the border post of Irkeshtam, which is the most promising in trade terms. China has partly financed and took over the reconstruction of the Irkeshtam-Osh highway, built about 100 kilometers of the Madaniyat-Shamaldysay-Tashkumyr-Razan road to the Krupsay hydroelectric station, while the China-Road & Bridge Corporation won the tender to construct a section of nearly 80 kilometers on the Osh-Dushanbe highway.

Relatively well-equipped during the Soviet period, Central Asia has lost some of its railway potential. The progressive effacement of the network has had detrimental effects on the development of goods freighting, which is much less costly than road transport, and has also hindered the opening up of isolated regions. China has attracted attention to itself thanks to its sales of equipment. In Tajikistan, thanks to Beijing's US\$900 million loan, the Chinese Railway Company built the Shar-Shar tunnel on the Dushanbe-Kuliab road, and the China Roads Company another one at Shakhristan on the road leading to Khudjand. In both cases, the junction between the capital and the large provincial towns is viewed as a key element in the country's political stability. Since 2005, Turkmenistan has purchased of several tens of diesel locomotives and about 200 passenger carriages from Capital-Longji Sci-Tech Co, and CITIC. Uzbekistan also seems interested in Chinese rail-sector expertise and has ordered a dozen locomotives. In 2013, Xi Jinping signed with Uzbekistan a contract for the construction of a strategic railway tunnel in Uzbekistan, to cost US\$455 million. Kazakhstan Temir Zholy, the national railway society, also ordered about 150 passenger carriages from the Chinese factory Tan-Shan, as well as some electric locomotives, and opened negotiations with the China Railway New Express Transportation Equipment Corporation.

Chinese firms also offer their services in the cement sector and are involved in the construction of many large cement factories in Tajikistan and Kyrgyzstan, in particular that of Kyzyl-Kiia. Beijing has also proposed small-scale projects for the construction of mini mills and factories for the production of bricks to replace old ones in Central Asia.

The telecommunications market is in rapid expansion throughout Central Asia. Since 1998, China Telecom, a participating member of the Transit Asia Europe (TAE) Fiber Cable System, a link connecting Shanghai to Frankfurt-am-Main, has been developing a telephone network for four Central Asian states (Turkmenistan only entered the project in 2004). More and more Central Asian internet providers work with Chinese software capable of blocking dissident sites. Even if Russian companies dominate on the Central Asian market, Chinese firms are very well established in the service sector, mainly China Telecom and Shanghai Bell-Alcatel, and in the technology domain, mainly ZTE (Shenzhen Zhongxing Telecom Equipment Corporation) and Huawei Technologies.

As the only state in the region able to demand more interesting investments from its partners in terms of technology transfers and human capital, Kazakhstan also aims to strengthen bilateral cooperation with China in the sector of high technology, even if this trend is still only in its beginnings. In 2013, China signed a credit agreements worth US\$8 billion for Baitarek, the newly created state institution in Kazakhstan which will be responsible for modernising the economy. Last but not least, China is one of the only investors present in Central Asia which attaches such importance to the frequently neglected banking sector, a sector that enables the Central Asian states to pursue large-scale projects. With the exception of Kazakhstan, the local banking systems are particularly weak. Chinese banks offer higher lines of credits than those extended by the Islamic or the European banks, and at lower interest rates than those of the main international lenders.

*Conclusion: The Chinese impact on Central Asian economy and populations*

Chinese investments in Central Asia raise questions and concerns. Whereas Western entrepreneurs often invest in the speculative sectors of the economy, by the acquisition of shares and bonds, Chinese companies direct their attention to the “heavy” sectors. Chinese investments in infrastructure enable the Central Asian states to escape from the increased isolation from which they have suffered following the disappearance of Soviet-era infrastructure networks. Concerning the development of this landlocked region, China seems destined to play the same major role in the twenty-first century that Russia played in the nineteenth and twentieth centuries, though this time the orientation will be toward the south and south-east, and not the north. Moreover from China, Central Asian societies benefit from consumer products that are appropriate to their low living standards, but which are also capable of satisfying the growing consumer technology needs of the middle classes, in particular in Kazakhstan. The massive influx of Chinese products also gives the peoples of Central Asia the opportunity to reassume their traditional role as a transit culture exporting goods as far as Russia, and Afghanistan, potentially further south and west.

This Chinese presence is of benefit to the Central Asian economies, but in an ambiguous way. Above all else Beijing privileges the extraction industry and exploiting subsoil resources. the development of Sino-Central Asian relations such as it is now taking shape entails the economies of Central Asia into restrictive specializations: nearly exclusively exporters of raw materials, the new States run the risk of having their last processing industries disappear. Such a limited specialization coupled with the continued de-industrialization of the area could be factors of social destabilization since they may well accelerate the rapid pauperisation of lower strata of the population.

Small and mid-size Chinese enterprises are rare, since the Central Asian market is very limited and the investment climate is regarded as negative, and is only developing in the trade sector. Heavy industry as much as the resale of Chinese products constitute paradoxical elements of the Central Asian economies, which do not necessarily contribute to fostering the circulation of wealth and the production of knowledge. Moreover, these sectors enrich corrupted milieus such as the ruling circles and oligarchs linked to them, who control the profitable sectors of extraction, and the customs and police officers, who divert a share of the revenues generated by cross-border trade. In addition, the Chinese methods of economic settlement are decried by Central Asian actors: Chinese firms to not want to find equipment and materials locally and so come with their own, do

not give work to local enterprises, mostly hire Chinese workers who live in isolation at their place of work and engage little with the host society, and often submit the few locals they do employ to appalling working conditions. This is however nothing specific about this situation which is replicated in the Chinese economic set-ups to be found in Afghanistan, Sub-Saharan Africa, and in Asia.

Can the USA and China cooperate in Central Asia? China - and Russia - is a “total” actor in the region, not in the sense that it shapes the local realities on the ground, but that it has the capacity to engage on all fronts. USA and Western countries capacity is more limited. The lack of territorial contiguity and inability to concurrently influence the political, security, economic limit its impact. This does not mean that China is without restraint. As spectacular as China’s rise in power has been over the last ten years, it may suffer partial setbacks due to domestic difficulties facing the authorities: growing social unrest; instability in Xinjiang and Tibet; the slowdown of current economic dynamics; and the Communist party’s legitimacy could be questioned if growth stumbles. All these factors may work to alter the balance in the years to come and limit China’s leverage and interest in Central Asia. Although scope for joint economic action with China in Central Asia is limited, cooperation could be based on a trade-off between Western technical knowledge and Chinese funds and investments to the benefit of Central Asians. The US companies would of course need to assess on a case-by-case basis whether it is transferring knowledge to China alone with little gain for either themselves or Central Asians.

Does the Chinese presence bring sustainable societal development with it? Does it contribute to spreading know-how and techniques, to training locals, to interacting with the settlement country? Or is it rather an exploitation of partner countries’ wealth in order to fuel the Chinese economic boom and domestic consumption? The response may be rather paradoxical, but whatever the negative or positive consequences, Beijing now represents the most credible economic alternative for the states of Central Asia to free themselves from an increasingly shaky Russian tutelage.

**OPENING STATEMENT OF DR. ERICA DOWNS  
SENIOR ANALYST, EURASIA GROUP**

DR. DOWNS: Good morning. Thank you for the opportunity to testify today. It's a pleasure to be here.

In my remarks, I will address some of the questions sent to me prior to today's hearing. First, what is the state of China's current energy investment activities in Central Asia? Central Asia is a large source of overseas production for China's national oil companies, or NOCs. Over the past two decades, China National Petroleum Corporation, or CNPC, established itself as a major foreign producer in Kazakhstan and the dominant foreign oil company in Turkmenistan.

CNPC currently accounts for one-quarter of Kazakhstan's oil output and Kazakhstan was the second-largest source of overseas production for CNPC behind Iraq in 2013. CNPC also occupies a privileged position in Turkmenistan where it is the only foreign company to have been awarded an onshore production sharing contract and where it's also helping to develop the world's second-largest natural gas field.

Two, what are the major Chinese institutions involved in Central Asia's energy sector? The Chinese oil company with the biggest presence is CNPC. It's by far and away. Other Chinese companies invested on a much smaller scale include Sinopec, CITIC Group, China Investment Corporation, and Guanghai, a private company.

The Chinese financial institution that has been the largest source of capital for Central Asian energy producers and projects is the China Development Bank. It's a wholly state-owned bank with a mandate to advance China's national interests, as the leadership understands those interests at any given time, and during the 2000s, one of those interests included helping China gain access to the energy and minerals it needed for its resource-intensive phase of economic growth.

The bank has helped finance the oil and gas pipelines that run from Central Asia to China, it's provided debt financing to Chinese companies investing in energy projects in Central Asia, and, as Alex mentioned, it's extended at least \$8 billion in natural gas export-backed loans to Turkmenistan.

The new financial institutions that Beijing is involved in creating--the multilateral AIIB, the all-China Silk Road Fund--will probably emerge as new sources of capital for oil and gas projects in the region. Beijing is seeking to forge greater economic connectivity between China and the rest of Eurasia through the connection of a Silk Road Economic Belt. The Silk Road Fund is the new financial institution that's most closely associated with this endeavor.

However, financing projects aimed at delivering more oil and natural gas to China probably will not be as high a priority for Beijing as helping Chinese companies and industries hard hit by China's economic slowdown, like cement, which Sebastien had mentioned, find new business opportunities abroad.

Three, how do Chinese leaders hope Central Asian energy resources will alleviate China's energy security? How likely is it that this will come to pass? Beijing views the Kazakhstan-China oil pipeline and the Trans-Asia Gas Pipeline, as well as pipelines from Russia and Myanmar, as enhancing China's security of supply by diversifying not only the countries from which China imports energy but also the routes by which those supplies reach China.

And moreover, it's likely that Beijing regards overland imports as safer than seaborne ones because countries like Russia and Kazakhstan are unlikely to yield to political pressure from the United States to stop deliveries to China.

While both pipelines have furthered import diversification, the Trans-Asia Gas Pipeline has done more. Last year, the Kazakhstan-China oil pipeline shipped about 240,000 barrels per day to China, but that accounted for just four percent of China's crude oil imports. In contrast, the gas pipeline has transformed Turkmenistan into China's largest supplier of natural gas, delivering 44 percent of China's imported gas last year.

However, Beijing is less worried about energy supply security today than it has been in the past for a number of reasons: China's oil demand growth is decelerating; officials appear to be a bit more comfortable relying on global energy markets; and the U.S. shale revolution and the abundance of supply on the market today has eased concerns in China about scarcity of resources.

Four, how does China's engagement with Central Asia impact regional and global energy markets and other countries in the region? The Kazakhstan-China oil pipeline has helped Kazakhstan, which is landlocked, to better align its exports with the shifting geography of oil demands from west to east.

The majority of Kazakhstan's oil exports still flow to Europe where oil demand growth is in a long-term structural decline. In contrast, China's demand for oil is continuing to grow, albeit at a slower rate than in the 2000s. We have a very similar story for the Trans-Asia Gas Pipeline and Turkmenistan. And the importance of China as a customer to Turkmenistan is continuing to grow, as indicated by the ongoing cutbacks in Russian and Iranian imports of Turkmen gas.

China's involvement in Central Asia's energy sector has been largely negative for Russia because it's contributed to an erosion of Russian economic influence over Central Asian states by providing them with non-Russian export routes.

Moreover, some states, notably Turkmenistan, have gained a first-mover advantage in the competition for shares of the Chinese natural gas market. The Trans-Asia Gas Pipeline has been operating for more than five years while pipeline deliveries from Russia are unlikely to start before 2018 or 2019.

In addition, it appears that China has successfully used the price it pays for Turkmen gas to drive a hard bargain with Russia for the price of gas it will buy from Russia through the Power of Siberia pipeline.

Five, to what extent do Chinese and U.S. companies operating in Central Asia complement or compete with each other? The shale revolution in the United States has diminished competition between Chinese and U.S. companies for energy assets in Central Asia by easing concerns about oil scarcity and providing U.S. companies with a more attractive investment destination, which is the United States.

It's a much less risky place to do business than a lot of countries in Central Asia, and I expect that this trend towards onshoring is unlikely to go away as the result of slower shale growth rates due to lower oil prices. Consequently, assets in Central Asia have not been as high a priority for U.S. oil companies as they were before 2008.

And, finally, has the recent decline in the price of petroleum altered China's posture in the energy sector in Central Asia? The current lower oil price environment is one factor that's likely to make China's oil companies more selective shoppers for overseas assets, including in Central Asia. Obviously, the collapse in crude prices is reducing their upstream profits and is leaving them with less money to spend on exploration and production.

And there are two other factors I'd like to quickly highlight that we could explore in the discussion. One is the Xi administration's ongoing anti-corruption campaign which has hit the oil sector quite hard and paralyzed decision-making within these companies.

And the third factor is the Xi administration's state-owned enterprise reform agenda. The government wants to reform the performance of its state-owned enterprises, including the oil companies, and this is putting pressure on them to make more prudent investment decisions.

Thank you.

**PREPARED STATEMENT OF DR. ERICA DOWNS  
SENIOR ANALYST, EURASIA GROUP**

**March 18, 2015**

**Erica Downs**

**Senior Analyst, Eurasia Group**

**Testimony before the U.S.-China Economic and Security Review Commission**

**Looking West: China and Central Asia**

**1. What is the state of China's current energy investment activities in Central Asia?**

Central Asian states, notably Kazakhstan, are large sources of overseas oil and natural gas production for China's national oil companies (NOCs). Over the past two decades, China National Petroleum Corporation (CNPC) established itself as a major foreign producer in Kazakhstan and the dominant foreign company in Turkmenistan. CNPC currently accounts for about one quarter of Kazakhstan's oil output. Meanwhile, Kazakhstan was the second largest source of overseas production for CNPC (and all of China's NOCs) behind Iraq in 2013. The 600,000 barrels of oil equivalent per day (boe/d) that CNPC pumped in Kazakhstan in 2013 accounted for one quarter of the company's overseas production of 2.46 million boe/d in that year. CNPC occupies a more privileged position in Turkmenistan, where it is the only foreign company to have been awarded an onshore production sharing contract (for the Bagtyyarlyk region in eastern Turkmenistan). In addition, CNPC currently has a technical services agreement to help develop the world's second largest natural gas field (Galkynysh). That said, concerns in Central Asian states, especially Kazakhstan, about China's NOCs becoming too dominant in their oil and gas industries is likely to limit the extent to which Chinese firms will be able to buy more assets.

**2. What are the major Chinese institutions involved in Central Asia's energy sector?**

The Chinese oil company with by far and away the biggest presence in Central Asia as a producer of oil and natural gas and a builder of pipelines is CNPC, which is China's largest oil and natural producer by volume. Other Chinese companies invested in oil and natural gas exploration and production in Central Asia on a much smaller scale include Sinopec (another national oil company), CITIC Group (a state-owned investment vehicle), China Investment Corporation (China's sovereign wealth fund) and Guanghai (a private company).

The Chinese financial institution that has been the largest source of capital for Central Asian energy producers and projects is the China Development Bank (CDB), a wholly state-owned bank with a mandate to advance China's national interests as understood by China's leaders at any given time. During the 2000s, one of those interests was gaining access to the energy and minerals China needed for its resource-intensive phase of economic growth. CDB helped finance the Kazakhstan-China oil pipeline and the Trans-Asia Gas Pipeline (TAGP), which runs from Turkmenistan to China via Uzbekistan and Kazakhstan. The bank has also provided debt financing to Chinese firms acquiring assets in Central Asia, such as CITIC's purchase of the Kazakhstan oil assets of Canada's Nations Energy. In addition, CDB has extended at least \$8 billion in natural gas export-backed loans to Turkmenistan, which appears to have helped secure

a role for CNPC in the development of Galkynysh.

The new financial institutions that Beijing is involved in creating – the multilateral Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB, also known as the “BRICS Bank”) and the China-operated Silk Road Fund (SRF) -- will probably emerge as new sources of capital for oil and natural gas projects in Central Asia for Chinese firms. Beijing seeks to forge greater economic connectivity between China and the rest of Eurasia through the construction of a “Silk Road Economic Belt,” stretching from China to Europe. The SRF is the new financial institution most closely associated with this endeavor. However, financing projects aimed at delivering more oil and natural gas to China probably will not be as high a priority for Beijing as helping Chinese companies in industries hard hit by China’s economic slowdown (such as rolling stock, iron and steel, cement and other construction-related sectors) find new business opportunities abroad.

### **3. How do Chinese leaders hope Central Asian energy resources will alleviate China’s energy insecurity? How likely is it that this will come to pass?**

Beijing views the Kazakhstan-China oil pipeline and the TAGP (and oil and natural gas pipelines from Myanmar and Russia) as enhancing China’s security of supply by diversifying not only the countries from which China imports oil and natural gas but also the routes by which those imports reach China. Moreover, the Chinese government undoubtedly regards overland imports as safer than seaborne ones because countries like Russia and Kazakhstan are unlikely to yield to any political pressure from the United States to stop deliveries to China.

While both Central Asian pipelines have furthered China’s import diversification, the TAGP has contributed more. China imported 26,000 barrels per day (b/d) of oil from Kazakhstan in 2004, the year before the pipeline went into operation. Last year, the Kazakhstan-China oil pipeline shipped 240,000 b/d to China (approximately 100,000 b/d of Kazakh oil and 140,000 b/d of Russian oil), accounting for just 4% of China’s total crude oil imports of 6.2 million b/d. For comparison, China imported 997,000 b/d – 20% of its total crude imports -- from Saudi Arabia, its largest crude oil supplier. In contrast, the TAGP, which went into operation in December 2009, has transformed Turkmenistan into China’s largest supplier of natural gas, delivering 25.8 billion cubic meters (bcm) -- 44 percent of China’s imports -- last year. Guanghai, a private energy company, also operates a very small natural gas pipeline that runs from Kazakhstan to China.

However, Beijing is less worried about energy supply security today than it was in the late 1990s and 2000s. Not only is China’s oil demand growth decelerating, but Chinese officials appear to be more comfortable with reliance on the world oil market than they were even just ten years ago. Moreover, the US shale revolution has eased concerns in China about competition for energy resources.

### **4. How does China’s energy engagement with Central Asia impact regional and global energy markets and other countries in the region?**

The Kazakhstan-China oil pipeline has helped Kazakhstan, a landlocked country far from the open ocean, to better align its oil exports with the shifting geography of oil demand growth from

west to east. The majority of Kazakhstan's oil exports flow to Europe, where oil demand growth is in a long-term structural decline. In contrast, China's demand for oil is continuing to grow, albeit at a slower rate than in the 2000s. Overland pipeline deliveries are currently the only way for Kazakhstan to deliver sizeable volumes to China.

Similarly, the TAGP has helped Turkmenistan, another landlocked country, adapt to the shifting geography of natural gas demand from east to west. Europe's natural gas demand has been slow to recover since the global financial crisis. In contrast, China is likely to be a major driver of global demand growth at least through 2020 despite the slowdown in Chinese gas demand growth last year. The importance of China to Turkmenistan's economic livelihood is underscored by the ongoing cutbacks in Russian and Iranian imports of Turkmen gas. Russia's Gazprom, whose purchases from Turkmenistan peaked at 40 bcm in 2008, announced it would reduce its imports this year from 10 bcm to 4 bcm.

China's involvement in Central Asia's energy sector has been negative for Russia because it has contributed to the erosion of Russian influence over Central Asian states by providing them with non-Russian export routes and sources of financing. Moreover, Central Asian states, notably Turkmenistan, have a first-mover advantage in the competition for shares of the Chinese natural gas market. The TAGP has been operating for more than five years, while the Power of Siberia pipeline is not scheduled to begin delivering natural gas from Russia to China until 2018-2019 barring any sanctions-related delays. In addition, China appears to have successfully used the price it pays for Turkmen gas to drive a hard bargain with Russia for the price of the gas it will import through the Power of Siberia pipeline. Although Gazprom has declared the pricing formula to be a commercial secret, a back-of-the-envelope calculation indicates a price closer to what CNPC pays Turkmenistan at the Chinese border and below the price level sought by the Russians. China will also attempt to leverage the price it pays for Turkmen gas in negotiations for a second gas pipeline from Russia (the Altai line) to China.

##### **5. To what extent do Chinese and U.S. companies operating in Central Asia complement or compete with each other?**

The shale revolution in the United States has diminished competition between Chinese and US companies for oil and natural gas assets in Central Asia by easing concerns about oil scarcity and providing US companies with a more attractive investment destination. In recent years, US oil companies have increasingly focused their upstream investments on the United States, which is a much less risky place to operate than many other countries because of its political stability, strong rule of law and low tax and royalty rates. This trend towards "onshoring" is unlikely to go away as a result of one or two years of slower shale growth due to lower oil prices. Consequently, acquiring exploration and production assets in Central Asia is not as high a priority as it was for US oil companies before 2008.

Take the case of Kazakhstan. Even before the US shale energy revolution, there was much frustration among US and European oil companies operating in Kazakhstan because of Astana's high level of involvement in the oil industry, resource nationalist practices, delays and cost overruns. But the companies stayed put due to the dearth of opportunities elsewhere to invest in such large fields, many of which are in countries closed to foreign equity participation. However, the US shale revolution presented oil companies with a more attractive investment destination. In

2013, for example, Conoco Phillips sold its 8.4% stake in the multinational consortium developing Kazakhstan's giant Kashagan field to Kazakhstan's state oil company, KazMunaiGaz, for \$5.4 billion as part of a broader effort by Conoco Phillips to rationalize its international portfolio to focus on developing its shale assets in the United States. KazMunaiGaz subsequently sold the stake it purchased from Conoco Phillips to CNPC.

Similarly, the easing of anxieties about oil scarcity appears to have diminished concerns in the United States about China's competitive advantage in Turkmenistan, an isolated country with high levels of political risk that is home to the world's second largest natural gas field (Galkynysh). CNPC is the dominant foreign player in the Turkmen upstream, thanks in part to the largely Chinese-built and financed Trans-Asia Natural Gas Pipeline and at least \$8 billion worth of natural gas export-backed loans extended by CDB to Ashgabat. As Richard Morningstar, a former US special envoy for Eurasian energy, observed in 2009: "It's easy for Turkmenistan to make a deal with China, when China comes in and says, 'hey, we're going to write a check for X amount of money, we're going to build a pipeline. That's not a hard deal to accept, and we (the United States) can't compete in that way.'" However, the US shale revolution has made competing with China's NOCs in Turkmenistan and other countries a less pressing issue for US oil companies more focused on investing in the United States.

## **6. Has the recent decline in the price of petroleum altered China's posture in the energy sector in Central Asia, and if so, how?**

The current lower oil price environment is one factor that is likely to make China's oil companies more selective shoppers for overseas assets, including in Central Asia. The collapse in crude oil prices is reducing the upstream profits of China's NOCs, leaving them with less money to spend on exploration and production. Other reasons include:

The Xi administration's ongoing anti-corruption campaign: The anti-graft investigations, which have taken down more than two dozen managers at CNPC, have slowed decision making within the company and its domestic peers. Uncertain who the next target might be, management at all of the "big three" NOCs went into self-preservation mode. This reluctance to make major decisions has contributed to the slowdown in the international mergers and acquisitions of China's NOCs. Both CNPC and CNOOC are currently being inspected by teams from China's top anti-corruption body as part of a broader effort to reduce corruption and facilitate reform at central state-owned enterprises (SOEs). (Sinopec was part of the inspection round that concluded in December.) It is unclear how long the anti-graft probes will continue to constrain overseas investments.

The Xi administration's SOE reform agenda: Beijing's drive to improve the financial performance of its SOEs is putting pressure on the NOCs to make more prudent investments. The balance sheets of China's NOCs deteriorated dramatically after the global financial crisis as a result of a myopic focus on "growth at any cost." PetroChina, the internationally-listed subsidiary of CNPC, is a case on point. The company's debt-to-equity ratio surged from 9.8% in 4Q 2007 to 51.8% in 1Q 2013, while its return on assets declined from 15.30% to 5.26% over the same period. As a result, PetroChina began emphasizing a shift in the company's investment strategy from volume to value and the company announced capex cuts even well before the oil price collapse.

## PANEL II QUESTION AND ANSWER

VICE CHAIRMAN SHEA: Well, thank you very much. Wonderful testimony.

We'll start off the questioning with Commissioner Fiedler.

COMMISSIONER FIEDLER: It seems from the previous panel and from your testimony that the United States has conceded that Chinese interests in Central Asia are going to be dominant versus ours. Shorter distances to market; farther away for us. We're a world power; they're a rising power. We're occupied doing multiple things. We can walk and chew gum at the same time, but running, walking, shadow boxing and doing all at the same time is increasingly difficult for the United States. So we've conceded Central Asia.

Is that fair? Have we conceded Central Asia to the Chinese?

DR. COOLEY: I think de facto we have.

COMMISSIONER FIEDLER: And the Russians are the second-most interested power in the region, and balancing games that were mentioned earlier historically have always cost us a lot of money, and we haven't got a lot to play balancing games with Central Asians at the moment. Is that fair? I'm looking at the realpolitik of why everybody is complaining that the United States is uninvolved in Central Asia.

DR. COOLEY: I think part--there are two prisms that we engage with in the region; right? In the 1990s, the prism was that of transition-- right--the same prism that we applied to Eastern Europe, the same prism we applied to Russia itself--right--that we're coming from this legacy of communism, it's going to take time, and we need to foster the triple transition: market-political-social.

9/11 changes that in Central Asia; right? All of a sudden, it thrusts--

COMMISSIONER FIEDLER: Temporarily.

DR. COOLEY: Yes. Now, it's temporarily, right, but it securitizes our engagement, right, and it gives us a focal point, what we need, you know, how do we prioritize the various baskets of issues that we have?

Now once you put our looming withdrawal from Afghanistan--right--and someone asked, well, what's our compelling national security interest-- if that's your standard, everything is going to fall short, right, in terms of why we should be engaged.

And I think that's part of the problem. As Fred mentioned, we haven't thought through what are the implications of not playing anymore in not only a region that's surrounded by nuclear powers, but in a region in which everyone has their competing rule sets, their competing standards, their competing institutions. I think that's--

COMMISSIONER FIEDLER: And if you take a somewhat partially cynical view of U.S. interest in foreign policy, you don't have U.S. companies deeply involved in the region as well. So there's no sort of U.S. economic motive. I mean you buy a bunch of oil, you got to transport it or you sell it to the Chinese anyway. So you're just a middleman in the energy game.

So it's natural to me what the Chinese are doing, and I don't see how one competes against that. So I'm not explaining away what the United States government is doing. I'm trying to better understand it, but it seems from all the testimony we're receiving that we have totally conceded Central Asia to the Chinese.

And is that--what problems does that produce for us? Does it produce any problem?

DR. COOLEY: Oh, maybe Erica wants to comment on the energy side, but I'll say there's some demonstration effects here; right. When countries like Kyrgyzstan or Tajikistan can effectively expel us from military bases, right, or push back against sort of terms and conditions, I think it creates a dynamic of accelerating this push to multipolarism, right, this idea that

anymore our authority doesn't matter, right, and it's just whoever bids higher, right, will be the external influencer.

And so I think that's part of it here, right, that this is a region where Chinese rule sets, Russian rule sets, EU norms, and the EU, and the U.S. all come together, and it's clear, right, that it's the Russian and the Chinese vector now that are sturdily making headway.

COMMISSIONER FIEDLER: And you attribute that to our withdrawal from Afghanistan? We don't need those airbases if you're not--

DR. COOLEY: No, that's right. That's right.

COMMISSIONER FIEDLER: I mean come on.

DR. COOLEY: That's right.

COMMISSIONER BARTHOLOMEW: So, Jeff, let him answer. Do you attribute it to our withdrawal from Afghanistan?

DR. COOLEY: I think withdrawal has built up a perception, rightly or wrongly, about a more general symbol of U.S. disengagement with the region, with the world; right? I think withdrawal has come to signify all sorts of things that weren't intended to be signified, and I'll also point you prior to the Ukraine crisis, a lot of countries were making the link that withdrawal from Afghanistan is actually facilitating the rebalance to East Asia, right, so when you're a hegemon, when you're a superpower, the places you don't engage with, right, feel why aren't you engaging with us, right, in as much as what we did?

COMMISSIONER FIEDLER: Prior to--again, in mild defense of the United States, how involved were we before the war in Afghanistan in Central Asia?

DR. COOLEY: Very low level, yes.

COMMISSIONER FIEDLER: So it's not as if we withdrew from a major participatory role.

DR. COOLEY: Right.

COMMISSIONER FIEDLER: We had a war.

DR. COOLEY: Right.

COMMISSIONER FIEDLER: We're done on the war.

DR. COOLEY: Right.

COMMISSIONER FIEDLER: We're not interested in the place.

DR. COOLEY: Right. Right. But we're not going back to the status quo ante, right, because of our expectations. We have a record of being there. I think that's the issue.

COMMISSIONER FIEDLER: No, I understand that it's a different place now, too, and I think your argument is more compelling in that respect.

DR. COOLEY: Yeah.

COMMISSIONER FIEDLER: But governments have to prioritize--

DR. COOLEY: Sure.

COMMISSIONER FIEDLER: --their interests and their participation in world affairs and the United States particularly.

DR. COOLEY: Yeah. I would say one more caveat on this is the fact that in part because we've been really wanting to make Afghanistan a regional issue, right, and China has contributed to the Heart of Asia process, especially the last two years, that perhaps we haven't pressed on some issues as much as we could have.

Let me give you just the one brief example. Aid coordination. Why is it that in Bishkek and in Dushanbe in Kyrgyzstan and Tajikistan, China never attends donor coordination meetings? They've started doing it in Africa. They do it in other places because they evolved

and they realized it's an issue. In this part--

COMMISSIONER FIEDLER: Because the dynamic is different because they're a border state with greater influence on the outcome of their policy implementations.

DR. COOLEY: Sure.

COMMISSIONER FIEDLER: You know, Africa, it's a reach, and they want to appear to be less intrusive. I mean I personally was quite confident to let the Chinese go for longer so that they replaced the ugly American with the ugly Chinese in other countries' views of countries. And I think they're still on that road, and I'm not worried about the outcome.

VICE CHAIRMAN SHEA: Okay. Commissioner Wessel.

COMMISSIONER WESSEL: Let me continue that line of discussion and also add the European component to it because with the energy and other extractive opportunities in the region--and we are becoming more self-sufficient in many of these areas--it would seem that Europe has more interests, and as Jeff was just talking about in terms of Chinese, or you were talking about as well, their involvement in coordinating aid, et cetera, in Africa, they're competing with us.

Last year, the White House hosted the African Leaders Summit. We have the reauthorization of AGOA, the African Growth and Opportunity Act, this year, and our next development opportunity or interest, I think, from the U.S. perspective is probably going to be Africa. That's where we're going to put our interests.

Tell me why that should be balanced with also spending, equalizing those resources and interests in Central Asia, or why it's not, should not be more of the interests of the Europeans, who generally hold our coat while we bloody our nose or open our wallets, why they shouldn't be playing more of a role here and, please, each of the witnesses. Erica, do you want to start?

DR. DOWNS: I think there is some complementarity between what the U.S. wants to achieve in Central Asia with respect to economic development in the region and what China is intending to do. As my colleagues had mentioned earlier, this is one of the least economically integrated regions of the world, and to the extent that greater connectivity can be created between these economies, be it through roads or railroads or electricity, then that's a good thing.

And I do think that China is in a much better place to do that than the United States for a whole bunch of reasons. I mean one of them we talked about earlier, which is just geographic proximity. It's China's backyard. It's far from us, and there's also an economic complementarity. It's not just that Central Asia has natural resources that China wants, but it's the other issue I mentioned, that China has all these industries where there's a lot of excess capacity as a result of the economic slowdown, so things like cement, iron and steel, rolling stock, and they also have ambitions to export more sophisticated pieces of equipment.

There's right now it seems like every other week Premier Li Keqiang is giving a speech where he talks about the need to encourage high speed rail, nuclear to go overseas. And so if you sort of look at the needs in Central Asia and what China wants to do, why not let them do it if it fosters this connectivity? They have the resources to put behind it. They have the companies that they want to do it, that they can sort of encourage to do it, arguably better than the U.S. can encourage U.S. domiciled companies to do the same thing.

And to a certain extent, I guess on the positive side, does it create some competition? If you have an Asia Infrastructure Investment Bank or a New Silk Road Fund out there, does it give the countries in Central Asia the option to shop around? Are you not just stuck with the World Bank? Are you not just stuck with the Chinese? Can you play them off each other?

And then I guess on the other side, this hasn't unfolded yet. Chinese companies,

especially in other parts of Central Asia, beyond the ones I've talked about, have run into a lot of difficulties, that there have been a bunch of challenges doing projects, mining projects in Afghanistan, in Pakistan and places like that. There have been acknowledgements in China about how we don't necessarily understand these places as well as we should to be doing business there.

So I guess that while there's great opportunity, I think, for China to build this connectivity, there might also be some pitfalls. And if you look at their track record doing overseas projects in this part of the world and elsewhere, that certainly bears out.

COMMISSIONER WESSEL: But, again, also for the other component, the European component, why isn't Europe more involved in terms of the development? If you just look straight at the extractive issue, they have more interest than we do. We're again becoming more energy independent. You've written--you know well about that.

What are they doing, if anything? Why isn't there interest? U.S.'s wallet is a lot thinner than it used to be.

DR. DOWNS: One general--I haven't looked at the European angle as closely. I mean one general comment that I touched on in my testimony is that European demand for things like oil and natural gas is not growing at the pace it did, and if you look at projections made by institutions like the International Energy Agency, if you look at their recent projections for global oil demand and gas demand out to 2020, you're not seeing much, if any, growth in Europe.

So I think that might be part of the story as well as the fact that there are new sources of supply elsewhere in the world.

DR. PEYROUSE: One point maybe I would like to highlight which seems very important to me is that when we think about, of course, to what extent is the United States involved in Central Asia, it remains in terms of figures extremely limited, and it would be extremely difficult, as everybody knows, to compete with Russia and--with China and even with Russia.

The problem, another problem, is that we're not talking only in terms of economic involvement. We're also talking in terms of visibility. And definitely the United States is not visible, or if it's visible, it was when people in Central Asia talk about the United States, they talk about strategic interests of the United States in Central Asia, and most of them criticize and love the United States and criticize--considering that actually the United States involves them just because of their security, security interests.

And actually I could say that the European Union has a very low, very low visibility too for different reasons. Because the European Union is the main partner in terms of trade and in terms of trading figures for Central Asia. But at the same time, the European Union remains extreme--it's not visible in the region.

So what I think is a very important point to keep in mind is that the United States and the European Union have a chance to be more involved in the region. Why? Because all the Central Asian countries are very, are more and more concerned with the growing Chinese economic development, and related to that, as Alex explained, when you talk about the economic involvement of China, it is strongly related to political involvement.

And all the Central Asian countries are more and more worrying about the weight of China in Central Asia and are really willing to have other partners to counterbalance the influence of China and to counterbalance, of course, the influence of Russia.

So in that point of view, not only is the United States, but the European Union, has really

I think a role to play.

DR. COOLEY: Just very briefly, look, I mean, very frankly, I think certainly there's a case to be made, and I think you made it effectively, in terms of what the case would be of sort of disengaging, not paying the necessary costs to play and so forth. But there are costs to that strategy, and I think just as long as we're aware of the costs, then we can make the informed decision; right?

The costs are loss of status and prestige. The costs are allowing China to increasingly set its terms of engagement away from international norms and standards because—exactly--it perceives it to be an extension of its neighborhood in doing it.

And I think, you know, potentially we don't know what the world will look like in 20 years' time in terms of rivalries and geopolitical dynamics and so forth, but not engaging now means that the terms of engagement I think will be tougher for us down the road. So none of these are kind of as satisfactory as some of the points you've made. They're more long-term, but I think we just have to acknowledge what we're giving up if we give up on the region.

VICE CHAIRMAN SHEA: Thank you.

I have a couple questions. The first is about Russia, and, then, second, I want to talk about pipelines. I mean if the U.S. has conceded, might have some inferiority complex by conceding the region, what about Russia? These countries were once unified politically with Russia; they were economically knitted, as we heard, into the Russian economy. Have they just--talk about having an inferiority complex, I mean are they just sitting there in Russia just watching this aghast?

DR. COOLEY: No, quite the opposite. In fact, it was perceptions of U.S. withdrawal in 2014 plus a growing opposition to the West encroaching into Eurasia--

VICE CHAIRMAN SHEA: No, no. I'm not talking--I'm sorry--

DR. COOLEY: Yeah.

VICE CHAIRMAN SHEA: I'm talking about the Chinese economic dominance in Central Asia.

DR. COOLEY: Yeah, yeah, yeah. So I think, I think what Russia has done with the Central Asian engagement is tried to reboot its regional infrastructures from 1.0 to 2.0, creating a new security mechanism for security, the CSTO, and a new economic mechanism, the Eurasian Economic Union, which for some analysts is as much directed to China as it is to Europe; right? Trying to sort of stop this inevitable flow.

So the idea is you do Belarus, Kazakhstan. You would admit Kyrgyzstan, and Kyrgyzstan is an interesting test case, right, because all the Chinese re-export to the region because Kyrgyzstan was a WTO member ran through Kyrgyzstan to these export bazaars; right. And effectively joining the EEU is going to wall that off; right? The Kyrgyzs are trying to negotiate for some exemptions and so forth. But it's going to fundamentally reorient Kyrgyzstan to Kazakhstan and Russia.

The fly--the real whatever metaphor you want to use--in the ointment in 2014 is the Ukraine crisis, right, sanctions, counter-sanctions, the collapse of the ruble. This is a tidal wave of economic crisis that's been released onto the region. Migrants coming back as a result. So the Russian option doesn't look too good now, and, in fact, the last year, you've actually seen de-integration of trade with Russia that was achieved in the first couple of years of EEU.

So that anchoring of sort of economic engagement with Russia, it's not working out, certainly not in this time of crisis.

DR. PEYROUSE: Yeah, I really think that Russia considers that it has lost a kind of economic war with China in Central Asia, and we've seen that with some reactions. I mean if

Putin strongly insisted, for example, to have Kyrgyzstan and maybe to try to involve Tajikistan in the EEU was really, was a way to, was one of the reasons why, to resist China's economic presence.

And what I really noticed in these last ten years when I'm reading articles on it, when I was interviewing Chinese experts in China and Russian experts in Russia, in the 1990s or in the 2000s, you really had a kind of solidarity of reliance in terms of sharing economic involvement in Central Asia. You take a part of the gas, I take a part of the gas, and so on.

What you really, what I really noticed these last five or six years is that there is really a competition, a growing competition, between Russia and China in terms of being involved in economic resources, especially when you talk about hydrocarbon resources, and that there is a conflict. The disagreements between the two countries are really growing.

And also a very important point is that China has always insisted to make of the SCO a kind of big economic free market, and not only all the Central Asian states, but Russia always refused because they really considered that if we make of the SCO a kind of economic market, those countries won't be able to compete anymore with the Chinese economic power.

VICE CHAIRMAN SHEA: Thank you.

On the pipelines, the oil pipeline is from Kazakhstan to China; correct? And doesn't it start here in the Caspian? Is there any effort to move that oil west to Europe? Has there been any effort? Is that oil accessible not just to China but to west around Russia?

DR. DOWNS: I mean there has, a lot of the oil, and I think including some of the oil that the Chinese have produced in Kazakhstan, some of that historically has gone to points west, especially before they had the pipeline up and running. It was being built in stages, and certainly in the early days some of that was being sent in that direction, and I suspect that, you know, the economics probably still make more sense for sending it that way, and that may be one of the reasons we have such a low volume flowing through the Kazakhstan-China pipeline.

VICE CHAIRMAN SHEA: Now the Turkmenistan-China pipe, the Central Asia-China pipe, that goes through four countries. It doesn't seem like it makes sense to go through four countries to get to China. Was there a political decision, political factors involved, in having that routed through four separate countries before it gets to China?

DR. DOWNS: So I was trying to look at your map right now. I think it, obviously, it can't go directly from--

VICE CHAIRMAN SHEA: Go through here--it kind of makes a--it just seems odd that it would go through four countries because you could just go up--go through Uzbekistan, Kazakhstan to China, but it goes through Kyrgyzstan, doesn't it?

DR. COOLEY: Ah, you're referring to Line D.

DR. DOWNS: Yeah, the fourth line. Yeah, so what's up and running, the Central Asia-China gas pipeline consists of four, actually four separate lines. Three are up and running. One is under construction, and so the three that are up and running go from Turkmenistan to China via Uzbekistan and Kazakhstan, and the fourth line, which is known as String D, which they've broken ground on, but it's not supposed to be completed until 2020, is taking a different route.

VICE CHAIRMAN SHEA: Is it possible for that oil to go to Europe, that gas, Turkmen gas, does that go to Europe, any of it go to Europe?

DR. DOWNS: I think the two, the two, currently the two--there are basically three options for Turkmenistan for exporting gas--Russia, Iran and China. That's where the pipelines go. It's landlocked so it has to be pipeline exports.

And both the Iranians and the Russians have been cutting back their purchases. In the

case of Russia, it's been a really dramatic cutback, but any Russian purchases of Turkmen gas peaked at about 40 bcm around 2010, and last year it was 10 bcm, and the plan is to go down to 4 bcm this year, and I've heard even zero by next year, whereas, the Turkmen, I think, sent about 25 bcm of gas to China last year and they're hoping to send as much as 65 bcm to China by 2020.

So for Turkmenistan, there's been a huge shift in the countries on which its economic livelihood depends, that five years ago it was Russia and now it's increasingly China.

VICE CHAIRMAN SHEA: But is there, I guess is there a European interest in getting access to Turkmen gas? You say it goes to Iran, China, and Russia, but it seems to me if Europeans want to be less dependent on Russian gas, they can--Turkmenistan is a potential source. Am I wrong in--

DR. COOLEY: No.

DR. DOWNS: No.

DR. COOLEY: It's been talked about. When you talk about sort of also trans-Caspian connectors and so forth, they're very costly. You know we're not sure about the energy demand situation. I would encourage the Commission to think about the sort of opposite question: what is the Chinese interest in ever allowing this to happen; right?

China at the moment has locked down Turkmen gas at a very cheap price. Turkmenistan is actually an economic client, effectively, of China. Turkmenistan is only second to Myanmar in terms of trade dependence on Chinese markets, right, so what's actually Beijing's interest in seeing a successful TAPI or seeing a trans-Caspian link built? I mean I'm just thinking about it in a very kind of rational sort of strategic sense.

DR. DOWNS: And I guess two, I guess, sort of counterpoints to that are, one, Turkmenistan has a lot of gas so there's enough gas to go to China and to go to Europe if a pipeline ever does get up and running, and there are huge sunk costs involved in this. It's a very expensive project, as Alex mentioned.

And then the other issue is that for China, diversity of suppliers has always been key.

So, yes, it's great to have all this gas coming in from Turkmenistan. It's great to have what appears to be a very low price that can be used in negotiations with other gas suppliers that want to get into the China market, but I don't think China wants to end up in a situation where it's too dependent.

I'm not sure what percentage I'd put on that where it's too dependent on Turkmenistan, and we do see they've signed the agreement for one gas pipeline from Russia. They're certainly open to a discussion from another one. So just as a counterpoint to what Alex says, I wanted to highlight that.

DR. COOLEY: I agree with that. I'm actually referring to Turkmenistan's interest.

DR. DOWNS: Okay.

DR. COOLEY: What interest does China have in seeing Turkmenistan diversify? I absolutely agree on sort of China wanting to diversify for the many multi-sources it has.

VICE CHAIRMAN SHEA: Right. Okay. I think I have to go to the next question. So, Commissioner Tobin. Sorry.

HEARING CO-CHAIR TOBIN: Thank you.

Dr. Cooley, you heard the conversation about our State Department not being particularly clear about what investment has been made or what resources they have in mind for this area. Can you inform us on the World Bank, exactly what their objectives are in various Central Asia countries? So that's one question.

And another question, I suppose for all of you, is to what extent--and I know our

Chairman would know the answer to this, but I'd like your informing of me, do these countries have active trade ministries? You convey that they're not a trade-friendly region at all, Dr. Cooley--to what extent can you foresee that there would be strengthening at some point in the future? And I think that will be it for this round.

Thank you.

DR. COOLEY: Sure thing. So on the World Bank, so I mean I think this gets to the heart of a lot of issues why we're seeing the demand for these new regional organs, right, that the World Bank isn't primarily doing infrastructure anymore.

HEARING CO-CHAIR TOBIN: Yes.

DR. COOLEY: Right? It's doing a lot of good development-related work, but it's in the areas of health care, it's in the areas of education, it's in the areas of pilot technical training, poverty alleviation. It's doing these kinds of things. It's not actually building the big mega-projects, right, that a lot of states in the region view as necessary. So I think there's a little bit of division of labor. It's abdicated its traditional role as an external financier of infrastructure.

HEARING CO-CHAIR TOBIN: But that plays directly into what you talked about.

DR. COOLEY: Sure.

HEARING CO-CHAIR TOBIN: In terms of software investment.

DR. COOLEY: Yeah.

HEARING CO-CHAIR TOBIN: And there's no reason why that couldn't occur. Is it on their agenda?

DR. COOLEY: It could. I think the problem--yes, no, it certainly is, and they want to make inroads, but I think there's a chicken and an egg question here; right? In part there are such high barriers to trade because certain people profit off of those high barriers to trade; right.

When you have to get export licenses, when you have to pick up the red piece of paper, everyone involved in what one scholar has referred to, the state as an investment market, right, and you buy yourself into it, and you can issue the licenses and the pieces of tape, that's profitable, and unless you change the calculus, right, from that private entrepreneurship is more profitable than being in these positions of access--

HEARING CO-CHAIR TOBIN: Yes.

DR. COOLEY: --where these borders are toll booths, you're not going to change this equation, and my concern about the promise of all this Chinese money flooding in is that we're assuming that this is going to introduce market norms. We don't have a guarantee of that; right.

Instead you might just say, hey, I'm just going to wait for these mega-projects to sit in my lap, and I'll just keep issuing my red pieces, you know, my red tape or my certificates whenever I need to, and I think that's the piece to me that seems more shaky.

HEARING CO-CHAIR TOBIN: Dr. Peyrouse.

DR. PEYROUSE: Yes, maybe just one short word on your question, which was important, does it really make sense to have a pipeline crossing four republics? Why indeed when you look at the map, you could just go through Kazakhstan and then to China?

Actually, I mean by crossing all those countries, those countries will make money on the transit on the gas, and for a country like Tajikistan and Kyrgyzstan, which are the main, I mean two of the poorest countries of the former Soviet Union, this will be one of the rare resources that these countries can make, and I don't want to be paranoid, but it will be, of course, for China a way to put a little bit more pressure on those countries.

And at the same time, if you take the positive side of that, as China is very concerned and is more and more concerned about stability of the Central Asian countries, having a pipeline, a

gas pipeline crossing those countries, and especially Kyrgyzstan, which have huge problems with gas, getting gas every year, it would be a way in the worst case situation to take a bit of gas from these pipelines.

To comment on the investment climate in Central Asia, I think that unfortunately I mean in all the countries of Central Asia, with huge differences, of course, the investment climates remain quite difficult for several reasons--for excessive regulatory rule, for excessive rules, regulatory rules, for licensing requirements. You need approval from the administration to do everything. The banking sector remains very, very weak, and you face a lot of corruption every--I mean every enterprise, whatever, local or foreign, will have to bribe every month, especially in Kyrgyzstan or in Tajikistan or in Uzbekistan or in Turkmenistan, will have to bribe every month those state structures to go on with the business.

I'm not saying that it is impossible, of course, to make business in Central Asia, but, generally speaking, the business climate investment remains pretty hard in the region.

HEARING CO-CHAIR TOBIN: Thank you.

Dr. Downs, anything you would like to add?

DR. DOWNS: Sure. Just I guess two quick things on infrastructure. I mean I would underscore Alex's point that the World Bank hasn't been doing that much infrastructure, and obviously if you look at what they have been doing, and combined with the Asian Development Bank, there is still a huge gap, and that certainly has created an opportunity for China, which has been building a lot of infrastructure domestically and some internationally in recent years.

And then the other, I guess, question, this is just sort of something to watch for, is how many bankable infrastructure projects are there out there, and this is something that I've heard come up in discussions. You have all these new institutions that are poised to play a role building infrastructure, so the AIIB, you know, the BRICS Development Bank, that gets off the ground, this China-led Silk Road Fund, and then you have your traditional players in China as well that have already been doing this stuff overseas, so Exim Bank and China Development Bank, and are there really enough bankable infrastructure projects in the world, and is that why some of this infrastructure that hasn't been built hasn't been built, just because people haven't been able to find a way to get a somewhat decent return on it?

It's still early days with the new Chinese financial institutions, and certainly in the case of both the AIIB and the Silk Road Fund, officials have sort of talked about how they're not looking, you know, that they are looking to be made whole, that they don't want to simply give away money, that they're looking for a decent return, and so it will be interesting to see how that plays, how that plays out, when they actually--when the rubber hits the road, when they're actually starting to look at projects, does not as much stuff get built because of the bankability issue or are they willing to move ahead for other reasons? Still an open question.

HEARING CO-CHAIR TOBIN: Just one comment. What we talked about in the earlier panel was that transportation infrastructure led by the U.S. on the southern corridor might make sense. So that's where that came from.

But thank you, all.

VICE CHAIRMAN SHEA: Commissioner Slane.

COMMISSIONER SLANE: Thank you.

Given the hit that these countries have taken with the Russian economy and given their concern over Chinese domination, do you see any change in their policies to try to encourage U.S. companies, Western companies, to come in? And it seems like they're shooting themselves in the foot here with maintaining their existing policies.

DR. PEYROUSE: Well, to respond very quickly, I mean, yeah, definitely, the Central Asian countries are already trying, as I was mentioning, to balance I mean the economic influence of Russia and China by trying to have other enterprises from other countries being more involved in Central Asia.

But I really think that is one change--I mean really the situation, China and Russia, but mainly China, will remain the main partner, will remain the main economic actor in Central Asia in the ten or 20 years to come.

COMMISSIONER SLANE: I mean are they encouraging companies like Exxon to come?

DR. PEYROUSE: Yeah, I mean they really do. They really want to have Western companies more and more involved. But at the same time, you know when they think about Western companies, they're already aware, for example, in Kazakhstan that western companies are already a big share.

I mean when Central Asian countries and the experts on population criticize the fact that the Chinese are a lot involved, too much involved in the Kazakh oil sector, I mean China has about, controls about 30 percent of oil sector in Kazakhstan. Western countries control more. They control about 40 percent, if I am right.

DR. COOLEY: I mean a couple of responses. One, I think the very reasonable assumption in your question is that there are also elites who are looking out for national interests; right. And I think one piece of this, again to be blunt, that we haven't talked about is there are a lot of kleptocratic dynamics in these states, right, where elites act for their own rent-seeking purposes, their own pocketbook purposes, and one line I have in the testimony, and it's a project I'm working on, is that a lot of these schemes to integrate the region actually the funds end up going offshore; right?

So capital flight from Tajikistan, according to the IMF, is about 60 percent of GDP a year, and where does this go? It goes to the British Virgin Islands--right. It goes to these different sort of holding companies and so forth with very sort of nebulous ties. So there is integration. It's just not the kind of integration we want to see, and I think that's part of the problem here, that sort of state predation is really rooted in the patrimonial nature of these political economies.

I think the Kazakhs are slightly different; right. I think, yes, there's wealth in the family there too, but they do have a more kind of, you know, concern about advancing national interests.

I see their third vector as not so much a U.S. one although they want to reengage and have a strategic partnership. They see themselves more as kind of a global player, right, so you get out of the Chinese and Russian condo by hosting the Olympics, hosting the Expo, right, trying to brand yourself as kind of a global emerging power, and that's what they've been trying to do, get these kind of high profile international types of events that will sort of also improve their image. But it's really tough in terms of who acts in the national interest in these places.

DR. DOWNS: And just to answer directly your oil question, I think that, yes, as Sebastien mentioned, that in countries like Kazakhstan, in particular, it would be great to have a diversity of players, that you can go back ten years and you can find concerns in Kazakhstan about Chinese companies becoming too dominant and frustration that it was a Chinese company that won the bid precisely because they'd like to have a balance, which is not unique to Kazakhstan, but I think right now Kazakhstan faces two problems, which are related.

One is that it's been a very difficult operating environment for foreign companies. There

are a lot of resource nationalist driven practices requiring companies to buy oil equipment and parts in Kazakhstan when they could get them cheaper elsewhere, cost overruns, delays, so it hasn't been an easy operating environment, and then related to that, with the U.S. shale revolution, great investment opportunities have come along in a country, the home country, for a lot of these companies where it's a much easier operating environment.

And, in fact, we've seen one U.S. company, ConocoPhillips, actually leave Kazakhstan. They had a stake in Kashagan, which is a giant oil field there. It also has the reputation for being the world's most expensive oil development project, but ConocoPhillips sold their stake to take that money to reinvest in the U.S., and that, of course, ended up in the hands of China National Petroleum Corporation. Whether or not they have buyer's remorse is another question, but I think those are sort of two factors that have been working against Kazakhstan.

And then Turkmenistan is quite different in that they never felt comfortable, my sense is, with international oil companies, that again before the shale boom in the United States, you did have international oil companies domiciled in the U.S. and Europe that were quite interested in getting into the Turkmen onshore, and they simply could not do it, and it was only CNPC that got in I think through a combination of the pipeline and loans and perhaps some other favors done along the way.

COMMISSIONER SLANE: Thank you.

VICE CHAIRMAN SHEA: Commissioner Bartholomew.

COMMISSIONER BARTHOLOMEW: Thank you and thank you to Chairman Reinsch for letting me jump ahead of him because my question really I want to follow up on this issue of kleptocracy and sort of bigger--we talk about these countries, but I just wonder, Dr. Peyrouse, you mentioned that the Chinese are doing in these countries what they have done in Africa, which is bringing in their own labor, and so that's lost opportunity, it's lost skills, it's lost income for the people on the ground.

I'm wondering a couple things. One is, is there--what is the perception of China among the people of these countries? Are they seeing--and then are they seeing--is there any evidence that Chinese investment is actually improving the standard of living and what's going on with Gini coefficients in those countries? Is this money just going to buy multi-million dollar condos in Manhattan, or is it actually improving the standard of living on the ground in these countries?

DR. PEYROUSE: I see. Sorry.

DR. COOLEY: No, no, no. You should go first.

DR. PEYROUSE: I think that you have different reactions, both positive and negative, because actually you see with the Chinese involvement, Chinese engagement in Central Asia, you see really some changes. You have seen how, for example, we have seen the development of infrastructure in Central Asia. I mean China, as I was mentioning, has built roads, had built railways and so on, and for people, I mean for common people on the street, this Chinese presence is really a way to access, for example, some products, to get to have some jobs, to make a standard of living that they were not about to do before.

One very concrete example, you know some remote areas, some remote regions in Central Asia, like, for example, the Pamir region in Tajikistan, ten or 15 years ago, you were going to the Pamir region, you had absolutely nothing. Even I mean in some of the cities, there are very few cities or big villages there, even in the cities there, you were going to some markets, there was absolutely nothing.

Now when you go to the markets there, I don't say that it's a paradise on earth, of course, but you have a lot of Chinese products, and thanks to that, I mean people are really happy, happy

with that. Now, you, of course, have the negative aspect that I mean Marlene probably addressed in the first panel and that I talked a little bit about, is that a lot of people feel that the Chinese firms do not respect the rules. Again, mostly employ Chinese people, do not employ local people, and when they employ local people, they pay much less salary and they make them work in much worse conditions.

So you really have very different opinions, positive and negative. And sometimes the same person will be about to say yes, we have negative aspects, and we have positive aspects of the Chinese presence.

DR. COOLEY: So I think this gets into a broader conversation about what are actually the operating--the political, economic and legal--spaces in which a lot of Central Asian elites find themselves in. And we again tend to have this vision the region is secluded, and it requires integration and so forth, but they're operating in a much more cosmopolitan setting, and I've done a little bit of research on this.

So, according to Home Office Statistics from the UK that were just released, they had this investor visa program: you invest a certain amount, you get sort of UK citizenship. Between 2009 and 2013, 41 Kazakhs were awarded tier one investor visas. They were about fifth or sixth on the list; right? Top two were Chinese officials and Russian officials right, being awarded those tier one visas.

So there's a sense, we tend to study governance issues for good reasons within the country, but there are also these other kinds of transnational links and so forth in which these officials find themselves in, right, and play in and live and take their money out and so forth, and that's all part of this, and I think my concern is, again, large flows of money where everyone gets their cut doesn't necessarily solve these dynamics.

COMMISSIONER BARTHOLOMEW: Have you checked the U.S. special visa program where you can buy your way into?

DR. COOLEY: I'm in the middle of that, yes. This year for the first time Chinese officials reached their limit, rather in 2014, right, so that's an interesting development.

COMMISSIONER BARTHOLOMEW: So, quickly, Dr. Peyrouse, in Africa, Chinese products flooding into the market. They're displacing indigenous production. I don't know what the state of indigenous production of market goods might have been in Central Asia countries. Are they displacing indigenous production of clothing or whatever it is that people are buying?

DR. PEYROUSE: Yes, I mean it has consequences for the local production because I had several interviews on that with local people in Tajikistan and Kyrgyzstan or wherever, and most of them were telling me actually whatever you produce, the Chinese would be about to produce more and for a cheaper price, which means that this is really killing our production.

COMMISSIONER BARTHOLOMEW: Thank you.

VICE CHAIRMAN SHEA: Chairman Reinsch.

CHAIRMAN REINSCH: Thank you.

I have to say a lot of this, particularly in the beginning, sounds a little bit--very 19th century debate. We're really talking about spheres of influence, and I may want to come back to that, but I have a couple specific questions in the short-run.

Alluding to the analogy with Africa, have there been riots and demonstrations against Chinese investment in any of these countries like there have been in Africa?

DR. PEYROUSE: There have not been demonstrations because it's very difficult to organize demonstrations in Central Asia. Most of them are forbidden, all the more that the governments are really supporting the Chinese investments and do not want to have any kind of

political problem with Beijing. But you had several troubles in firms where, I mean in Chinese firms because, again, people consider that they're not paid enough, that they work in very difficult conditions, and there were some fights between local people and Chinese, and other problems that occurred already several times on the markets, I mean on the local markets, in Kyrgyzstan, for example, when you have more and more Chinese traders competing a lot with local traders, and there were several problems between them. So, yes, these things, but not in terms of demonstrations.

DR. COOLEY: There was one reported incident in the Turkmen-Chinese pipeline where local Chinese managers in a construction project were apparently beaten up and taken to the hospital. It was handled behind the scenes in a very quiet way.

One critical difference between Central Asia and Africa is lack of civil society in Central Asia, right. So what are the vehicles for this political expression against China in Africa? NGOs and strong trade unions. Neither exist in Central Asia, so even though the sentiment is there, the vehicle for its expression is not there so it kind of festers, it simmers, it builds.

CHAIRMAN REINSCH: Changing the subject a little bit, there was some reference in earlier dialogue to the idea of allowing, if that's the right word, the Chinese to set standards and norms in marketplaces. This is something of great interest to me in my day job.

Looking at that, do you think the U.S. government has had the right reaction to the AIIB, or should we have reacted the way the Europeans seem to be reacting? Don't all talk at once.

[Laughter.]

DR. COOLEY: I mean I'm just thinking this through, too. I think what's unfortunate is that the U.S. came out with this position, and then a number of European partners took the opposite position afterwards, so even if that was going to be the position, there should have been some sort of at least sort of a coordinated effort with the announcements, some stocktaking taking place because now the way I see it as an international relations scholar, the U.S. has really lost sort of influence over this; right? And it seems to be lagging, and it's losing Australia.

So I think the issue is in terms of sort of engaging with the institution rather than say get away from it. If it was going to be the case that all the European partners would have joined, then the U.S. maybe should have thought of joining or putting out criteria for joining, right, types of standards it wanted to see met. But now I think we've absorbed a lot of kind of geopolitical costs without actually influencing the actual governance standards.

CHAIRMAN REINSCH: Yes, I don't think there would be a lot of argument about the way it was handled, but I still would like your opinions on what was the right answer? Should we be against it or should we be for it?

DR. COOLEY: I think we need to wait and see how it looks, how its internal kind of decision-making, how its governance shapes up, its lending criteria, its monitoring, its follow-up. I mean Erica might be right in the sense that at the end of the day maybe these institutions are looking to make money, and they'll just shy away from all these sort of dodgy-looking projects, and if that's the case, maybe we have less to fear. I don't know.

CHAIRMAN REINSCH: Dr. Downs.

DR. DOWNS: Yeah, I mean I guess a couple of points. I would agree that the U.S. response to the AIIB so far has not been handled well I think for a couple of reasons.

One, I would agree that even if the U.S.--if everyone in the Obama administration was sort of flat out opposed to this institution from the start, I'm not sure that letting that get out there in the public domain was the best strategy because it does sort of deprive the opportunity to sort of, to engage more also with the Chinese and others and to sort of try to find out what exactly is

going on with the development of this institution, and are there ways that the U.S. can shape its development.

And there's also been a lot of mixed messaging on this issue, that there seemed to be many different people in the administration speaking with different voices, and the reason I guess I would be critical of the U.S. response is that the Chinese were going to and, in fact, have gone ahead with this regardless of whether the United States was going to be involved.

That said, I suppose one benefit, if you will, of sort of the opposition in the U.S. and sort of concerns in other countries like Japan and Australia has been that there's been a lot of sort of pressure I think on China to try to make this into a high standards institution. The people involved in setting this up in Beijing are quite aware of the criticisms and concerns outside, in the outside world.

And certainly rhetorically they've talked about going there. They've sort of talked about being a high-standards institution. They've talked about wanting to complement and cooperate with the existing international development institutions and I guess on the positive side it does look like there's an effort to try to learn from the World Bank and the ADB and the others in terms of what practices worked well in your institutions that we should try to embrace, and which ones should we avoid.

There's been some press reporting that they're looking at a former World Bank lawyer to be the AIIB's first chief counsel. Again, still rumor, hasn't been confirmed. And I think because this is sort of such a high profile project for China, because it is sort of rooted in part in this desire to sort of have the global financial architecture better reflect China's powers and interests, I think there definitely is pressure on China to sort of try to make this a success and to try to make it sort of a credible and a solvent global financial, multilateral financial institution.

That said, we're not there yet, and we don't know exactly what this is going to look like. We don't know exactly how the governance is going to develop. We don't know how transparent it's going to be. We still don't know where all the money is going to come from.

And, of course, it's hard to create institutions like this from scratch, and even though if you look at China Development Bank and China Export-Import Bank, they've been evolving slowly in their international practices, and I think that there's been even a recognition among these banks that we want to be a more attractive donor, and certainly if we want to get--this was more I think the case for the China Development Bank in years past--if we want to do projects in the U.S. because they are looking at a project here in the U.S., if we want to do projects in Canada, if we want to do more stuff in Australia, then we need to meet the standards of those countries.

So I think there was a recognition among these banks, and I think among some Chinese companies, as well, that being a good corporate citizen sort of can be good for business, it can be good for mitigating risks. So if you want to look at it positively, there was some movement in that direction, but like I said, it's early stages and we don't know how this is going to unfold.

CHAIRMAN REINSCH: Thank you. I think my time is more than up.

VICE CHAIRMAN SHEA: Thank you.

Senator Goodwin.

COMMISSIONER GOODWIN: Thank you.

Dr. Downs, you mentioned a couple times the shale revolution here in the States. I know that current estimates suggest that China is actually sitting on identified reserves that dwarf what we have here and may be larger than U.S. and Canada's combined identified reserves.

Now obviously there are a host of barriers including limited water supplies and pipeline

infrastructure that we've talked a little bit about today that would have to be overcome before they could capitalize on these reserves.

But, nevertheless, when do estimates suggest that Chinese domestic natural gas production might be comparable to current production levels in the U.S., and at that point, what effect would that have on Chinese investment and diplomatic engagement in Central Asia?

DR. DOWNS: You're right that if you look at estimates put out by the U.S. Energy Information Administration, for example, that on paper, China's technically recoverable shale gas resources are about 50 percent higher than the United States, and if you look at shale oil resources, I think China is number three behind I think it's the U.S. and Russia.

So certainly there's a lot of potential. I think turning these resources into production has been a bit challenging in China, not only for the reasons that you mentioned but also because of the industry structure. If you look at how the shale revolution unfolded here in the United States, it was a lot of small companies run by individuals who were out to make a lot of money, and they were very nimble, whereas, in China, most of the shale acreage is in the hands of two national oil companies that are big and slow-moving and sometimes have objectives other than maximizing returns.

And I think that while initially the Chinese government had high hopes for recreating what happened in the United States in China, I think those have been tempered by a lot of the above and below-ground challenges in China. I think that's been reflected most recently by some of the new, much lower targets coming out of the Chinese government for shale gas development, that a couple of years ago, they said, oh, we'd like to have 60 to 100 billion cubic meters of production by 2020, and in the past couple of months you've had the State Council come out and say, well, it would be great if we could have 30. So that's been more than a halving of the target.

So I think what we're likely to see in China is much more of a shale evolution than a revolution. They will continue to develop shale resources, but it's just going to happen at a much slower pace. But I do think, getting to your question about Central Asia, perhaps with Russia and exporters of LNG, anyone who wants a piece of the China gas market, it certainly has been useful for China to have that higher target and to sort of play up the resource potential to use that as a leverage point to say that at some point the window for imports may close, and so if you want to sell to us, you might want to get in now, and, oh, by the way, you might want to offer us an attractive price.

COMMISSIONER GOODWIN: Anybody else?

VICE CHAIRMAN SHEA: Senator Talent.

COMMISSIONER TALENT: Yeah, just to follow up on what Carolyn and Bill were asking about, you know we got to do this report to the Congress so would it be accurate, if oversimplistic, to describe the Chinese model of development in these countries as identifying the strategically important resources, buying them up through state supported investment either directly or through joint partnerships, whatever, building the structure necessary to access that, trying to control the good jobs or opportunities for Chinese insofar as they can, basically bribing, or buying off is probably a little more sanitary word, the local elites to get cooperation, and then being fine with whatever local development might grow around that, and then just identifying two or three things of huge importance to the Chinese government that the local elites have to deliver, whether cooperation in dealing with the Uyghurs or not interrupting the supply lines or something like that?

I mean is that an accurate way of describing what they're doing?

DR. COOLEY: Yeah, I think that's right on the money. I think one other layer to this, too, is also making engagement comprehensive so that you can't, if you're on the receiving end of this, you can't pick and choose what you renege on; right? I mean it's part of an ex ante strategy question, how does China guarantee its investments and so forth? It makes its engagement indispensable to multiple constituencies so you don't just say, no, that contract is no good anymore.

And, obviously, we'll see how this sort of plays out, but in that sense, the elevation of these partners' strategic partnerships, right, in 2013--before they only had a strategic partnership with Kazakhstan--is really important so, yeah, you identify your critical things, but you also create other constituents that want to maintain and take the relationship forward on the issues you care about.

DR. PEYROUSE: One point maybe I would like to add here is that China doesn't view Central Asia as an end by itself. I mean Central Asia is for China, well, important, of course, but just a first step towards other markets. So when China wants to be involved economically in Central Asia, it really aims for the markets like Iran, the Middle East, or even Europe, I mean whatever, but again it's important to keep in mind that Central Asia is not an end in itself for China.

COMMISSIONER TALENT: Right. So I mean they need it as a transit point; hence, all the infrastructure. Yeah.

DR. DOWNS: Just to add a few quick points to the model that you laid out. One, as I mentioned earlier, I think sort of the economic drivers are changing a bit, that in terms of sort of identifying these sort of key areas or sectors that China wants to invest in, as I mentioned, I think it's going to be a bit less on hydrocarbons and more on finding opportunities for Chinese companies, be it cement makers, iron and steel producers, train builders, to find new opportunities in Central Asia.

That said, of course, you still have oil companies operating in Central Asia. You have the pipelines. So, again, I think the drivers are going to change. I think if you sort of look at China's plans for the Silk Road Economic Belt, clear economic drivers there, depending on how this plays out, I'm certain there will be some geopolitical consequences, and I wouldn't be surprised if you had the view in Beijing that if we can create this economic interconnectivity, even though, yes, it sort of can be great for regional development, does it facilitate our foreign policy goals in some way by making these countries more accommodating to our interests?

And then I guess sort of the third point gets back to one of the other issues as almost a counterpoint to what we've been talking about today, that yes, China has these grand plans, but as my colleagues on the panel have mentioned, actors on the ground also have their own agendas, and there have been concerns about Chinese becoming too dominant in certain sectors. If those concerns heighten, if some of these sort of grand projects do not play out as planned, that may also determine the extent to which, you know--

COMMISSIONER TALENT: I'm not saying it's necessarily bad for the United States.

DR. DOWNS: Yeah.

COMMISSIONER TALENT: Or that they're necessarily going to succeed, but I wanted to sort of capsulize and see if my understanding was basically--

DR. DOWNS: Yeah.

COMMISSIONER TALENT: --accurate. And I don't know it's as much of a sphere of influence. It may be a reassertion of the old vassalage relationship, the Middle Kingdom sort of establishing different circles of vassalage with countries around it.

Thank you.

VICE CHAIRMAN SHEA: Sure. We are overtime, but we'll give one quick question to Commissioner Fiedler.

COMMISSIONER FIEDLER: Just a quick, getting back to U.S. interests. Listening so far this morning, the biggest potential source of conflict is between Russia and China in Central Asia. You're saying yes; you're saying no.

In terms of U.S. interests in this new world of a rising power, why isn't it in our interest to exacerbate those tensions?

COMMISSIONER BARTHOLOMEW: Why is it or why isn't it?

COMMISSIONER FIEDLER: Why isn't it in our interests to exacerbate those tensions through, if you will, benign neglect?

DR. COOLEY: Yeah, it's a very fair point. I would say the number one source of potential conflict in the region is internal. It's border disputes. It's these enclaves hardening borders. It's rising nationalism. It's, social discontent. We can see a replay of the scenario on 2010 in Kyrgyzstan, right, where you had high levels of nationalism.

And then you add external powers getting involved. I think that's the greater danger. It's not direct conflict between Russia and China.

COMMISSIONER FIEDLER: But I would say that in the long-term, we are diminishing the Russian and Chinese view of each other.

DR. COOLEY: Yeah.

COMMISSIONER FIEDLER: At the moment they're conveniently working together against us on some level. But they have historic and they have a long border and they have serious--

DR. COOLEY: Sure.

COMMISSIONER FIEDLER: --sort of problems. And that I wouldn't think short-term on this, and I don't think the Chinese think short-term.

DR. COOLEY: Right. Right. But I think that's exactly one way we can think about it, but we're in a position now where we have two regional policies, right, and in one we view China as a regional competitor, and the other one we view anyone but Russia as sort of good for U.S. interests; right?

And so I think we're locked into these kind of two ways of dealing with these separate regions. On the China-Russia front, Steve Kotkin at Princeton has a good analogy for these. He calls it the "unbalanced triangle." Right. It's where China seems to mediate relations between us and Russia, right, so during the Ukraine crisis, Russia turns to China, we turn to China, trying to influence them and positioning them; right.

China has put itself in a position that it's being courted both by the West and the East, and it doesn't want to be forced to choose, and that suits it just fine.

VICE CHAIRMAN SHEA: Okay. We're going to close on that.

COMMISSIONER FIEDLER: Thank you.

VICE CHAIRMAN SHEA: We want to thank our witnesses for making such a great contribution to our hearing. Safe travels back, and we will reconvene at 1:30 for our third panel.

[Whereupon, at 12:35 p.m., the hearing recessed, to reconvene at 1:31 p.m., this same day.]

**PANEL III INTRODUCTION BY COMMISSIONER KATHERINE C. TOBIN, PH.D.**

HEARING CO-CHAIR TOBIN: We're minus a few of our commissioners, but in the interest of all of our time, we're going to begin and hope that they return soon.

Our final panel of the day will focus on the security issues driving China's interactions with Central Asia, China's defense cooperation with the region, and the closely related issue of China's nascent involvement in Afghanistan's security situation.

First up is Michael Clarke, a Senior Research Fellow at Griffith University's Asia Institute in Queensland, Australia. Since 2003, Dr. Clarke has generated over 37 publications focused on the history and the politics of Xinjiang, Uyghur separation, Chinese foreign policy in Central Asia, global nuclear proliferation, and Australian foreign policy.

He is the author of *Xinjiang and China's Rise in Central Asia--A History*, and he regularly provides commentary to international and national media on Xinjiang and Uyghur issues, including BBC News, the Wall Street Journal, LA Times, The Guardian, USA Today, and the New York Times.

Niklas Swanstrom is the director of the Institute for Security and Development Policy in Stockholm, Sweden and a Research Fellow at the Johns Hopkins School of Advanced International Studies.

Dr. Swanstrom's research includes Central Asian security and organized crime, Chinese foreign policy and security in Northeast Asia, and conflict management and regional cooperation.

He is the editor of "China and Eurasia Quarterly" and has written several books. Dr. Swanstrom holds a Ph.D. in Peace and Conflict Studies from Uppsala University.

Andrew Small is a Transatlantic Fellow with the Asia Program at the German Marshall Fund of the United States, which he has helped lead since 2006. He previously worked as the director of the Foreign Policy Centre's Beijing office, as a visiting fellow at the Chinese Academy of Social Sciences, and was an ESU scholar in the office of Senator Edward M. Kennedy.

His articles and papers have been published in outlets, including the New York Times, Foreign Affairs, Foreign Policy, and the Washington Quarterly. He is the author of the new book *The China-Pakistan Axis: Asia's New Geopolitics*.

Welcome back to Washington. Gentlemen, we'll now begin, starting with Dr. Clarke, and if you would, keep your oral testimony to seven minutes, and then we'll proceed to offer you questions.

**OPENING STATEMENT OF DR. MICHAEL CLARKE  
SENIOR RESEARCH FELLOW, GRIFFITH ASIA INSTITUTE, GRIFFITH  
UNIVERSITY**

DR. CLARKE: Thank you. I'd just like to thank the commissioners for their invitation to contribute today. As other panels, in particular the first panel this morning, addressed the issue of China's regional foreign policy, I'll try and keep my remarks limited to I suppose the Xinjiang factor and how this drives China's interests in Central Asia.

Within my written testimony, I conceived of China's foreign policy in Xinjiang as a product or interaction between what Andrew Scobell and Andrew Nathan have defined as China's "terrain of hazards" at it rises to great power status. They conceive here of four concentric "rings" of threats: stability and territorial integrity within the country, primarily from regions such as Xinjiang; the fact that China has to deal with multiple neighbors, sharing borders with 14 states; its involvement in five distinct geopolitical regions; and also threats deriving from beyond China's immediate region.

And I suggest in my written testimony that Xinjiang uniquely exposes China to each of these rings of threat. And as I just said at the top, I'll limit most of my remarks to what I'll term the domestic regional nexus within these rings of threat.

Within this particular ring of threat, China's core goal is security in Xinjiang. Security in Xinjiang, however, is perceived in a particular way. Most notably there's physical and territorial security of Xinjiang as a partner, as an integral part of the PRC, and this is underwritten by a muscular state-led development project in the region, and I'll touch upon what I mean by that in a little bit more detail shortly.

To understand Xinjiang's importance to China and also to its conception of how the region plays into China's foreign policy in Central Asia, we need to start with a little bit of a historical background.

First and foremost, Xinjiang traditionally was a geopolitical frontier characterized by intermittent Chinese control over the centuries with multiple ethnic cultural and linguistic linkages to Central Asia, and this is what defined the region in James Millward's phrase as "Eurasian crossroads."

Chinese policy after 1949 was very much about controlling or even negating these connections that had made the region this Eurasian crossroads, and this was to be in the service of integration, i.e., tying the region ever more tightly into the new, so-called new China. This particular way of envisaging Xinjiang's role within the broader body politic changed dramatically in the 1980s and early 1990s.

The key change here was a reenvisioning of the geopolitical role of the region. The region's role as this Eurasian crossroads was no longer to be seen as an obstacle to its integration. Under Deng Xiaoping and his successors, this geopolitical position has now become something of an asset for China. It's not only about integrating Xinjiang more tightly, it's also about opening to Central Asia and what benefits China can derive from this

regionally and also beyond, and we've had much discussion already today about China's narratives about New Silk Roads, Silk Road Economic Belt, and so forth, developing massive East-West trade corridors and so forth.

My particular focus here really, however, is to suggest the internal dimension of this Silk Roadism, if you will, and this really goes to what I've termed the state's developmentalist agenda in Xinjiang.

Fred Starr at the very beginning of today's proceedings noted that for many within the Communist Party, economic prosperity is the answer to a myriad of problems within China, and this is accentuated in Xinjiang, particularly, as I said, since the late 1980s and into the early 1990s.

And this has been reinforced regularly since that time. In 2000, former President Jiang Zemin launched the Great Western Development Program, the opening to the West, which was characterized by a number of state-led so-called mega-projects, massive infrastructure investment, pipeline routes, and so forth. This was about integrating the region's economy, not only more tightly with the Chinese heartland, but also to the Central Asian economies to the West.

The effect of this developmentalist agenda has not just been economic. It's also had a key role to play in generating increasing Uyghur disenfranchisement, Uyghur resentment towards the state and also to the Han Chinese majority.

And, in particular, a key element within this is an emerging narrative within Chinese Communist Party policy circles about ethnic minority policy, i.e., what should the state's agenda be towards groups such as the Uyghur?

In the past, the Party had, at least on paper, in a sense guaranteed to preserve cultural distinction and identity among China's ethnic minorities. This has gradually changed under this developmentalist agenda. They now have a much more muscular and assertive and I would say imperialistic agenda. In some ways, "ethnic culture" is seen as a barrier to the modernity and development being delivered by a Han Chinese-led state.

In this context, means of social control and repression have emerged as a key pillar of Chinese rule. So you have regular "strike hard, maximum pressure" campaigns, which although are often nationwide, in Xinjiang they are targeted at specific issues, the so-called "three evils," in particular, but also so-called "illegal religious activities," the building of mosques and so forth without state permits.

As I'm getting to the end of my time, I'll just quickly wrap up by noting what I see as the key core challenges to China's approach here, this integration of Xinjiang, this developmentalist agenda. The first is a rise in Uyghur terrorism. The second, the Central Asian perceptions of China's rise, which we've also heard quite a deal about, and also the change in geopolitics of Central Asia.

And I'll just quickly note the main point with respect to Uyghur terrorism. Prior to 1949--sorry, prior to 9/11, the Communist Party would very rarely refer to Uyghur opposition and violence as, quote-unquote,

"terrorism." That changed dramatically after 9/11.

You have expansive Chinese claims about links between shadowy Uyghur terrorist organizations, such as the East Turkistan Islamic Movement and Al-Qaeda, and also more globally oriented Islamist groups.

This is part of what I've termed a wider agenda of internationalizing the Xinjiang and Uyghur issues, by which China is thought to get diplomatic benefits. However, this has also backfired in some respects. The increasing wave of violence that we've seen in Xinjiang over the past two years suggests an entrenchment of existing ethnic divisions within Xinjiang and the possibility of opening to what I've termed the Palestinization of the conflict, i.e., increasing influence of globally-oriented jihadist ideology amongst a very small segment of the Uyghur population.

And I'll finish there.

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**“Looking West: China and Central Asia”**

Dr Michael Clarke

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“Testimony before the U.S.-China Economic and Security Review Commission”

There are often two dominant lines of argument used to explain China’s foreign policy in Central Asia. One asserts that China’s approach is singularly affected by its imperatives within the Xinjiang Uyghur Autonomous Region (hereafter, Xinjiang), while another perceives Beijing’s diplomacy in the region as driven by a desire for geopolitical advantage vis-à-vis the United States (and Russia). Both of these views are not mutually exclusive however. Andrew Nathan and Andrew Scobell have argued that China’s global foreign policy is structured by a need to navigate through a “terrain of hazards” on its way to great power status.<sup>57</sup> This “terrain of hazards” consists of four concentric “rings” of potential threats: (i) threats to political stability and territorial integrity from internal and external foes (e.g. disaffected ethnic minorities); (ii) threats derived from sharing borders with multiple neighbours; (iii) threats from China’s connection to six distinct geo-political regions; and (iv) threats from the “world beyond China’s immediate neighborhood”.<sup>58</sup> These “rings of threat” constitute a domestic-regional nexus (the first and second rings) and a regional-global nexus (third and fourth rings) of challenges that Beijing must confront. China’s enmeshment in the Central Asian region through its control of Xinjiang – historically and culturally a part of Central Asia (understood here to include the five Central Asian republics, Afghanistan and Xinjiang) – exposes it to each of these “rings of threat”.

Securing China’s control over Xinjiang is Beijing’s core interest within the domestic-regional nexus. China’s anxieties here stem from the fact that it has been pursuing an inherently imperial project in Xinjiang that seeks its thorough political, economic and cultural integration. Despite China’s contemporary claim that Xinjiang has been “an inseparable part of the unitary multi-ethnic Chinese nation” since the Han dynasty (206 BC–24AD), the historical reality, due to the region’s geopolitical position and the ethno-cultural dominance of Turkic and Mongol peoples, was one of intermittent periods of Chinese control.<sup>59</sup> Beijing has neutralized these historical constraints via the implementation of a strategy of “repression, restriction and investment” that has coupled a state-led modernization agenda with control of the political and cultural expression of the region’s non-Han Chinese ethnic groups. While this strategy has undoubtedly brought economic development to the region it has also contributed to ethnic tensions through the encouragement of Han Chinese settlement, growing rural-urban economic and social disparities and greater inter-connectivity with Central Asia.<sup>60</sup>

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<sup>57</sup> Andrew Nathan and Andrew Scobell, “How China Sees America: The Sum of Beijing’s Fears”, *Foreign Affairs*, 91 (5) (2012): 32-47.

<sup>58</sup> *Ibid*: 33-34.

<sup>59</sup> James A. Millward, *Eurasian Crossroads: A History of Xinjiang* (NY: Columbia University Press, 2007).

<sup>60</sup> Gardner Bovington, *The Uyghurs: Strangers in Their Own Land*, (NY: Columbia University Press, 2011).

China's interests within the regional-global nexus are thus shaped by the core imperatives of security and development in Xinjiang. However, Chinese perceptions of the threats and opportunities presented by the Central Asian geopolitical environment are also conditioned by its global foreign policy agenda of combating the perceived negative attributes of US primacy. China's foreign policy in Central Asia can thus be understood as the product of the interaction of its interests and anxieties across the domestic-regional and regional-global nexuses. This can be seen in China's multilateral engagement of the region via the Shanghai Cooperation Organization (SCO), its bilateral relationships with each of the Central Asian republics and Afghanistan, and its handling of the threat of Uyghur terrorism.

### **The Domestic-Regional Nexus: The Xinjiang Factor in China's Approach to Central Asia**

Beijing's approach to post-Cold War Central Asia, including Afghanistan, has been underpinned by a trilogy of core interests – security, development and energy. Two factors – the collapse of the Soviet Union and Beijing's goal of integrating Xinjiang into the PRC – generated China's pursuit of these interests. Domestically, the fall of communism soon after the Tiananmen Square Massacre in June 1989, pushed regime survival to the forefront of the CCP leadership's minds. For paramount leader Deng Xiaoping, regime survival could only be assured through coupling continued “reform and opening” and the delivery of economic growth/development with firm one party rule. In order to effectively carry this out however China required, in Deng's view, a stable international environment characterized by a return to “multipolarity”.

These concerns combined to produce a foreign policy in which China would “bide its time, and build capabilities” by seeking to develop multiple regional and global linkages to grow China's economy, resolve long-standing disputes with neighbours and combat the ill-effects of US predominance.<sup>61</sup> Chinese foreign policy from the mid-1990s thus demonstrated a preference for “cooperation”, “multilateralism”, and “regionalism”, modalities that became central to Beijing's “new security diplomacy” (NSD).<sup>62</sup> While linked to Chinese anxieties about long-standing regional security issues, NSD was also driven by the desire to balance against perceived US predominance and NSD achieved three inter-linked goals in this regard. First, by embracing multilateralism, China's leaders sought to “dampen tensions in its external security environment” in order to “focus on domestic economic, political and social reform challenges”. Second, engagement in multilateralism assisted Beijing to expand its influence while simultaneously reassuring neighbours about its rise. And third, involvement in regional and global multilateralism contributed to China's ability to counter, co-opt or circumvent US influence and “hegemony” around the Chinese periphery, while simultaneously avoiding overt confrontation with the United States.<sup>63</sup>

This naturally flowed into China's foreign policy toward the newly independent states of Central Asia, whereby it sought to enhance bilateral trade and develop a regional approach to the resolution of Soviet-era territorial disputes. This was complemented by Beijing's reconfiguration of how it

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<sup>61</sup> Bates Gill, *Rising Star: China's New Security Diplomacy*, (Washington DC: Brookings Institution Press, 2010).

<sup>62</sup> Shuisheng Zhao, “China's Periphery Policy and Its Asian Neighbors”, *Security Dialogue*, 30 (3) (1999): 335-46; and Chien-pung Chung, “The Shanghai Cooperation Organization: China's Changing Influence in Central Asia”, *China Quarterly*, 180, (December 2004): 989-1009.

<sup>63</sup> Gill, *Rising Star*: 29.

would attempt to achieve its long-standing goal of integrating Xinjiang. Until the mid-1980s Beijing had perceived Xinjiang's geopolitical position at the "crossroads" of Eurasia as an obstacle to its goal of integration due not only to the vast geographical distance between the region and the Chinese heartland but also to the obvious historical, ethnic and linguistic affinities that linked the Turkic-Muslim peoples of Xinjiang with their brethren in a Central Asia then divided between Soviet and Chinese spheres. However, with the fall of the Soviet Union in 1991, the region's geopolitical position was no longer viewed as an obstacle to be overcome in pursuit of integration but rather as an important asset to achieve it.<sup>64</sup>

This reconfiguration has been no more clearly expressed than in Beijing's consistent rhetoric since the early 1990s that has envisaged Xinjiang as a "Eurasian Continental Bridge", a hub of a "New Silk Road" or, in Xi Jinping's latest iteration, a hub of a "Silk Road Economic Belt" (SREB). These rhetorical flourishes have encapsulated the spirit of Beijing's policies in the region since the early 1990s which have been guided by the desire to connect the region's economy with that of Central Asia, South Asia and the Middle East through the development of direct trade relations with neighboring Central Asian states, massive state investment in infrastructure projects in Central Asia (including oil and gas pipelines), and greater development and exploitation of Xinjiang's own oil and gas resources.<sup>65</sup>

This strategy in the 1990s was characterized as one of "double-opening": an attempt to simultaneously integrate Xinjiang with Central Asia and China proper in economic terms, while establishing security and cooperation with China's Central Asian neighbors. The key elements of this strategy throughout the 1990s, however, demonstrated the primacy of the internal goal of tying the province closer to China. These elements included the re-centralization of economic decision-making to increase the region's dependency on Beijing; the expansion of Han colonization of the region; increased investment for the exploitation of Xinjiang's potential energy resources; the opening of border trading "ports" with Central Asia; and significant investment in infrastructure links with Central Asia. Xinjiang's petrochemical industry in particular was to become a "pillar" industry within this strategy with the primary goal of establishing the region into a transit route and refinery zone for Central Asian oil and gas as a means of combating China's growing dependency on Middle Eastern sources.<sup>66</sup>

Afghanistan's position in this approach was secondary and driven by Chinese concerns about the potential spill over of radical Islamism into Xinjiang. Symptomatic of this threat was the Baren Incident of April 1990 in which a group of Uyghur men conducted an armed uprising against Chinese police and security forces in the township with the aim of establishing an "East Turkestan Republic". While the rebellion was forcibly quelled, the authorities subsequently claimed that the leader of the rebellion had been the leader of an "Islamic Party of East Turkestan" that was bent on launching a *jihad* against Chinese rule with potential support from *mujahideen* groups in Afghanistan. While the CCP was quick to link such violent unrest to external influence it was less inclined to draw attention to the fact that it had been engaged in a renewed anti-religious campaign in the region, targeting what it termed "illegal religious activities" such as construction of

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<sup>64</sup> Michael Clarke, *Xinjiang and China's Rise in Central Asia – A History*, (London: Routledge, 2011):

<sup>65</sup> Nicholas Becquelin, "Staged Development in Xinjiang", *China Quarterly*, 178 (2) (2004): 358-378

<sup>66</sup> Nicholas Becquelin, "Xinjiang in the Nineties", *The China Journal*, (2000): 65-90.

unauthorised mosques and madrassas.<sup>67</sup>

As Afghanistan descended into civil war in the mid-1990s, Beijing's interest with respect to the country remained largely negative – i.e. to prevent any potential spill over into Xinjiang of radical Islamism and other non-traditional security threats (e.g terrorism, weapons and drug trafficking).<sup>68</sup> The potential for these threats to enter Xinjiang was also heightened by China's strategy in Xinjiang noted above (i.e. push for greater economic linkages with Central Asia). Illustrative of this dilemma was the role of the Karakoram Highway in facilitating not only trade flows but also cultural-religious and smuggling flows between Xinjiang and Afghanistan and Pakistan that worked against Beijing's integrationist project in Xinjiang.<sup>69</sup>

These concerns encouraged China to take the diplomatic initiative in Central Asia and soon after the Soviet collapse Beijing played the key role in forming what became known as the "Shanghai Five" (S-5) grouping of China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan in 1992. This dialogue, originally focused on resolving Soviet-era territorial disputes and military confidence building measures, culminated in the formal establishment of the group as a regional multilateral forum in 1996. The official communiqués released upon the establishment of the S-5 in 1996, while signalling a intent to broaden regional cooperation on security and economic issues, also demonstrated the inter-linkages between China's domestic, regional and global interests as they noted the grouping's support for China's position in Xinjiang and Tibet, its claims to Taiwan, and desire to see a "multipolar" international order.<sup>70</sup>

China's perception of Afghanistan as a source of potential threats to not only its security but that of the wider Central Asian region was heightened sharply with the emergence of the Taliban as a force in the country. The Taliban's provision of safe haven to a variety of radical Islamists from Central Asia including the Islamic Movement of Uzbekistan (IMU) became a major concern not only to the largely secular and authoritarian post-Soviet regimes in Central Asia but also to China and Russia (which was in the midst of its first war in Chechnya).<sup>71</sup> The IMU's launching of yearly incursions from its bases in northern Afghanistan into Uzbekistan, Tajikistan, and Kyrgyzstan from 1998 prompted the S-5 to shift some of its focus to combatting what the Chinese would come to term the "three evils" of "terrorism, extremism and separatism". At the S-5's 2000 summit the group issued a joint declaration that condemned the Taliban for supporting "terrorism", agreed to establish a joint "anti-terrorism centre" and committed member states to greater cooperation to combat the "three evils". Once again, however, this declaration also reflected Beijing's broader foreign policy goals and interests with specific mention made of the group's respect for "national sovereignty" and adherence to "non-interference" in others "internal affairs", the group's opposition to US plans for Ballistic Missile Defence (BMD) systems, and Chinese and Russian

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<sup>67</sup> Michael Clarke, "Xinjiang in the 'Reform' Era, 1978-1991: The Political and Economic Dynamics of Dengist Integration", *Issues and Studies*, 43 (2) (2007): 39-92.

<sup>68</sup> Felix K. Chang, "China's Central Asian Power and Problems", *Orbis*, 41 (1) (1997): 410.

<sup>69</sup> Ziad Haider, "Sino-Pakistan Relations and Xinjiang's Uighurs: Politics, Trade and Islam along the Karakoram Highway", *Asian Survey*, 45 (4) (2005): 522-545; and Sean Roberts, "A 'Land of Borderlands': Implications of Xinjiang's Transborder Interactions", in S. Frederick Starr (ed.), *Xinjiang: China's Muslim Borderland*, (Armonk, NY: M. E. Sharpe, 2004): 226-227.

<sup>70</sup> Clarke, *Xinjiang and China's Rise in Central Asia*: 128-129.

<sup>71</sup> Ahmed Rashid, "The Taliban: Exporting Extremism", *Foreign Affairs*, (Nov/Dec 1999).

positions on Xinjiang, Taiwan, Tibet and Chechnya.<sup>72</sup> The overall impact of the IMU's activities was to drive Kazakhstan, Kyrgyzstan and Tajikistan toward closer relations with Russia and China. After 1998 these states thus became more receptive to Chinese requests for greater cooperation regarding what Beijing defined as Uyghur “separatist” or “terrorist” organisations with, for example, the Kazakh and Kyrgyz governments concluding a number of border security and extradition agreements with China.<sup>73</sup>

The perceived growth of the threat of radical Islamist movements to the states of Central Asia, Russia and China and the entrenchment of Taliban ascendancy in Afghanistan resulted in the expansion and reorientation of the S-5 to become the Shanghai Cooperation Organization (SCO). The group's meeting in Shanghai on 14 June 2001 transformed the organization into a fully-fledged international institution complete with secretariat and inter-ministerial committees. The organization also adopted two documents at this meeting - “Declaration of the Establishment of the Shanghai Cooperation Organization” and the “Shanghai Covenant on the Suppression of Terrorism, Separatism and Religious Extremism” – which proved to be of lasting significance. The latter demonstrated that establishing a regional response to the perceived threat of radical Islam was a central concern of the new organization. The former, however, also explicitly outlined the principles of the SCO and demonstrated the influence of Chinese interests. This document asserted that the principles of the group, or the “Shanghai spirit” as Chinese commentary would refer to it, comprised of “mutual trust, mutual benefit, equality, consultation, respect for multi-civilizations and common development”.<sup>74</sup>

Therefore, while the SCO's agenda was the result of a gradual convergence in the interests of Russia, China and the Central Asian states, the guiding principles of the group strongly reflected China's wider foreign policy interests including its desire to build regional partnerships to combat the hegemony of the US. An understated element of this latter interest was Beijing's desire to craft alternative normative/ideological principles for multilateral cooperation. The so-called “Shanghai Spirit” was one of the first such attempts to present an alternative to the Western led international order. The “Shanghai Spirit” not only established “a set of regional norms which move beyond power differentials amongst the organization's members and toward a consensus-based approach to resolve regional problems” but were also promoted by Beijing as not merely tailored for the specific regional environment of Central Asia but “as universally applicable and as a basis for global politics”.<sup>75</sup>

## **The Regional-Global Nexus: Central Asia and China's Search for Geopolitical Advantage into the 21<sup>st</sup> Century**

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<sup>72</sup> For the text of the joint declaration see, “‘Shanghai Five’ Nations Sign Joint Statement”, *People's Daily*, 6 July 2000.

<sup>73</sup> Clarke, *Xinjiang and China's Rise in Central Asia*: 127-130.

<sup>74</sup> SCO Secretariat, “Declaration on the Establishment of the Shanghai Cooperation Organization”, 15 June 2001, <http://www.sectsc.org/502.html>; “Shanghai Five Mulls Expansion in Search of Regional Stability”, *Eurasianet*, 13 June 2001, <http://www.eurasianet.org/departments/insight/articles/eav061401.shtml>. [Uzbekistan also formally joined in 2001.](#)

<sup>75</sup> Thomas Ambrosio, “Catching the ‘Shanghai Spirit’: How the Shanghai Cooperation Organization Promotes Authoritarian Norms in Central Asia”, *Europe-Asia Studies*, 60 (8) (2008): 1327.

On the eve of 9/11 Beijing had thus developed a relatively successful approach to Central Asia and Afghanistan based on three core interests: security, development and access to the region's energy resources. The rapid and successful insertion of US military forces into Afghanistan and the consequent rise in US influence amongst the states of Central Asia (including leasing of bases in Uzbekistan and Kyrgyzstan) was a contradictory development for Beijing. The overturning of the Taliban was a positive in the context of Chinese concerns about their potential linkages to violent Uyghur separatism and terrorism in Xinjiang. Yet viewed from the perspective of China's regional and global foreign policy agenda this development was a set back as it compromised Beijing's bilateral and multilateral diplomatic efforts in Central Asia and augured the geopolitical "encirclement" of China by the US and its allies.

In response China attempted to "double down" on its pre-9/11 strategy in the early 2000s by seeking to develop the SCO as a viable regional security organisation. China's efforts in this regard were aided by some missteps in Washington's handling of Central Asian capitals. Most important in this respect was the US response to the Tulip Revolution in Kyrgyzstan and the Andijan Incident in Uzbekistan in 2005. Both of these events, from the perspective of the authoritarian regimes in the region, were attempts to overthrow the status quo and emblematic of the George W. Bush administration's "democracy promotion" agenda. States such as Uzbekistan viewed this to be clearly at odds with the US global "war on terror" and the stability of the region vis-à-vis radical Islamism. Not surprisingly China (and Russia) were able to counter-pose the SCO's "non-interference" principles and privileging of state sovereignty and security to this and began to coax the Central Asian states back into the Chinese and Russian orbit.

China's response to the "Greater Central Asian Partnership" (GCAP) raised by S. Frederick Starr in 2005, which detailed an agenda for the transformation not only of Afghanistan but the broader Central Asian region "into a zone of secure sovereignties sharing viable market economies, enjoying secular and open systems of government and maintaining positive relations with the United States", highlighted Beijing's perception of Afghanistan's connection to its regional and global foreign policy agenda. In August 2006 the *People's Daily* issued a commentary that critiqued both the concept and the motives behind the GCAP. It asserted that it had "always been a goal of the United States to penetrate Central Asia" and that the "9/11 incident gave the US a god-sent chance" to do so. It subsequently noted that US "democracy promotion" and "interference" in the internal affairs of the region in 2005 (i.e. reference to the Tulip Revolution and Andijan Incident) was a "policy mistake" for Washington that rebounded to the benefit of the SCO. Moreover, the "main idea" of the GCAP was "to take US control of the situation in Afghanistan as an opportunity to promote cooperation in security, democracy, economy, transport and energy and make a new region by combining South Asia with Central Asia". Crucially, "the reason why it [i.e. US] has brought up the so-called 'choosing from the South' policy in Central Asia is that it is determined to use energy, transportation and infrastructure construction as bait to separate Central Asia from the post-Soviet Union dominance". "By this means", the US "can change the external strategic focus of Central Asia from the current Russia-and-China-oriented partnership to cooperative relations with South Asian countries", "break the long-term Russian dominance in the Central Asian area", "split and disintegrate the cohesion of the SCO" and "establish US dominance in Central and South Asia".<sup>76</sup>

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<sup>76</sup> "US Scheming for a "Great Central Asia" Strategy", *People's Daily*, August 4, 2006, [http://english.peopledaily.com.cn/200608/03/eng20060803\\_289512.html](http://english.peopledaily.com.cn/200608/03/eng20060803_289512.html)

Significantly, the GCA concept served as building block for the Obama administration's "New Silk Road Initiative", unveiled by Secretary of State Hilary Clinton in 2011. Key to this vision would be for the US to assist countries in the region to reorient their key infrastructure southward and assist in "removing the bureaucratic barriers and other impediments to the free flow of goods and people".<sup>77</sup> The success of this initiative would also serve a geopolitical goal as the consolidation of an amenable regime in Afghanistan would provide Washington with the capacity to develop north-south linkages between Central and South Asia (such as the Turkmenistan-Afghanistan-Pakistan-India Pipeline) to compete against the west-east linkages being developed by China and Russia. The US initiative has been undermined almost from the start however by the security situation in Afghanistan, the lack of economic integration amongst the Central Asian states themselves, and the administration's broader 'pivot' or 'rebalance' to the Asia-Pacific. The latter, from the perspective of Central Asia's political elites, signals a decline in US attention and commitment to the region from the high point of the early 2000s.<sup>78</sup>

While Beijing's geopolitical reading of US policy has by and large remained into the present, it has also been coupled with a clearer recognition that US and NATO withdrawal from Afghanistan is not an outright positive for Chinese interests in Central Asia. Zhang Jiadong writing in the *Global Times* in February 2013 for example argued that for China there are two "worst case" scenarios here. The first would be that the US "stabilizes Afghanistan, establishes a steady government, and then builds frontline bases. This way the US could drive a wedge into Central Eurasia, and contain China from both sides". The second scenario "is one where Afghanistan falls into anarchy with the US exit, becoming a breeding ground for international terrorism and the drug trade" and thus become a "serious" source of non-traditional security challenges for Beijing.<sup>79</sup> Others, such as Zhao Huasheng, argue that US withdrawal at the end of 2014 will mean a diminution of US interests and commitments not only with respect to Afghanistan but also Central Asia. Again, however, this is viewed as a double-edged sword for a China, which according to Zhao, has a steadily growing economic presence in Afghanistan but limited capacity or political will to shape the security environment.<sup>80</sup>

This recognition has had an effect on recent Chinese policy toward Afghanistan whereby Beijing has focused on three major issues: economic engagement with Afghanistan; pragmatic bilateral and multilateral political engagement, including with the Taliban; and cooperation on non-traditional security issues. Similar to its approach to the Central Asian republics, Beijing has invested heavily in the resource sector in Afghanistan including the Anyak copper mine in Logar

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<sup>77</sup> Robert Hormats, Under Secretary for Economic, Energy and Agricultural Affairs, "The United States' 'New Silk Road' Strategy: What is it? Where is it headed?", Address to the SAIS Central Asia-Caucasus Institute and CSIS Forum Washington, DC September 29, 2011, <http://www.state.gov/e/rls/rmk/2011/174800.htm>

<sup>78</sup> Joshua Kucera "Clintons Dubious Plan to Save Afghanistan with a New Silk Road", *The Atlantic*, 2 November 2011, viewed 15 January 2015, <http://www.theatlantic.com/international/archive/2011/11/clintons-dubious-plan-to-save-afghanistan-with-a-new-silk-road/247760/>; Younkyoo Kim and Fabio Indeo, "The New Great Game in Central Asia post 2014: The US 'New Silk Road' Strategy and Sino-Russian Rivalry", *Communist and Post-Communist Studies*, 46 (2) (2013), pp. 275–86.

<sup>79</sup> Zhang Jiadong, "Can China be a Winner in Afghanistan?", *Global Times*, 26 February 2013, <http://www.globaltimes.cn/content/764325.html>. Zhang is an Associate Professor at the Center for American Studies at Fudan University.

<sup>80</sup> Zhao Huasheng, "US Central Asia Diplomacy in the Post-Afghanistan War Era", *China International Studies*, (March/April 2014): 126.

Province and in exploration for oil and gas in the Amu Dayra Basin in the country's north. As in other regions of strategic investment, Chinese corporations reportedly secured these deals by providing additional inducements to the Afghan government that many Western corporations could or would not. In the instance of the Anyak deal, China Metallurgical in cooperation with the Chinese government undertook to construct a 400-megawatt, coal-fired power plant and a freight railroad that will connect Xinjiang with Pakistan via Tajikistan and Afghanistan.<sup>81</sup>

China's political engagement with Afghanistan has also increased, particularly through the vehicle of the SCO. Although Afghanistan is not a member of the SCO, the organization, through the SCO-Afghanistan Contact Group (established in 2005), has recognized the near and long-term significance of stability in Afghanistan for the wider Central Asian region. Animated by the need to combat the "three evils", the SCO now shares a common interest with the US to defeat and/or contain the Taliban-led insurgency. However, the organization's so-called "Shanghai Spirit", based on the commitment to "non-interference" in the internal affairs of member states, promises to continue to limit its ability to actively contribute to this goal. While this has precluded the organization or any of its members individually from committing military personnel to the US-NATO effort, it has oriented the group to focus on supporting issues such as provision of military/police training for Afghan security forces and military equipment and counter-terrorism. In this latter regard the SCOs RATS has been active as a site of counter-terrorism intelligence sharing and cooperation. These activities remain relatively underdeveloped and are limited to sharing of 'watch lists' of 'terrorist/extremist' organizations and RATS does not itself engage in any interdiction/apprehension of suspected militants but liaises with the relevant security bureaucracy in each member state.<sup>82</sup>

The SCO states' concerns with the potential spill over of Afghan instability into their states has clearly been the main driver of such activities. The potential linkages between the heroin trade and terrorist organizations have been of particular concern for Beijing due to the increase in traffic of the narcotic into Xinjiang over the past decade.<sup>83</sup> This aspect of China's Afghan problem is not simply of concern for Beijing due to such linkages (i.e. funding of terrorist groups) but also because it plays an indirect role in exacerbating social and ethnic instability in Xinjiang. As China's demand for illicit drugs has risen over the past two decades so too have the related problems of HIV/AIDs and organized crime in areas intimately connected with the trafficking of heroin from the "Golden Crescent" (i.e. Iran, Afghanistan and Pakistan). In Xinjiang, in particular, China faces rising rates of heroin use and a "pandemic" of HIV/AIDs among the Uyghur.<sup>84</sup> Thus, for one Chinese analyst, US and NATO withdrawal from Afghanistan, regardless of what government emerges in the post-transition period, "may leave China facing many uncertainties in non-traditional security".<sup>85</sup>

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<sup>81</sup> Michael Clarke, "China's Strategy in 'Greater Central Asia': Is Afghanistan the Missing Link?", *Asian Affairs: an American Review*, 40 (1) (2013): 15-16.

<sup>82</sup> Meena Singh Roy, "Role of the Shanghai Cooperation Organisation in Afghanistan: Scope and Limitations", *Strategic Analysis* 34 (4) (2010): 545-561.

<sup>83</sup> Richard Weitz, "The Limits of Partnership: China, NATO and the Afghan War", *China Security*, 6 (1) (2010): 24.

<sup>84</sup> Bates Gill and Song Gong, "HIV/AIDs in Xinjiang: A Growing Regional Challenge", *China and Eurasia Forum Quarterly*, 4 (3) (2006): 35-50; and Anna Hayes and Abduresit Qarluq, "Securitising HIV/AIDs in the Xinjiang Uyghur Autonomous Region", *Australian Journal of International Affairs*, 65 (2) (2011): 203-219.

<sup>85</sup> Zhang Jiadong, "Can China be a Winner in Afghanistan?".

China has come to recognise that ongoing instability in Afghanistan is a brake on not only the economic well-being of Afghanistan itself but also an obstacle and potential threat to their investments in the country and its integrated strategy in Central Asia, and hence the security of Xinjiang. Most significantly for Beijing continued instability in Afghanistan threatens its investment in the country's mineral resources and the viability of trans-Afghan infrastructure, including oil and gas pipelines that, if successfully brought online, will facilitate the continued penetration of Chinese power and influence throughout Central Asia. This has led to a pragmatic approach to post-2014 Afghanistan with Zhao Huasheng noting that ultimately China's position is "based on the consideration that China will have enduring interactions with the Taliban...China is not opposed to the organisation but is instead opposed to terrorism, separatism and extremism".<sup>86</sup>

### **Challenges to China's Approach: Internationalized Uyghur Terrorism, Central Asian Perceptions and Geopolitical Change**

China's current approach toward Xinjiang and Central Asia is however challenged by three major factors: a rise in Uyghur terrorism; an apparent disjuncture between elite and public opinion in Central Asia regarding China's growing influence; and geopolitical change in Central Asia after the US and NATO withdrawal from Afghanistan.

#### *Internationalized Uyghur Terrorism*

Xinjiang has experienced periodic ethnic and anti-state violence since the establishment of the PRC in 1949. However it was only in the aftermath of the events of 9/11 that Beijing chose to publicly frame such violence as "terrorism". China's publication of its first official account of Uyghur "terrorism" in Xinjiang in January 2002 was notable on two counts. First, this was the first time that Beijing officially detailed what it claimed were "over 200 terrorist incidents" in Xinjiang from 1990 to 2001. Second, the report contained the first identification of a specific organization, the "East Turkistan Islamic Movement" (ETIM), as responsible for such "terrorism" and the claim that it was "supported and directed" by Osama bin Laden.<sup>87</sup> While this report has since been the subject of considerable criticism<sup>88</sup>, it nonetheless assisted Beijing in obtaining international recognition of its struggle with terrorism in Xinjiang with both the US State Department and the UN Security Council listing ETIM as an "international terrorist organization" in September 2002.<sup>89</sup> Although Chinese claims regarding ETIM's links to Al Qaeda were given some credence when it emerged that American forces had captured twenty-two Uyghurs in Afghanistan (who were subsequently detained at Guantanamo Bay), it became clear as early as 2004 that the majority of

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<sup>86</sup> Zhao Huasheng, "Chinese Views on Post-2014 Afghanistan", *Asia Policy*, 17 (1) (2014): 55.

<sup>87</sup> Information Office of the State Council of the PRC, "East Turkistan Terrorist Forces Cannot Get Away with Impunity", *People's Daily*, 1 January 2002, [http://www.peopledaily.com.cn/200201/21/print200020121\\_89078.htm](http://www.peopledaily.com.cn/200201/21/print200020121_89078.htm)

<sup>88</sup> See Michael Clarke, "China's 'War on Terror' in Xinjiang: Human Security and the Causes of Violent Uighur Separatism", *Terrorism and Political Violence*, 20 (2), (2008), pp. 271-301; James M. Millward, "Violent Separatism in Xinjiang: A Critical Assessment", *Policy Studies* 6, (Washington: East-West Center, 2004); and Sean Roberts, "Imaginary Terrorism? The Global War on Terror and the Narrative of the Uyghur Terrorist Threat", *PONARS Eurasia Working Paper*, (Elliott School of International Affairs, George Washington University, March 2012).

<sup>89</sup> "Treasury Dept. on addition of ETIM to terrorist list", *US State Department*, 12 September 2002, <http://iipdigital.usembassy.gov/st/english/texttrans/2002/09/20020912191909jthomas@pd.state.gov0.751034.html#axz3O4aBdfAp>

these men were not in fact “enemy combatants”.<sup>90</sup>

China’s claims that it faced Islamist-inspired terrorism in Xinjiang increased again after large-scale inter-ethnic violence rocked the regional capital, Urumqi, in July 2009, in which up to 200 people were killed and hundreds injured. Since then numerous incidents of violence have occurred in the region including anti-government protests, attacks on police stations and inter-ethnic clashes which the regional authorities have claimed were the handiwork of “gangs” of “extremists and terrorists” bent on *jihad* with links to “hostile external forces”.<sup>91</sup> The trend toward greater extremism and violence was underlined by four major incidents in 2014: 1 March mass knife attack at Kunming train station in Yunnan that left 29 people dead and over 140 injured; 30 April suicide bombing outside Urumqi’s main train station that killed 2 and injured 70; 1 May attacks on an open-air market in Urumqi that killed 43 and injured 94; and 28 July “mass incident” in Shache township near Yarkand in which a “mob” of Uyghurs attacked local police and government buildings, the quelling of which resulted in the deaths of 59 “attackers” and 37 “civilians”.<sup>92</sup>

Beijing’s response has focused on three fronts: strengthening of security and counter-terrorism measures; renewed exhortations regarding the importance of “stability” and “ethnic unity”; and a renewed effort to demonstrate the links between Uyghur “terrorism” and “hostile external forces” to the international community. With respect to the first issue, Beijing rapidly increased Xinjiang’s internal security budget in 2014 to some \$US 1 billion and President Xi Jinping now heads a specially formed committee on China’s new National Security Council to deal with security and counter-terror strategies in Xinjiang. The authorities have also stepped up repressive measures in the region with Xinjiang CCP Chairman Zhang Chuxian calling for a “people’s war” in which the state will “exterminate” the “savage and evil separatists” who are influenced and directed by foreign “extremists”.<sup>93</sup> This has entailed not only accelerated arrests and trials of suspected terrorists – including public, mass sentencing rallies of Uyghur suspects - but also ongoing sweeps

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<sup>90</sup> In early 2004 US military officials had already acknowledged that 16 of the 22 were not “enemy combatants”, although it would take until 2013 for all 22 to be cleared and find asylum in third countries. See Neil A. Lewis, “Freedom for Chinese detainees hinges on finding a new homeland”, *New York Times*, 8 November 2004, <http://www.nytimes.com/2004/11/08/national/08uighur.html?pagewanted=print&position=>; and Charlie Savage, “US frees last of the Chinese Uighur detainees from Guantanamo”, *New York Times*, 13 December 2013, [http://www.nytimes.com/2014/01/01/us/us-frees-last-of-uighur-detainees-from-guantanamo.html?\\_r=0](http://www.nytimes.com/2014/01/01/us/us-frees-last-of-uighur-detainees-from-guantanamo.html?_r=0).

<sup>91</sup> See Tania Branigan, “China: 21 Killed in Kashgar Clashes”, *The Guardian*, 24 April 2013, <http://www.theguardian.com/world/2013/apr/24/chinese-gangsters-police-shootout>; ‘Ethnic Unrest in Xinjiang: Unveiled Threats’, *The Economist*, 6 July 2013, <http://www.economist.com/news/china/21580491-more-outbreaks-violence-show-governments-policies-are-not-working-unveiled-threats>; and Jonathan Kaiman, “Chinese Police Arrest Suspects after Kashgar Violence”, *The Guardian*, 17 December 2013, <http://www.theguardian.com/world/2013/dec/17/violence-china-kashgar-dead-xinjiang-muslim>

<sup>92</sup> “China arrests three suspects in Kunming station attack”, *Australia Network News*, 4 March 2014, <http://www.abc.net.au/news/2014-03-04/an-china-captures-three-suspects-in-kunming-station-attack/5296304>; Phillip Wen, “China makes Xinjiang death toll public”, *Sydney Morning Herald*, 3 August 2014, <http://www.smh.com.au/world/china-makes-xinjiang-death-toll-public-20140803-zzy4o.html>

<sup>93</sup> “China’s Xinjiang doubling anti-terror budget”, *Associated Press*, 17 January 2014, <http://bigstory.ap.org/article/chinas-xinjiang-doubling-anti-terror-budget>; Andrew Jacobs, “China says nearly 100 killed in week of unrest in Xinjiang”, *New York Times*, 3 August 2014, [http://www.nytimes.com/2014/08/04/world/asia/china-says-nearly-100-are-killed-in-week-of-unrest-in-xinjiang.html?\\_r=5](http://www.nytimes.com/2014/08/04/world/asia/china-says-nearly-100-are-killed-in-week-of-unrest-in-xinjiang.html?_r=5)

of Uyghur neighbourhoods and mosques in search of potential militants and their weapons.<sup>94</sup> The authorities have also attempted to elicit the assistance of ordinary Uyghurs through the offer of financial rewards for ‘tip-offs’ to police regarding suspicious individuals and activities.<sup>95</sup>

Finally, Beijing has continued its post-9/11 strategy of attempting to publicise links between violence in Xinjiang and radical Islamists beyond China’s borders in Central Asia, Afghanistan, Pakistan and the wider Middle East. Chinese government spokesmen have linked the Kunming attackers to the Turkestan Islamic Party (TIP) (based in the tribal areas along the Afghanistan-Pakistan border) which it claims is a successor organization to the East Turkestan Islamic Party (ETIM), a group it has previously held to be responsible for various attacks in Xinjiang.<sup>96</sup> ETIM is believed to have functioned for a brief period from the late 1990s to early 2000s and effectively ceased after the death of its leader Hasan Mahsum during a Pakistani military operation in Waziristan in October 2003. Despite Chinese claims there has been little concrete evidence that ETIM mounted successful attacks in Xinjiang during that time. TIP emerged as a successor organization sometime between 2006 and 2008 and consists of between 200–400 militants based near Mir Ali in North Waziristan allied with the Pakistani Taliban and the Islamic Movement of Uzbekistan (IMU).<sup>97</sup> In contrast to ETIM, TIP has maintained a higher profile through regular statements by its leadership regarding events in Xinjiang (e.g. its leader issued a statement praising the Kunming attack) and its use of the Internet as a vehicle to disseminate its calls for ‘jihad’ against Chinese rule.<sup>98</sup> As with ETIM, however, TIP’s operational capabilities remain unclear and due to its geographic isolation from Xinjiang, lack of resources and limited number of militants it seems probable that its influence in the region may be limited to the virtual realm of the Internet. This is not an inconsiderable problem for Beijing and it has made clear that it views such influence as a threat to security with Xinjing’s CCP chairman, Zhang Chunxian, for instance, asserting that the easily accessible nature of Islamist propaganda on the Internet had facilitated the Kunming attack.<sup>99</sup>

The major attacks in 2014 suggest a much deeper problem for Beijing than simply combatting small groups like ETIM and TIP. Despite the limited evidence available as to the effectiveness of

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<sup>94</sup> For 2014 statistics on the number of trials involving charges of “endangering state security” in Xinjiang see, “Xinjiang State Security Trials Flat, Criminal Trials Soar in 2014”, *Dui Hua: Human Rights Journal*, 10 March 2015, <http://www.duihuahrjournal.org/2015/03/xinjiang-state-security-trials-flat.html>

<sup>95</sup> “China offers \$49m rewards to Xinjiang residents who help hunt suspected ‘terrorists’”, *Radio Australia*, 4 August 2014, <http://www.radioaustralia.net.au/international/2014-08-04/china-offers-49m-rewards-to-xinjiang-residents-who-help-hunt-suspected-terrorists-xinhua/1352416>

<sup>96</sup> “China says Uyghur militant’s support for knife attack ‘proof of China’s terror threat’”, *South China Morning Post*, 19 March 2014, <http://www.scmp.com/news/china/article/1452534/china-says-uyghur-militants-support-knife-attack-proves-terror>

<sup>97</sup> See Jacob Zenn, “Jihad in China? Marketing the Turkistan Islamic Party”, *Terrorism Monitor*, 9 (11) (2011), [http://www.jamestown.org/single/?tx\\_ttnews\[tt\\_news\]=37662&no\\_cache=1#.U-g4e0hYO7A](http://www.jamestown.org/single/?tx_ttnews[tt_news]=37662&no_cache=1#.U-g4e0hYO7A); Jacob Zenn, “Turkistan Islamic Party Increases its Media Profile”, *Central Asia-Caucasus Analyst*, 5 February 2014,

<http://www.cacianalyst.org/publications/analytical-articles/item/12909-turkistan-islamic-party-increases-its-media-profile.html>; Muhammad Amir Rana, “Threat to Sino-Pak Friendship”, *Dawn*, 1 July 2014, <http://www.dawn.com/news/1109886/threat-to-sino-pak-friendship>

<sup>98</sup> Shannon Tiezzi, “Turkestan Islamic Party Expresses Support for Kunming attack”, *The Diplomat*, 20 March 2014, <http://thediplomat.com/2014/03/turkestan-islamic-party-expresses-support-for-kunming-attack/>

<sup>99</sup> Phillip Wen, “Internet behind terrorism in China, including Kunming railway massacre, Xinjiang leader”, *Sydney Morning Herald*, 7 March 2014, <http://www.smh.com.au/world/internet-behind-terrorism-in-china-including-kunming-railway-massacre-xinjiang-leader-20140307-hvghi.html>.

such groups, Beijing's current rhetoric is a continuation of a campaign launched after 9/11 to portray its struggle against Uyghur separatists and "terrorists" as part of the "War on Terror". Beijing faces two core problems here however. First, Beijing appears to be incapable of acknowledging that its policies in Xinjiang have played a role in generating violence. In fact the over-whelming sentiment appears to be one of incredulity that Uyghurs could be so ungrateful for the modernity and development that Beijing has delivered to Xinjiang. Violent Uyghur opposition from this perspective is an abnormality to be cauterized from society.<sup>100</sup>

Second, the use of indiscriminate violence in the Kunming and Urumqi attacks and the tactical use of suicide bombers, suggests that at least some Uyghurs may be in the process of adopting the modes of political violence associated with globally-oriented radical Islamist organizations. The rhetoric deployed by TIP in connection to the Kunming and Urumqi attacks points toward an endeavor to reframe their struggle as an ideological-religious rather than an ethnic one.<sup>101</sup> Thus, TIP spokesman, Abdulheq Damolla, praised the Urumqi bombings of March 2014, asserting that they "would fill the suppressed hearts of believers with joy, and fill the apostates and infidels' hearts with fear" before lauding his "mujahideen brothers" for "the voluntary act that you carried out...when the filthy paws of Chinese leader Xi Jinping were stepping onto our motherland East Turkestan".<sup>102</sup> "Taking part in this soldierly act", he continued, "proves that the Muslims of East Turkestan will never welcome the Chinese immigrant invaders". Significantly, the statement made few references to Uyghurs but rather only to "the *Muslims* of East Turkestan" and "immigrant Chinese invaders" in an effort to clearly link the struggle of Uyghurs against the Chinese state to the perceived persecution of Muslim minorities by non-Muslim majority states that is so often central to the rhetoric of contemporary Islamists.

### *Central Asian Perceptions of China's Rise*

Although Beijing has been successful in convincing the governments of the Central Asian states to accede to its conception of the Uyghurs as "terrorists, extremists and separatists", the same cannot be said for the general population of key Central Asian republics. In recent years the Uyghur population in these states such as Kazakhstan and Kyrgyzstan have been very critical of these governments for 'colluding' with China in extraditing alleged Uyghur terrorists. The July 2009 unrest in Xinjiang, for example, prompted some protests amongst the Uyghur populations in these states, although both governments remained circumspect in their responses to the violence.<sup>103</sup> The cause of the Kazakh and Kyrgyz government's subdued responses to the Xinjiang unrest not only stems from their own interest in maintaining domestic stability but also their countries' SCO and

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<sup>100</sup> Zhang Chunxian revealed this sentiment when he asserted after the Kunming attack: "Will it [terrorism] not take place if you don't strike hard?...Terrorism is not something that happens because you fight it; it is a malignant tumour that is borne from society".

<sup>101</sup> For the distinction between the two see, Mark Juergensmeyer, *Terror in the Mind of God: The Global Rise of Religious Violence*, (University of California Press, 2003).

<sup>102</sup> "Militant Islamist group says deadly Xinjiang bomb attack 'good news'", *Radio Free Asia*, 15 May 2014, <http://www.rfa.org/english/news/uyghur/attack-05152014171933.html>

<sup>103</sup> Maria Golovnina, "Central Asian Uighurs Harbor Revenge for Xinjiang Kinfolk", *Reuters*, 16 July 2009, <http://www.reuters.com/articlePrint?articleId=USTRE56F2EU20090716>; "Central Asia Uighurs Look On with Fury at Bloodshed", *ABS-CBN News Online*, 9 July 2009, <http://www.abs-cbnnews.com/print/619995>; and Masud Ali-uul, "Uighur Demonstration in Kyrgyzstan Ends with Arrest of Leaders", *Central Asia Online*, 13 August 2009, [http://centralasiaonline.com/en/articles/090913\\_arrested\\_nws/](http://centralasiaonline.com/en/articles/090913_arrested_nws/)

economic relationships with China.<sup>104</sup>

Central Asian publics remain ambivalent at best and fearful at worst about Chinese intentions in the region. Kazakhs, for example, are concerned about potential Chinese territorial and demographic expansion into their country and Chinese economic domination of their economy, particularly its energy sector.<sup>105</sup> China's image, however, is most clearly tarnished amongst the publics of these states by the perceived maltreatment of the Uyghurs. One study notes that many Central Asian China experts are highly critical of what they judge to be Beijing's political, economic and social "marginalization" of the Uyghur in Xinjiang and argue that the "Chinese refusal to listen to any autonomist demands, even cultural ones, can only encourage radical separatism to take root".<sup>106</sup>

A further spur to negative perceptions amongst Central Asian publics may also come if China's National People's Congress (NPC) passes a new draft anti-terrorism law currently before it. The new law will, if passed, create a legal framework for Chinese security forces to engage in counter-terror operations in neighbouring countries and establish a domestic counter-terrorism body that would have powers to designate organizations and individuals as 'terrorist' without due process.<sup>107</sup> This would be remarkable and run counter to Beijing's explicit commitment in both its regional and global diplomacy to the principle of "non-interference" in others' "domestic affairs".

#### *China and Central Asia's Geopolitical Environment*

China under Xi Jinping's leadership has signalled its intention to further entrench its growing power and influence in Central Asia. President Xi's plans for the construction of a SREB, although linked to Beijing's desire to secure Xinjiang's economic development, also has an important function to play in China's foreign policy in the context of the Obama administration's "pivot to Asia". Prominent Chinese scholar Wang Jisi, has argued in this context that China's "march westward" is a "strategic necessity" as the "eastward shift" in strategic focus of the Obama administration (i.e. the "pivot") otherwise threatens to lock Sino-US relations into a "zero-sum game" in East Asia. If China's "march westwards" succeeds "the potential for US-China cooperation" across a variety of fields will increase and "there will be almost no risk of military confrontation between the two".<sup>108</sup> Central Asia thus emerges as a strategic "safety valve" for the expansion of Chinese influence given the perceived decline of US influence and interests in the region after its withdrawal from Afghanistan.<sup>109</sup>

<sup>104</sup> For China's economic relationships with these states see, Marlene Laurelle and Sebastien Peyrouse, *The "Chinese Question" in Central Asia: Domestic Order, Social Change and the Chinese Factor*, (NY: Hurst & Co., 2014).

<sup>105</sup> See Konstantin Syroezhkin, "Social Perceptions of China and Chinese: A View from Kazakhstan", *China and Eurasia Forum Quarterly*, Vol. 7, No. 1, (2009): 36-45; and Michael Clarke, "Kazakh Responses to the Rise of China: Between Elite Bandwagoning and Societal Ambivalence", in Emilian Kavalski and Niv Horesh (eds), *Asian Thought on China's Changing International Relations*, (London: Palgrave MacMillan, 2014): 155-164.

<sup>106</sup> Laurelle and Peyrouse, *The Chinese Question in Central Asia*: 178-179.

<sup>107</sup> "Draft Chinese law paves the way for counter-terror operation abroad", *Voice of America*, 27 February 2015, ; and Simon Deyner, *China's new terrorism law provokes anger in U.S., concern at home*, *Washington Post*, 5 March 2015, "[http://www.washingtonpost.com/world/asia\\_pacific/china-invokes-terrorism-as-it-readies-additional-harsh-measures/2015/03/04/1e078288-139c-497e-aa8a-e6d810a5a8a2\\_story.html](http://www.washingtonpost.com/world/asia_pacific/china-invokes-terrorism-as-it-readies-additional-harsh-measures/2015/03/04/1e078288-139c-497e-aa8a-e6d810a5a8a2_story.html)

<sup>108</sup> Wang Jisi, "Marching Westwards": The Rebalancing of China's Geostrategy', *International and Strategic Studies Report*, 73 (Center for International and Strategic Studies, Peking University: October 2012): 7-8.

<sup>109</sup> Tao Xie, 'Back on the Silk Road: China's Version of a Rebalance to Asia', *Global Asia*, 9 (1) (2014),

The motives behind Beijing's desire to build the SREB are in some ways complementary to the interests of some of the Central Asian states. Most immediately, China's focus on greater economic interconnectivity in the region through the improvement of critical infrastructure such as oil and gas pipelines, highways, railways and telecommunications networks gels with the long-held desire of Central Asia's energy rich states (e.g. Kazakhstan and Turkmenistan) to diversify export routes for their oil and gas. Additionally, a number of the Central Asian states have also identified diversification of their economies beyond resource exports as a core priority for their future economic well-being.<sup>110</sup> China's contribution of US \$40 billion to a "Silk Road Fund" to assist in the necessary infrastructural development for the SREB has also been seen by Central Asian states as a token of the seriousness of Beijing's commitment to the project.<sup>111</sup> Yet the SREB and increasing bilateral economic relationships with Beijing are not unproblematic for much of Central Asia. The former, despite some recent Russian protestations to the contrary, runs counter to Moscow's protectionist agenda within the rubric of its Eurasian Union as Beijing is clearly focused on facilitating freer economic interaction throughout Central Asia. One analyst has remarked in this respect that "the real concern" for Russia vis-à-vis the SREB is "China's business-is-business approach with others, which differs from both the West's political strings for economic intercourse and Russia's heavy doses of geopolitics".<sup>112</sup>

China's pragmatism is undoubtedly attractive to the majority of the ruling regimes in Central Asia. However the perception of increasing Chinese influence particularly in the economic realm has produced varying degrees of public disquiet regarding possible future dependence on Beijing.<sup>113</sup> Russia's agenda in Central Asia under Putin, which has focused on retaining its dominant position in the energy sector and in maintaining its foothold in the strategic/military sphere, has been challenged or eroded by Chinese gains in each of these sectors.<sup>114</sup> The SCO's, and China's, insistence on centrality of principles of sovereign equality and non-interference in internal affairs as the basis for multilateral security cooperation in Central Asia is also more favourably viewed in Central Asian capitals than the alternative presented by the Kremlin in Ukraine over the past year. China's assets (e.g. pragmatism) and liabilities (e.g. Xinjiang) vis-à-vis Central Asia appear to balance each other out.

### **Policy recommendations**

Based on the analysis above, I would submit the following recommendations:

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<http://www.globalasia.org/Issue/ArticleDetail/548/back-on-the-silk-road-chinas-version-of-a-rebalance-to-asia.html>.

<sup>110</sup> Richard Weitz, 'Assessing Kazakhstan's Revised National Development Strategy', *Central Asia-Caucasus Analyst*, 5 March 2014, <http://www.cacianalyst.org/publications/analytical-articles/item/12928-assessing-kazakhstans-revised-national-development-strategy.html>

<sup>111</sup> Beijing has also intensified its economic engagement with Kazakhstan. President Xi signed 22 trade and commercial agreements during his September 2013 state visit valued at US \$30 billion, while Premier Li Keqiang signed economic cooperation deals, including a renewal of a currency swap deal, during his state visit of December 2014 worth US \$14 billion. Anuar Almagambetov and Bakhytzhan Kurmanov, "China Challenges Russian Influence in Kazakhstan", *East Asia Forum*, 28 February 2015, <http://www.eastasiaforum.org/2015/02/28/china-challenges-russian-influence-in-kazakhstan/>

<sup>112</sup> Yu Bin, "China-Russia Relations: Putin's Glory and Xi's Dream", *Comparative Connections*, (January 2014): 6.

<sup>113</sup> Clarke, "Kazakh Response to the Rise of China": 157-159.

<sup>114</sup> Enersto Gallo, "Eurasian Union versus Silk Road Economic Belt?", *Policy Brief* 159, (Institute for Security and Development Policy: August 2014): 1.

**1. China has three core interests in Central Asia: security, development and access to energy resources.** These interests, while deriving from Beijing's integrationist project in Xinjiang, have also become inextricably linked to its regional and global foreign policy. For Beijing, the integration of Xinjiang is now not simply an end in itself but rather an important mechanism through which to facilitate the expansion of Chinese power and influence in Central Asia. The SREB in particular is emblematic of this linkage. Recognition of the linkages between China's strategy in Xinjiang, interests in Central Asia and its global foreign policy will enable policy-makers to more readily discern the distinct motives behind Chinese policy initiatives in the region and calibrate a more effective US response – i.e. not all Chinese efforts in the region undermine US interests.

**2. The US must recognize that China's enduring anxieties with respect to Xinjiang critically shape its perception of the motives of other key actors in Central Asia.** This is most clearly seen in reactions to international expressions of concern regarding human rights abuses in the conduct of China's anti-terrorism activities in Xinjiang. The historical tenuousness of Chinese control over the region combined with contemporary concerns with the region's openness to trans-national and non-traditional security threats feeds into an official narrative that lays the blame for unrest or violence in Xinjiang at the feet of amorphous "hostile external forces". Depending on the context, this label can denote the US government, Uyghur exile organizations (e.g. World Uyghur Congress), or militant groups such as ETIM or TIP. Criticism of Beijing's policies in Xinjiang often reinforces, rather than ameliorates, its predilection to see domestic opposition as inspired by meddling outsiders. Additionally, this mindset also colours Beijing's reading of the initiatives of others in Central Asia – e.g. its geopolitical reading of the GCAP and the Obama administration's "New Silk Road Initiative".

**3. China continues to perceive Central Asia (including Afghanistan) to be a source of potential trans-national and non-traditional security threats (e.g. terrorism, drugs/weapons trafficking) to Xinjiang.** This provides an opportunity for the development of greater US-China cooperation in the region, particularly as China becomes more concerned with these issues in the wake of US and NATO withdrawal from Afghanistan. While China has successfully embedded its agenda on the "three evils" within the SCO process and does not fear that Central Asian governments could collude directly or indirectly with Uyghur separatists or "terrorists", the mechanisms for Sino-Central Asian cooperation (e.g. the SCO RATS centre) remain underdeveloped. The key dilemma for US policy-makers in this context is to strike common ground with Beijing without compromising its traditional concern for the protection/promotion of democratic values and human rights.

**4. US policy-makers, while acknowledging that China *does* legitimately face the threat of terrorism, should also critically evaluate Chinese claims as to the extent and nature of that threat.** This is especially relevant with respect to Chinese claims regarding: (i) the linkages between groups such as ETIM and TIP and regional and global Islamist groups (e.g. Al Qaeda); and (ii) the influence of radical Islamist ideology amongst the majority of the Uyghur population of Xinjiang.



**OPENING STATEMENT OF DR. NIKLAS SWANSTRÖM  
DIRECTOR, INSTITUTE FOR SECURITY AND DEVELOPMENT POLICY**

DR. SWANSTROM: So thank you very much. I would like to thank the Commission for inviting me. It's a pleasure being here.

Of course, Michael is doing China's domestic more. When I speak of the Uyghurs, I speak more in the regional context. I'm not touching upon a domestic issue.

The two caveats I would like to put in, I mean one of them is China. When we speak about China here, it seems like people talk about the monolithic actor. It is not. I would argue we see a great difference between the policies and strategies from Beijing, Urumqi, Kashgar, for that matter, from the different organizations, private businesses and organized crime. So when we look at this, the whole policy towards Central Asia, it's much more actors than we tend to think it is.

The other one, I borrowed the concept from Professor Scobell about "empty fortress," and when we talk about China and Central Asia, I see it more of a security aspect; I see it as an "empty fortress." It looks strong, it looks solid, but internally it's very weak. When we're looking at Lanzhou Military Region, who is in charge of Central Asia, they have 220,000 troops. There is 3.4 million square kilometers of space, some of the potentially worst neighborhoods you can be in. The 21st Group Army and the 47th Group Army is in the far eastern corner of the province of China, which means in Xinjiang, in particular, there are only four motorized divisions and two artillery divisions, which is basically absolutely nothing.

So when we're looking at security cooperation with Central Asia, we have to be realistic. When we're talking about China's ambitions in Central Asia, I think we need to be realistic here. That said, something that was mentioned, economy here, 80 percent of actual Xinjiang's trade goes to Central Asia. So Central Asia becomes extremely important here.

But the Uyghur question was mentioned. I would argue that it's still as important as it's always been, but it has decreased in relative terms because economy has taken over importance. Organized crime, extremists, terrorists, all that, has increased in importance. Stabilization of secular and friendly states has grown in importance, and maybe the most important thing, this is the only region where China can break out of its perceived encirclement or containment of the United States.

And this is an argument that comes in, and it feels very, very positive in this region, and actually getting back to that, and I think this is a good opportunity also for cooperation, and when we talk about the March West strategy that China has been looking at, this actually comes in quite a lot, breaking the U.S. encirclement.

Just to mention a bit the scope and nature of China security engagement, when you look at it on paper, China has done 25 military exercises in the region. That's the highest number of any military engagements they have. When you look at actual content of the exercises and what they actually learn from it, it's much more modest.

We've been looking at the arms sales. It has increased. China has the most rapidly growing security actually in the region, but it's a fraction of the Russian. The Russians are the single-most important actor. Arguably, United States is the second most important actor since I also look at Afghanistan as a part of the region.

We're looking at anti-terrorist cooperation through RATS, which is actually, RATS is probably a good name for the organization. It's very modest, and I would also argue it's something that the United States, including also Russia, is that this organization can also be used

against domestic opposition. It's not only terrorists or terrorists can be many things. And the Central Asian states are extremely unstable.

But so for me in looking at this, China is still dwarfed by Russia, and I will get back to the Sino-Russian relations here.

And then looking at the Shanghai Cooperation Organization, we have seen people describing it as anti-Western alliance with looking at people. They're Skyping at us. Moreover, actually a functional organization. I remain, I think it's extremely interesting. I welcome this multilateral initiative, but I think the impact is very modest. And the reason is, and it was mentioned here before, the Sino-Russian relations. I think the truth is that Russia is not willing to let this develop into something more potent. It's really eager to keep its own initiatives.

I see SCO more as a weather vane for Sino-Russian relations, and the weather is not looking good. And so when looking at the SCO, I remain very, very skeptical at this moment. It doesn't mean that it could be interesting. This is also something China is driving. China is very eager to establish a multilateral cooperation, but as the Russian pivot has come back to the region and they're trying to reestablish some sort of security influence, and, again, they are the most important actor, SCO might not be the primary organization.

And here I would just mention a few words about the Sino-Russian security competition actually. I don't see it much as a cooperation. I see the Sino-Russian relations, and especially in Central Asia, as being very much a product of external issues. Both of them are non-democratic states. They feel threatened by external actors, and therefore they find comfort in each other.

So I see this as something that over time will change. China has very little use of Russia, and as time goes by, I think this relationship will be definitely much more weakened. And this is actually some--where I think it's interesting, I think the opportunities. China is in a sense rather weak in Central Asia when it comes to security terms.

It's extremely interested in multilateral cooperation--especially if it can be done through the United Nations--not for the good of the hearts but rather for necessity. And China has a focus on strengthening institutions and structures. Russia has not. Russia is much more in traditional control, and China's interest is in safeguarding national sovereignty, again, not because it's good at heart but rather for it minimizes the Russian influence.

And here I think that the stronger multilateral cooperation between the United States, Europe, Japan, South Korea and other states might be an interesting tool to use to continuously strengthen the sovereignty of these states.

And I think the biggest problem is not necessarily China short-term. It's more Russia. Long-term, yes, China will be the most influential actor, and we need to balance that as well. But short-term I see quite a lot of opportunities for cooperation between the United States, the West, whatever that will entail, and the Chinese to reach some sort of better opportunity for Central Asian states to develop.

And now I've been one minute and 30 seconds over so I'll stop there.

**PREPARED STATEMENT OF DR. NIKLAS SWANSTRÖM  
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**What is driving China's security engagement with Central Asia?**

Introduction

China has traditionally been reluctant to engage in the Central Asian (CA) region in military terms, at least directly, much due to its own military weakness but also due to its domestic focus, military strategy, as well as the possible negative international perception overt Chinese military engagement or even intervention would entail.<sup>115</sup> This has changed in the last few years, however, and China is taking small but important steps not only towards greater military cooperation with the states in the region, but also adopting a broader security interest and strategies in the region that go beyond the Uighur situation in Xinjiang. In fact, nowhere else has China engaged in the same number of military exercises or had the same depth of regional cooperation in security issues.

That said, Chinese security engagement in the region remains modest, not least due to the fact that Russia views China's rise in the region as a zero-sum game that threatens to eclipse Russia as the preeminent security actor in the region.<sup>116</sup> Furthermore, the fact remains that China's primary current security interest in Central Asia is still mostly related to domestic security concerns, and not least the increased disturbances in its western regions (primarily Xinjiang) during 2014. Nevertheless, China has increasingly engaged CA in the security field to counter the development of rampant extremism and terrorism, failing states, government-sponsored organized crime, direct or indirect support for separatism in China, and not least securing trade and transit trade.

**First priorities and secondary concerns**

While China's inroads into the economic sector, and then in particular the energy sector, of the region have been significant, the same has not yet been true for the security sector.<sup>117</sup> For China the economy has hitherto been the overriding concern together with internal security considerations (questions related to Xinjiang). Despite the fact that security concerns have grown, not least due to the situation in Afghanistan, it is also clear that Central Asia is not a priority region for China. Chinese security focus is very much centered on the United States, Asia-Pacific, and even Europe before Central Asia. This is despite CA's geographical proximity, the instability of the region, and the growing problem of the criminalization of the governments in the region and the connection to radicalization.

China has been reacting to Russia's economic withdrawal from the region with the independence of the Central Asian states in 1991, and has increasingly sprinkled its economic engagement with larger security engagements with the member states of the Shanghai Cooperation Organization (SCO). Not only this but China has also closely observed the United States' role in the region, and in particular the

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<sup>115</sup> This report for the hearing is primarily based on a conference paper by Niklas Swanström for a conference on "Understanding the Chinese Way of War" organized by National Bureau of Asian Research, Strategic Institute of the U.S. Army War College, and the U.S. Pacific Command Colloquium (March 13-15, 2015) and a book edited by Robert Bedeski and Niklas Swanström, *Eurasia's Ascent in Energy and Geopolitics: Rivalry or partnership for China, Russia and Central Asia?*, (eds), Routledge, Abingdon, 2012.

proposed U.S. departure (albeit which suddenly does not seem so imminent) from Afghanistan and the impact this may have on China's internal security issues. It is evident that it is not, and arguably it is not in any region, a question of counter-balancing but rather a question of filling an unwanted void.<sup>118</sup> In fact, there is a perception that a U.S. departure from Afghanistan could create more security challenges and a rampant growth in militant and extremist organizations.<sup>119</sup> If this would happen, there could be an influx of radicalization to Tajikistan and Pakistan, both of which have easy border access with China and specifically Xinjiang. Therefore China has been a strong supporter of any multilateral attempt to strengthen Afghanistan but also the Central Asian region, as long as it ensures national sovereignty, respect for territorial integrity, and excludes foreign hegemons (read the U.S.).

The focus from China was initially exclusively on its own internal security challenges—a focus which was artificially disattached from the regional context. Part of the problem is the Chinese reluctance to take greater regional responsibility, which possibly can be attributed to its own weakness, and that it has refrained from dominating or even engaging CA on the more difficult issues. The reluctance to engage CA on security issues that could lead to military engagement from the Chinese side is founded in a three-pronged reasoning: the weakness of CA institutions, the relative weakness of the Chinese military, and perhaps most importantly the fear of alienating Russia (which has been an important instrument for China when it has been pressured by the West, but which has viewed the Chinese return to CA as a zero-sum game that Russia has been losing). This does not exclude a Chinese security policy that could be against U.S. interests (or for that matter Russia's) or a more assertive policy in the future; but more importantly the prior strategies have been founded in a failure to understand the regional context and its implications on China. Moreover, the central government in Beijing has not always been in agreement with the governments in the provinces on how to manage trade and security issues, domestic and regional. The same could, to some extent, be seen between different organizations in China dealing with security as well as economy, such as the Ministries of National Defense and State Security.

### **China's new security strategy towards Greater Central Asia**

Among many analysts in China, and especially in the military circles, there is a perception that the United States is attempting to block China in East Asia and undermine its relations in Southeast Asia (something that they consider to be apparent in the South China Sea and increasingly in Myanmar). The U.S. alliance system in East Asia and its good relations with a number of states in Southeast Asia is, by the same perception, minimizing China's possibility to break the perceived encirclement. But while interactions with the United States are seen as a zero-sum game, the situation vis-à-vis CA is very different.<sup>120</sup> Greater Central Asia has accordingly been given a more prominent position in China's foreign and security policy under President Xi Jinping and there has been a rather vibrant discussion about China's "March West" "西进" (*Xijin*).<sup>121</sup>

Insecurity is the main driver of China's *security* engagement in CA (in contrast to countering other actors or any geopolitical dimension). China's western neighborhood is characterized by insecurity with the arch of instability ranging from Pakistan to Kyrgyzstan, with the states of the region having become a hotbed for extremism and political radicalization. This problem is made worse by the fact that China's

western border is vulnerable, with its own separatist groups and political/religious radicalization, criminal groups that could collaborate with governments and groups in CA, and which can easily cross the Chinese border which remains poorly guarded. Indeed, the situation in Xinjiang and CA was very much one of the drivers behind the Chinese concept of the “three evils,” that is, separatism, terrorism, and religious extremism “三股势力” (*sangu shili*); organized crime could also be added as a fourth evil.<sup>122</sup> The linkages between internal and external security have become increasingly apparent and China has subsequently increased its cooperation with the CA states. The mantra of the three evils also became a basic foundation of the SCO, which was established in 2001, and expanded China’s security cooperation in the region.<sup>123</sup>

While controlling the Uighur situation in Xinjiang looms large in the Chinese and Western media, the issue has arguably decreased in relative importance in favor of a more diversified security interest that combines maintaining domestic (Xinjiang) as well as regional stability and economic progress to establish some form of long-term development. Therefore, at the same time as curbing any political support to alleged Uighur separatist and militants in CA (albeit a support that has largely been lacking), there is also a broader understanding of the causes of the militancy, and maybe an understanding that the Uighur militants are not as many, or do not have a broad base support among the Uighur community, as is conventionally believed. Today it is better understood that to decrease tensions, economic and social improvements need to be in place, and CA is central for this strategy even if there are still problems of implementation and government actions sometimes run counter to long-term resolution.<sup>124</sup> Here is a discrepancy in terms of perception and actions taken between the local government and the central government that view the situation in different lights. The local government tends to be more interested in cross-border barter trade while the central government is more concerned with the long-term strategic issues. This is a division that could be an issue at times; indeed, the local government tends to be much more powerful in the implementation phase of policies and can adjust policies more often than is commonly believed.<sup>125</sup> Moreover, there is a tendency for some local institutions to turn a blind eye to the thriving grey and black trade, much to the chagrin of Beijing that is forced to deal with the negative consequences.

Western China is still almost completely dependent on the continued trade and interaction with the CA states, a trade that in turn depends on people-to-people relations being as frictionless as possible. Economic development is the central pillar in the strategy to pacify the separatists as well as stabilizing its western border; even if some of the more hardline separatists would argue that this development is undermining their culture and that the Uighur community is excluded, such a policy would most likely have positive effects if successfully implemented. Eighty-three percent of Xinjiang’s total trade is with the Central Asian states, and 80 percent of China’s total trade with CA transits Xinjiang.<sup>126</sup> This means that the Xinjiang economy, and its stability, largely depends on the security and economic development of CA. Hindrances to trade from Xinjiang to CA would have a direct impact on Chinese national security and social stability in its western province.<sup>127</sup>

Economic instability and the impact on political stability in CA has become a serious concern for China, not least as the regional governments are under constant attack from both criminal and extremist organizations. Both the local and national governments in China have seen the impact of this criminalization and radicalization of CA in China, but also the impact from Uighur militants that have received training (to a lesser degree) but more significantly intellectual and moral support from non-governmental actors in CA. It is also a central concern for China to maintain secularized and politically friendly governments in CA; this does not necessarily indicate that they oppose democratic governments but definitely governments that could harbor anti-Chinese views. The establishment of religiously directed governments or Western (or Russia) oriented governments would decrease Chinese influence in the region, something that is against the long-term interest of China.

China is not counter-balancing the United States as it is not in its strategic interest or within its capability to do this short term, but rather constraining others from dominating and excluding China in what it considers to be its own backyard. The Eurasian Union established by Russia is however a direct attempt to decrease the Chinese influence; and while not favorably viewed by Beijing even if its displeasure is not voiced, the limitations of the Union are in any case apparent, especially if the energy prices remain low and the Russian economy continues to falter. It is very unlikely that Russia could compete with the Chinese economy, and the Chinese concern is more in the security area. The increased security cooperation with the regional governments is one of the strategies for long-term engagement and influence by China, this both bilaterally as well as multilaterally that could further Chinese long-term influence in the region.

### **Multilateralism and national agendas in Central Asia**

Multilateralism has grown much more in importance in Chinese foreign and security policy. The Shanghai Cooperation Organization is one of the multilateral tools that China has at its disposal to increase stability in the region, but also to increase its own influence. It is evident that China is the driving force behind SCO; Russia is less interested much due to its own regional engagements with the Central Asian states, and SCO is viewed with some skepticism. Russia has been eager to establish multilateral ties with the Central Asian states (excluding China, EU, and the U.S.), particularly in the energy field, in which it has achieved limited success, and the security sector with significantly more impact.

There have been a number of regional attempts initiated by Russia with some success that have aimed at strengthening Russian leverage over Central Asia, such as the Commonwealth of Independent States (CIS) in 1991, the Eurasian Economic Community (EEC or EurAsEC) in 2002, and the Collective Security Treaty Organization (CSTO) in 2002. These organizations were designed to promote specifically Russian interests and have effectively circumvented any involvement from other significant actors such as China and the United States. The Shanghai Cooperation Organization (SCO) from 2001 (derived from the Shanghai Five from 1996) includes both Russia and China, but has arguably only been accepted by Russia for the purpose of monitoring the Chinese expansion into the region. The reality has become that SCO has subsequently developed a more independent role and this has increased the Chinese influence in the region and for this reason Russian trust in the SCO has been limited.<sup>128</sup> Accordingly, Russia has been reluctant to allow SCO to play a more direct role in the creation of true multilateral structures because China has the leading role in this organization and, if further developed, SCO could be seen as a competing organization to the CIS. Nevertheless, the SCO has emerged as the

most interesting regional organization in Central Asia with the potential to establish multilateral structures that could make deep inroads as regards regional integration. This is partly due to the fact that China then could rely on SCO rather than pursue bilateral strategies with individual states. Since most of the Central Asian states are small, this would make it more effective to deal with them multilaterally over time; but also a more regional engagement would be potentially perceived as less threatening to the Central Asian states and to Moscow that looks towards Beijing with great suspicion.

Elsewhere the SCO has been portrayed as an anti-Western organization or even a counter-organization to NATO. The reality is far from this, and even if it has interesting security aspects, Russia has viewed it as a structure to control China, while China views it more as a tool to increase influence in the region but without unduly provoking the concern of Russia or the regional states. This enables China to have more influence over the process but more significant is that the multilateral security cooperation is more of a window dressing than has real military impact. Thus while China strives to increase security multilateralism within SCO, the success has been modest. This is very much dependent on the inherent competition and lack of real reasons for cooperation between Russia and China; currently the main reasons for cooperation are external, i.e. tensions with foreign powers, with there being few grounds for sustaining deeper cooperation should China's relations with the international community improve. Russia has thus become a partner of necessity and not choice.

Increased multilateralism is within the new security (as well as economic) strategy for China in the region, and it is likely that multilateral security cooperation will increase, not least to create regional security structures that exclude unwanted participation from the United States and Europe.<sup>129</sup> The SCO plays an important role in multilateral military exercises but it is unlikely that we will see it develop into an organization that promotes military security, the reason being that Russia and China distrust each other and the CA states view each other with even greater suspicion. Combating organized crime is even more problematic – the problem threatens the very fabric of the CA states – as the political classes and law enforcement authorities in a few of the states are directly involved in organized crime and thus have little or no interest in combating what is a lucrative business. The greatest value SCO could have is as an anti-terrorist structure: each of the member states has major issues with alleged terrorist organizations and there is a strong government to government support in combating terrorism, and it could even in some cases be relevant for government security to combat terrorists multilaterally.

Military cooperation through CIS and CSTO is still most important in Central Asia, much due to the track dependency involved in military affairs but also to the fact that Russia has been one of the few states willing to sell to the Central Asian states with few limitations. Yet this is arguably a large drain on its resources because Russia currently has major difficulties in replenishing its own accounts and does not have extensive financial resources to spend in Central Asia. Moreover, Moscow lacks a clear and unified vision about the future of regional structures such as CSTO and CIS, which cripples the potential of these organizations.<sup>130</sup> As noted before, the military exercises are crucial for the Central Asian governments since these will both train them for possible domestic unrest and secure Russian support to counter such events. This was particularly noticeable after the Tsentr-2011 exercises, which involved 12,000 mostly Russian soldiers. Although publicly presented as an antiterrorist exercise, it had all the characteristics (in terms of armament, size of troops, and strategy) of fighting a more traditional conflict, potentially aimed at securing friendly governments in the region. Neither the exercises in

themselves nor their political outcome have been very clear among the participating states, leading to distrust among some of the smaller states concerned about aggression from more powerful states, not least Russia.

The view of multilateralism between China and Russia differs greatly, much because China views it from a position of strength and Russia from a position of decline. China is more interested in stabilizing states, increasing economic development, and increasing international trade and interaction (even if not necessarily at the Chinese expense). Russia on the other hand has a more traditional position of political control and military cooperation per se and views China's return to CA as a zero-sum game. It seems unlikely that stronger multilateral security cooperation will develop as long as China and Russia stand so far from each other on principal issues. China has relatively recently therefore turned to international initiatives, such as the Istanbul Process, for support in stabilizing the region. As long as the multilateral initiatives support national sovereignty, political reconciliation (in a broader way than the West normally would accept), strong focus on economic reconstruction, no foreign influence, and the acceptance that China will not put boots on the ground they will have strong support from Beijing.<sup>131</sup> That said, there is significant skepticism that international initiatives are used to sustain foreign influence in the target states as well as a directed against China's legitimate role among its neighbors. Accordingly, if China's support is to be sustained it would need reassurances on the aforementioned concerns. Furthermore, as China becomes more capable and resourceful it is potentially a possibility that China will become less eager to cooperate in what could be considered its own backyard and is likely to be more assertive in its demands and actions.

### **Security and military cooperation**

China's broad security goal in the CA region is to create stable and friendly regimes that support China in its strategy of combating the "three evils" – and also which prevents separatists from gaining a foothold in CA and Xinjiang – as well as securing trade and business in and beyond the region. China has today engaged all states in the region in security dialogues and has increased security cooperation, both through the SCO and more importantly bilaterally. While China's traditional focus in the security field has been to eradicate the so-called three evil forces, it has also changed to become more about stabilizing the neighboring region than to combat each and every group – in thus doing, minimizing the support for radical groups in Xinjiang and so indirectly reducing tensions. This strategy also has a geopolitical component to it; by engaging the CA states they become more dependent on Chinese aid and collaboration, which in the long term increases China's influence in the region. China is still largely an external actor and has no military bases in CA.<sup>132</sup> This is to a great extent because of the unwillingness of Russia to allow it, but also because it would put the PLA in a difficult public relations position where the "March West" could suddenly be interpreted as Chinese hegemonic assertiveness. Moreover there has not so far been a security situation that would require establishment of military bases or even military solutions in CA, and, even so, the current capacity of the Chinese military would benefit very little from forward looking bases in CA. This as China strategically has little to gain from a presence in the region and it would risk China being dragged into regional conflicts it could not afford to be engaged in.

Short term the goal of combating terrorism and extremism in its neighborhood is more tangible but likely to be more difficult to accomplish than the long-term goal of influence. According to the Ministry

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of State Security in China, Al Qaeda and the Taliban have trained a large number of Uighur separatists from Xinjiang in Afghanistan and Pakistan.<sup>133</sup> Even if the size of the groups and who has done the training is debatable, it is evident that there is some flow of people between Xinjiang and the CA region. The number of Uighur separatists trained in Greater Central Asia (primarily in Pakistan and Afghanistan) is arguably not as high as that which has been cited in Chinese sources but there is a real fear in China that this could be the case and the spread of radicalization is viewed worryingly.<sup>134</sup> As a result a great deal of military support has been extended to SCO and the individual states to combat the growing extremism and terrorism which would include alleged Uighur separatists but also organizations that could support them over time.

China has boosted military aid to all CA states, even if still in relative terms it remains modest. China has pledged large boosts in military aid to Kyrgyzstan and Tajikistan, the two Central Asian states most affected by internal strife, and in September 2014 the Kyrgyz Armed Forces announced that China would give 100 million RMB in aid; this comes on top of newly constructed apartment buildings for officers that China has built.<sup>135</sup> And in April 2014, Defense Minister Chang Wanquan pledged “hundreds of millions of dollars” for new uniforms and training for the police in Tajikistan.<sup>136</sup> Similar projects are ongoing in all CA states, and the Chinese National Defense University as well as other military organizations in China have seen a great increase in visitors and students from the CA states. China has also begun a modest arms sale to the CA region as well as military aid. Currently this is primarily in light weapons, such as sniper rifles to Uzbekistan, and military equipment, such as flak jackets and night vision equipment and vehicles, but more substantial systems are being considered.<sup>137</sup> As the Chinese arms trade increases it is likely to undercut the Russian prices and provide “copied” Russian and independently developed Chinese technology at a lower price.

The new military aid and collaboration is not only to combat radical organizations such as the Islamic Movement of Uzbekistan (IMU), Turkistan Islamic Party (TIP), Hizb-ut-Tahrir, and East Turkestan Islamic Movement (ETIM), but also to strengthen the very institutions that deal with security issues. Some of these radical organizations have a presence in Afghanistan or Pakistan while others have a more local presence in Central Asia and are more political in nature than military. The distinction between the different organizations is difficult to make and the states differ largely on the relative importance they ascribe to the different organizations in terms of threat they pose to state security. There is also little common understanding how to act to prevent further radicalization: the only common denominator is that all states in CA as well as China and Russia have a common interest in preventing the spread of extremist organization as well as unwanted opposition alike.

Yet, the failure to agree on how to manage direct security threats and how to approach the long-term security challenges, bilaterally or multilaterally, are a challenge that has crippled security cooperation. Each state mistrusts the other and upholding national sovereignty is so strong that practical cooperation has been difficult. Kazakh President Nursultan Nazarbayev has suggested an intra-SCO dialogue on the future of Afghanistan as it will be central for the CA region, but there seems to be little constructive agreement. China, and the other states, has rather resorted to bilateral measures by giving limited

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support to the Tajik police and Afghan security forces to assist those countries in an effort to contain the possible spread of Afghan extremism in the event of an international pullout from that country.

China's security diplomacy has traditionally been bilateral but increasingly SCO has grown to become a more important, even if in relative terms still weak. In fact, it has been argued that the SCO security structures are embryonic and the security development is only symbolic.<sup>138</sup> Agreements and consultations are primarily bilateral due to the failure to agree among the SCO member states even if consultations are done on a more multilateral basis such as in SCO and the trilateral consultations between Pakistan, Afghanistan, and China. It is safe to say that coordinating foreign policy targets among the members has been less than successful and the economic integration has been very weak. The interesting exception, despite modest, is the development of the anti-terrorist center in Tashkent (RATS), even if criticism has emerged that the combat of terrorism is equally used in the Central Asian states in combating opposition. RATS has been relatively successful in coordinating national anti-terrorist activities and sharing of information among the members but exaggerating its impact so far would not be wise.<sup>139</sup> However, RATS will only be as effective as its member states allow it to be, and currently there is very little trust between the member states and not least Russia and China that will cripple any deeper engagement.<sup>140</sup>

On paper, there have been an impressive number of military exercises between SCO member states (as well as involving China bilaterally with individual states). In August 2003, the first multilateral military exercise was held between China and Central Asian states; this was preceded by a bilateral exercise with Kyrgyzstan in 2002. This has since grown to encompass more than 25 exercises over time of which the exercises "2013 Peace Mission" and the "Naval Interaction 2013" were in many ways milestones of military cooperation in the region.<sup>141</sup> Thus, CA has been the testing ground for multilateral security cooperation and has as such been relatively successful compared to other regions; and China is increasingly eager to improve and extend its security cooperation.<sup>142</sup> But in looking at their content it is clear that the outcomes have been less impressive. It is striking that the structure of some of the exercises seems to be more geared towards preventing outside actors from gaining access and, to a lesser degree, on how to stabilize a small state than on only combating terrorism.

### **China's challenges in CA**

When discussing Chinese military capability, it is necessary to point out that despite significant increases, albeit arguably not sufficient, in the Chinese military budget, not much is directed towards Greater Central Asia. Rather the focus of Chinese military development has been on bolstering the navy and developing anti-ship cruise missiles, counter-space weapons, and long-range missiles.<sup>143</sup> This is in contrast to the kind of forces, resources, and equipment required in China's western regions. Indeed, the challenges emanating from CA are rather asymmetric in nature involving mainly non-traditional security threats that require a different response. A more detailed discussion of the Chinese military capability in CA is included in the references as it is not a direct question for this hearing.<sup>144</sup>

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The greatest security challenge for China over time will be the weakness of the states in CA and the radicalization of the societies,<sup>145</sup> not least if the security situation in Afghanistan continues to deteriorate which would result in that Central Asia would increasingly be a transit hub for organized crime and radical groups. As a result, instability will increase in the region and there will be a growing threat of the aforementioned “three evils” spilling over into China. Indeed, in the context of increased instability and criminalization, the trafficking of drugs and other illegal commodities has already increased with a concomitant drop in the price of heroin in the border region of western China—the latter a site of growing drug abuse and rampant corruption as a result. The official view from the Chinese government is that this is primarily a domestic issue for the CA states. But the tide is turning and among scholars there is a great deal of fear that the weak economies and lack of political legitimacy could further destabilize the region and China’s borders as criminalization and radicalization tend to merge in the CA region.<sup>146</sup>

In spite of yearly military exercises with the Central Asian states, Beijing has failed to establish more effective security cooperation. This failure is a reflection of the fact that the region is only of secondary interest for China as well as skepticism and fear on the part of China’s neighbors including Russia. However, despite its still relatively limited security engagement, China has nonetheless emerged as the fastest *growing* security actor in the region, especially in terms of multilateral engagement, even if it still lags far behind Russia and the United States. The military exercises within the framework of the SCO are good examples of how China is very much the driving force behind the strengthened multilateralism in the region.<sup>147</sup> China has not been a major provider of hardware, despite emerging sales of light weapons, but rather driving the development towards military multilateralism, arguably to avoid challenging Russia on a bilateral basis. This is very much a part of the strategy to increase its power as an agenda-setting (话语权 *huayuquan*) state and in CA they are encouraged to be in the driving seat of multilateralism, even if Russia is opposing such a development, and the problem is rather that China has become a hegemon when it comes to agenda setting by virtue of the lack of interest or ability by other actors.

### **The Russian factor**

Russia’s attempt to regain the military, economic, and political clout in what Russian foreign minister Andrey Kozyrev termed its “near abroad” (*ближнее зарубежье*) in the early 1990s has been partially successful, especially in the energy sector. To accomplish this, Russia has been trying to regain control of much of the crucial transport infrastructure both in terms of trade and oil/gas infrastructure. Moreover, military cooperation between Russia and the Central Asian states continues to be high; no other country approaches the level of security cooperation that Russia has had with the region. In other areas, such as trade in general, Russia’s position remains secondary to that of China, much to Russia’s chagrin.<sup>148</sup>

The military field is the single area in which Russia retains significant control compared to China and the United States. Despite some inroads from Washington (military bases) and Beijing (weapon sales and exercises), Russia maintains close military links with Kazakhstan, Tajikistan, and Kyrgyzstan. These regional influences have proven strongest in terms of weapons sales and the security leverage,

particularly after the expected withdrawal of foreign troops from Afghanistan. The committee for Military and Economic Cooperation (ICMEC) forms part of the strategy for closer integration of the military-industrial complexes in the region, a process highly subsidized by Russia. ICMEC was created in 2005 to systematize cooperation in military technology and make military integration more effective by controlling both purchases and development of new technology, something that has not been fully realized due to the suspicion the Central Asian states have shown towards Russia. Yet, such connections have given Russia sizable leverage. Even if there is a decline in trade figures and military control, it has been hard and will continue to be difficult for Central Asia to escape the Russian grip. Notwithstanding, the current trend has been a limitation of Russia's influence in the military arena due to Chinese sales to the region and the increased military cooperation with other states such as China through bilateral attempts as well as SCO and the United States through the Partnership for Peace initiative. Accordingly, it would appear unrealistic for Russia to return to its former preeminent position of strength in the military sphere.

Central Asia could be regarded as a weathervane for Sino-Russian relations and the long-term prospects do not look good. The reasons for closer cooperation and continued friendship are to a large extent based on the perception of the external threat and exclusion. Trade is decreasing and Russia is arguably degrading into a more aggressive and closed society as China is increasingly becoming more open (albeit not politically) society. The concept of security and even the functionality of SCO differs between the two states: China is focusing more on building long-term security through institution building and strengthening of national governments, while Russia is utilizing weak governments and failed institutions to exert control. Even if both are non-democratic systems, China's is based on a meritocracy and strong institutions (even with high levels of corruption) but Russia's is increasingly succumbing to kleptocracy and institutional decay. The separation between Russia and China will increase as the differences in society and governments increases exponentially.

### **Chinese Success in Perspective**

China's Grand Strategy is accomplished to a higher degree in CA than in any other region, with China able to shape its external environment (塑造) with significant support for its core interests in CA, such as combating the "three evils." Moreover, it has been able to create a global outreach—that is, CA helps China to break out of its perceived encirclement and to reach out to Europe and the Middle East through its "March Westward" policy. Whereas relations with the U.S. remain an insecure area (重中之重), China hopes to build a better working relationship, not least in Afghanistan. The problem is that China is not willing to share the burden equally (seen from a western perspective) as the operation looks today but rather would like to use the United States as a proxy for implementation of its softer policy. This is not in the interest of the U.S. or any other actor that would like to see a greater Chinese engagement in peace enforcement operations, something that China is not willing to do. This is a division of interest that currently prevents any multilateral coordination including China in the security domain. However, there are major overlaps where the U.S. and China could cooperate in terms of increased trade in the region, not least to establish economic prosperity and structurally prevent radicalization through strengthening institutions dealing with the challenges. Terrorism and organized crime are other areas where there is common understanding of the problem, even if not necessarily in how to deal with the challenges. It would be useful to further engage the SCO and RATS in international cooperation and training, not least to strengthen structures that are relatively weak and could be of regional and international importance. It could be argued that China's long-term interest overlap more with the U.S. than with Russia, even if the short-term strategic Sino-Russian cooperation is to continue. However, it

the Sino-Russian relations in CA are a weathervane for its overall relations the cooperation will be increasingly difficult to maintain.

Direct involvement in the region, such as boots on the ground, is not possible at the moment for China which rather aims at providing greater support for institutionalization, economic development, as well as strengthening of security organizations to assist the CA government to manage their own problems. In so doing, China hopes that it can kill with a borrowed sword “借刀杀人” (*jiedao sharen*) and keep radicalism and terrorism from infiltrating China, while in Afghanistan there is a hope that the U.S. will maintain its presence until a more stable transition strategy has been established. The Chinese strategy is to strengthen the individual states, as well as the multilateral institutions, to the extent that they can resolve their domestic issues by themselves. The limitations to this strategy are several, however, not least the weakness of the CA states, rampant corruption, and the criminalization of state institutions. Moreover, even with strengthened national institutions it is far from certain that they will move in a direction that is in the Chinese national interest, or for that matter the U.S.

The security cooperation between China and the states in CA has increased significantly over the years and China is very much assisting the CA states to sharpen the sword they hope they can utilize. The exchanges between the NDUs of each country have increased exponentially and it has been a direct strategy to assist officers and higher officials. This said, the lingua franca among the security services in the region is Russian and up to now material and training has been exclusively Russian, a situation that is changing but slowly. Both the U.S. and China have a common interest in breaking the Russian domination in the security sector but neither has the interest nor the ability to commit the resources to commit to this.

The reality is that the PLA and China’s security policy in CA and Xinjiang is in a state of muddling through. China has come much further in some aspects in CA than in any other region but in others China is facing challenges that there are no good solution to if the Chinese non-intervention policy is to remain. Therefore we should not expect any major initiatives in the region. This does in no way indicate that China is not interested in CA or is engaging the region. China is today in better control of the agenda setting but there is very little opportunity to create any substance in these agendas despite Chinese eagerness as it lacks partners in the region that are willing to deal with the security challenges. China will oppose any peace enforcement initiatives but are seeking good means of creating a sustainable strategy in CA. China could potentially be a spoiler of U.S. initiatives in the region but as long as China is informed and the initiatives are in line with international law, there is little reason for China to destabilize any initiatives. On the contrary, China is today welcoming international initiatives to secure the region, at least in the short and medium term.

### **Recommendations**

1. Central Asia is not a priority region for any state but for that very reason increased Sino-U.S. security cooperation could be possible and should be sought out with realistic aims how far such cooperation could develop.
  - a. Sino-U.S. relations are less tense in CA than in any other region surrounding China and China is more willing to seek new cooperative solutions here as they realize that their own ability and experience is limited. Moreover, it is not as strategically or emotionally important as the Yellow Sea or the South China Sea.
  - b. The stabilization of the CA would also have positive effects on some of the close friends

- of China, such as Pakistan and Iran, which could work positively on other U.S. priorities.
- c. Cooperation should primarily be done through multilateral channels and focus on non-interventions and supporting local governments. China is reluctant to engage in any major operation that could force them to act militarily or bilaterally.
  - d. U.S. and China share concerns about the spread of radicalization and extremism and it would be useful to engage China in the Istanbul Process or the UN Joint Plan for Action for Central Asia. This is in line with the current Chinese strategy and Premier Li Keqiang has voiced China's appreciation of these initiatives.
2. China is currently the most constructive actor with influence in the region (excluding the U.S. and the international forces in Afghanistan) and the U.S. would benefit greatly if it increased its cooperation with China in the economic and security area.
    - a. China is driving both the economic development as well as the infrastructural development that could tie CA to other regions, such as Europe and the Middle East. China has become the largest trading partner in the region but CA is not crucial for China, even if it is for Xinjiang, but oil from Middle East and commercial trade with EU is.
    - b. Closer cooperation with China could decrease the Russian influence in the security sector but it is important to remember that the CA states are not ready to exchange one overlord against a new one.
    - c. The limitations are many but the primary one is that any engagement needs to be a multilateral initiative under the UN or under a regional structure and China would not be ready to engage in more assertive operations, such as peace enforcement.
    - d. The U.S. would need to reassure China that initiatives (bilateral and multilateral) are not to establish a long-term U.S. foothold or to contain China.
  3. The U.S., as any other state, will have to be realistic about its goals in CA. The region is not a priority for China or the U.S. and the only way to have long-term positive impact is to cooperate, as the financial and political commitments will be relatively modest compared to the needs.
    - a. Due to the budgetary and political restrictions and limitations in engagement the U.S. should primarily focus on security cooperation such as training and military exchanges, strengthening institutions and infrastructural development. It would be unrealistic to see the U.S. take a much larger security engagement, much due to the Russian dominance but also due to consideration of other regions of greater strategic importance.
    - b. Similarly China is reluctant to put boots on the ground and it would very much be a common interest to strengthen security structures within each Central Asian state so that they will not be dominated by a declining and aggressive Russia.
  4. The U.S. would benefit from increased bilateral security cooperation with Uzbekistan, Kazakhstan, and Turkmenistan. Tajikistan and Kyrgyzstan are arguably too closely aligned with Russia for any significant cooperation to occur.
    - a. The CA states are interested in preventing one hegemon (Soviet Union) being by another (China). The "third" neighborhood policy, i.e. diversification, is becoming more important when reaching out to non-regional actors.
    - b. The CA institutions are weak and easy to coopt by organized crime, corruption and easy

to radicalize. Efforts to strengthen and influence security structures should be high on the agenda for the U.S. and Europe.

- c. Strengthening government institutions is crucial to avoid further destabilization of the region and China has taken the lead but democratic states should also engage CA. The result of this could long-term be strengthened democratic institutions but short term preventing state failure. The key to stronger and more open institutions is connecting CA to international trade and multilateral institutions. A trade that is increasingly going east now.
- d. To diversify the trade it would paradoxically be useful to improve and connect to the infrastructural work China has initiated. This would connect CA with South Asia, Middle East and Europe. This would create viable alternative trade patterns for CA and decrease Russian influence over time.

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<sup>2</sup> It is in the economic arena where China has made the biggest inroads into the region and which has been its primary interest. Indeed, China has emerged as the most important trading partner and investor for GCA as a whole, eclipsing Russia as of 2013 (in the cases of Tajikistan and Kyrgyzstan, China’s share of trade is more than twice that of Russia’s, at 36.3 and 47.3 percent, respectively). The bulk of Chinese trade with the states of GCA is in strategically valuable resources such as energy commodities, and to a lesser degree, other natural resources. Additionally, the region has also become increasingly dependent on Chinese infrastructure investments and consumer goods. With the new energy deals signed by President Xi Jinping with his Central Asian counterparts in October 2013, valued at approximately USD 100 billion in total (the deal with Uzbekistan is worth USD 15 billion, Kazakhstan USD 30 billion, and Turkmenistan USD 50 billion), China’s dominant position will become even more consolidated and China is likely to remain the most important trading partner of all states. This is particularly true as these latest energy deals come on top of earlier investments in Central Asia and Afghanistan, such as USD 3.5 billion for the Aynak copper mine as well as USD 2 billion invested in infrastructure related to the mine. There has been some concern in China that the Eurasian Customs Union could impact Chinese trade negatively, but Chinese trade with the region has grown even faster, not least in energy resources.

<sup>3</sup> Taylor Fravel and Christopher Twomey, “Projecting Strategy: The Myth of Chinese Counter-intervention”, *The Washington Quarterly*, January 26, 2015.

<sup>4</sup> 邵育群, 试析美国撤军后中美在阿富汗问题上的合作空间, *现代国际关系*2013年8期 [Shao Yuqun, “China-US Cooperation on Afghanistan issue after the US Military Withdrawal” *Contemporary International Relations*, No.8, 2013]

<sup>5</sup> Yun Sun, March West: “China’s Response to the US Rebalancing” *Up-Front*, The Brookings Institution, 31 January, 2013. With the U.S. and Europe’s influence in the CA states and the Middle East being seen as much more limited, increasingly a westward strategic shift has been seen among certain circles in China as a way to break the encirclement. Moreover, there is no major border conflict between China and the GCA states, even if there has been a rise in anti-Chinese sentiment in Kyrgyzstan, Mongolia, and to certain extent Kazakhstan. This relatively positive environment has led to increased security cooperation and a more assertive and engaging diplomacy ranging from the GCA states to Iran and the Middle Eastern states.

<sup>6</sup> 王缉思: 《“西进”: 中国地缘战略的再平衡》, *环球时报*, 2012年10月17日 (Wang Jisi, “‘Marching Westwards’: The Rebalancing of China’s Geostrategy,” *Global Times*, 17 October 2012]. The idea of China’s western march is not an isolated fanciful idea by a few academics but falls directly into the Grand Western Strategy “西部大开发” (*Xibu da kaifa*), the New Silk Road Economic Belt, China-Pakistan Economic Corridor, the Bangladesh-India-China-Myanmar (BCIM) corridor, as well as the Chinese attempt to create a Asian security architecture through, among others, the Conference on Interaction and Confidence Building Measures in Asia Summit (CICA) and the SCO. This is part of China’s greater strategy of improving economic and social conditions in its more impoverished regions, such as Xinjiang and Tibet, as well as breaking out of the U.S. encirclement. There are many direct reasons for the focus on its western borders that will be discussed in the paper, but the personal interest for President Xi should also not be underestimated. As he was born in the far eastern corner of Shaanxi province, he feels very much connected to the Silk Road intellectually as well as emotionally.

<sup>7</sup> “SCO supports China to crack down upon the ’three evil forces’”, *People’s Daily Online*, July 05, 2013 (accessed 2015-01-18), Webpage: <http://english.people.com.cn/90786/8311944.html>.

<sup>8</sup> Imtiaz Hussain, “Shanghai Cooperation Organization”, in *The Security Governance of Regional Organizations*, eds. Emil Kirchner and Roberto Dominiques, Routledge, Abingdon, 2011, pp. 261-262.

<sup>9</sup> Justine Drennan, “Is China making its own terrorism problem worse?”, *Foreign Policy*, February 9, 2015.

<sup>10</sup> Interviews in Xinjiang and Beijing 2013-2015; Niklas Swanström, “China and Greater Central Asia: New Frontiers?”, *Silk Road Paper*, The Institute for Security and Development Policy, Stockholm, 2011.

<sup>11</sup> Maika Tukmadiyeva, “Xinjiang in China’s Foreign Policy towards Central Asia” *The Quarterly Journal*, vol. 12, Issue 3, 2013, pp. 87-88.

<sup>12</sup> Trade with the CA states is of strategic importance, especially as it comes with a political leverage, but much more important is the transit trade with Europe, South Asia, and Middle East that passes through some of the most destabilized states in the world. China is trying to stabilize the GCA states by increasing institutional support for government institutions, the training of security forces, creating a base for economic development, as well as maintaining a political status quo with secular and politically flexible governments in GCA that are not in conflict with China’s interests. It is not only the Central Asian states that are instrumental in this regard, but also Afghanistan which sits as a hub between South Asia, Central Asia, and the Middle East. It still holds true that the one that controls Afghanistan controls the broader region. A decay of the current political and security situation in Afghanistan would have detrimental effects on the Chinese western strategies. Afghanistan is therefore one of the more contentious areas, especially if the United States and its allies decrease their forces in and engagement with the country.<sup>1</sup> Relations with the surrounding states are essential for trade and security cooperation as the Wakhan corridor between China and Afghanistan is of limited importance due to the climatic conditions and geographical location, a situation that is very problematic as the political situation looks today in GCA with growing regional tensions and the lack of political willingness in China to engage in stabilizing exercises outside of its own territory, especially if this would require military engagement from the Chinese side. Subsequently it is not in China’s short-term interest for too much of a reduction in Russia’s role in Central Asia or the U.S. role in Afghanistan to occur, as China would not be able to shoulder the responsibility to maintain the necessary stability without boots on the ground, an option that is not currently in Beijing’s calculus.

<sup>13</sup> *Eurasia’s Ascent in Energy and Geopolitics: Rivalry or Partnership for China, Russia, and Central Asia?*, ed. Robert Bedeski and Niklas Swanström (London: Routledge, 2012).

<sup>14</sup> 杨洁篪：《新形势下中国外交理论和实践创新》，求是，2013年8月16日 [Yang Jiechi, “Chinese Diplomacy under New Situations: Theoretical and Practical Innovations,” *Qiushi*, 16 August 2013]; 肖宪：《“向西开放”需外交全局统筹》，环球时报，2013年7月31日 [Xiao Xian, “March Westwards and the Coordination in the Diplomacy,” *Global Times*, 31 July 2013].

<sup>15</sup> Joshua Kucera, “Russia: Moscow Strives to Clarify Vision for Central Asian Alliance,” *Eurasianet.org*, September 30, 2011, <http://www.eurasianet.org/node/64248>.

<sup>16</sup> Li Keqiang, “Promoting security and prosperity in Afghanistan and the region,” China.org.cn, [http://www.china.org.cn/opinion/2014-11/04/content\\_33961483.htm](http://www.china.org.cn/opinion/2014-11/04/content_33961483.htm), (accessed 2015-03-09).

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- <sup>29</sup> Notwithstanding this relative lack of interest, China has felt the need to develop forces that could act preventively in both Xinjiang and, if necessary, Central Asia, even if this is not an official position espoused by Beijing. In this regard, a new policy can be distinguished after the demonstrations in Urumqi in 2009, and the violence in Kyrgyzstan in 2010. In 2009 it was realized that the People's Armed Police (PAP) was not up to the task of managing a wider national uprising, and the military exercises that followed the political turmoil in 2010 in Kyrgyzstan seemed more focused on how to deal with failing states than terrorist threats per se. This is in line with the development in China of the Rapid Reaction Forces "快速反应部队" (*kuaisu fanying budui*), Special Operations Forces "特种部" (*tezhong budui*), and the Resolving Emerging Mobile Combat Forces "突发应急事件解决流动作战部队" (*tufayingji shijian jiejueliudong zuozhan budui*) in the Lanzhou Military Region (LMR) since the early 2000s, which has operational responsibility for Xinjiang and Central Asia. This is not to say that PLA will act in domestic uprisings or assist neighboring governments in suppressing instability but that its

capacity has been developed in line with increased regional volatility, especially across the border. This is also a modernization that is necessary for the LMR which needs further upgrades of its materiel, such as helicopters, desert and mountain equipment, but also more boots on the ground.

This is not to say that the LMR region is without strength in terms of military force. According to Russian estimates, Chinese forces in the LMR are stronger than the combined forces of all other actors in GCA (possibly excluding NATO forces in Afghanistan but including Russia). But such assertions probably say more about the Russian insecurity and lack of trust in China than about China's actual capabilities. C4 (command, control, communications and computers) capabilities are still low and the ability to fight war in a modern context, much less in an informationalized context, lags far behind where China would like it to be. To bridge this weakness, China has increased military cooperation with all GCA states. Meanwhile, Russia's military presence in GCA is much more limited than in earlier periods, particularly in Afghanistan, and it does not currently have sufficient conventional capacity to counter the Chinese if the latter were to decide to "move into" the region. This is despite the fact that Russia is still by far the most important security actor in Central Asia, and is today one of the few actors that guarantee the security of the weaker Central Asian states, such as Tajikistan and Kyrgyzstan. Russia has shown a willingness to act militarily to stabilize states to an extent which no other actor has been willing to commit to.

The question is if China has been engaged in creating a strategy of the Empty Fortress (空城) (tricking the enemy to assume that they are weak when they are strong), but I would argue that China in fact is doing the opposite (feigning strength when weak). This relative weakness is all too apparent when travelling around the military regions in China and much more in the way of human resources as well as materiel is needed before China, if it is willing, is to engage beyond its western borders. In fact, Scobell et al. have pointed out that the Lanzhou Military region is the most porous region of China in terms of the ability to defend, with 220,000 troops defending a 3.4 million square kilometer area, which furthermore borders unstable neighbors. China is very reluctant to be caught up in its own strategy of luring the enemy deep within (诱敌深入), and assisting or controlling any country in the GCA would be resource intensive, something the allied forces have realized in Afghanistan. China does simply not have the boots on the ground, willingness, or the experience to manage such an operation. The scenarios that plausibly could force China to act and use PLA units would be peace enforcement, assisting failing states, or potentially conducting surgical strikes against groups that have attacked or could attack China. Even in these scenarios Chinese action is currently unlikely and there would have to exist a serious threat to China before the PLA would be authorized or willing to act. An example of the lack of Chinese willingness to act is the reaction to the uprisings in Kyrgyzstan in 2010. While Russia intervened to stabilize the situation, it was never on the agenda for China to follow step. Thus rather than intervening in conflicts external to it, maintaining secure borders is of greater concern for China.

The two largest units in LMR are the 21<sup>st</sup> Group Army based in Gansu and the 47<sup>th</sup> Group Army based in Shaanxi, both situated far away from Xinjiang's western border and arguably not equipped for fighting terrorists outside of China or stabilizing any bordering states. In the largest military district in China, Xinjiang, there are only four motorized infantry divisions (4<sup>th</sup>, 6<sup>th</sup>, 8<sup>th</sup> and 11<sup>th</sup> as well as two artillery divisions). It should be noted that these divisions are comparatively well trained and motivated but are insufficient to be an effective force outside of China if they were to engage in peace enforcement, assisting a failing state, or even conducting a surgical operation against groups targeting China.

<sup>30</sup> International Crisis Group, *China's Central Asia Problem*, Asia Report N. 244, 27 February 2013), p. 17.

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**OPENING STATEMENT OF MR. ANDREW SMALL  
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STATES**

MR. SMALL: Well, thanks very much for inviting me here. It's an honor to be invited back to testify before the Commission again.

Unlike on previous occasions, today I'm going to be focusing on one of the more constructive developments in Chinese foreign policy, the shift in its approach to Afghanistan, which I believe has genuinely entered a new phase.

Afghanistan has been a salient issue for China only when it's perceived a clear security threat there, either the military presence of a strategic rival, as was the case during the Soviet occupation in the 1980s when China was one of the main arms suppliers to the mujahideen, or the risk of Islamic militancy in Afghanistan spilling over into Xinjiang, as was the case in the late 1990s when the ETIM was given the freedom to set up training camps there under Taliban rule.

At other times, Afghanistan has been treated as largely peripheral to China's strategic calculus. China has not been very seriously invested in the country politically or economically, and it's always been resistant to opening the border as some Afghan governments have attempted to urge China to do.

Effectively, China hasn't treated Afghanistan as a real neighbor, and it's often been willing virtually to outsource the management of its interests there to its all-weather friend in the region, Pakistan.

In the decade after 9/11, China had two main security concerns. The first was a geopolitical concern, that the United States might establish permanent bases in Central Asia and Afghanistan. The second was the nonconventional threat, that a victory for the insurgency would have a radicalizing effect in Xinjiang and provide the conditions under which safe havens for militants in Afghanistan might be reestablished.

As a result, Chinese policy was basically to sit on the sidelines of a war that it didn't really want to see either side win. It provided derisory levels of aid, its diplomats turned up to meetings only to make pro forma statements, and it refused to cooperate bilaterally with the United States on even the most modest of initiatives such as giving books to schools and these sorts of things.

Beijing did try to take advantage of the opportunities for resource investments in Afghanistan, but for various political and security reasons, and its largest economic commitment, the Aynak copper mine, has never gone into operation, and direct interests in Afghanistan are not really motivating Chinese policy.

Three things have changed since that period. First, and most importantly, the U.S. announcement of the drawdown of its forces shifted Chinese concerns away from the geopolitical anxieties about U.S. encirclement to its fears about what would happen in the aftermath.

Second, the terrorist threat in China has clearly escalated considerably, initially from 2008 on in Xinjiang proper, then in the last couple of years across the Chinese mainland with the attacks in Beijing, Guangzhou, and particularly Kunming very notably. Whether or not these attacks are in any way connected either practically or in terms of ideological inspiration to Pakistan, Afghanistan or anything going on outside China is an important debate, but the equally important fact is that it has made counterterrorism and the stabilization of China's western

periphery a far more important focus of Chinese foreign policy than it was a few years back.

And third, as I think you've been talking about for much of the day, the major economic initiatives in the region since Xi Jinping took office, the Silk Road Economic Belt, and the Maritime Silk Road have been forcing China to think about Afghanistan's instability in regional and strategic terms. Various projects under that umbrella are potentially threatened, whether in Central Asia or the \$45 billion China-Pakistan Economic Corridor.

And that couples with Chinese worries about the spillover effects into Xinjiang and the risk of India-Pakistan proxy wars in Afghanistan spilling over into South Asia.

The result of this has been in the period particularly since late 2011, Beijing has invested steadily increasing political energies in Afghanistan whether by way of the bilateral relationship, relationship with the Afghan government, its regional diplomacy, most importantly with Pakistan, its coordination with the U.S., or its contacts with the Taliban.

China has stepped up bilateral support to Afghanistan. Last year saw an offer of aid and training that's quite high by Chinese standards. It very prominently hosted the first big international conclave after the Afghan elections and Ashraf Ghani's first overseas visit. There are plans for new economic projects, including particularly some cross-border initiatives with Pakistan, and we've seen a stream of senior Chinese security officials passing through Kabul.

But the potential silver bullet from China's perspective has been political reconciliation whether or not you think peace talks with the Taliban are a good idea, and China has certainly been working to help bring them about.

This is partly through trying to line up actors in the region behind the effort, partly through using its own longstanding channel to the Taliban with whom it's intensified its contacts. Testimony goes into, written testimony goes into a lot more detail on that. But most crucially, by leaning on Pakistan to encourage them to facilitate talks rather than undermining them as they did in the past. I mean it's China's position of influence over Pakistan that's led Ashraf Ghani and the Taliban alike to start placing more of their bets on Beijing.

Now China is not just exerting pressure on Pakistan. Its role in this process is also reassurance to Pakistan that its interests are not going to be undermined. And obviously China's involvement in the preparations for reconciliation talks are only one piece of a puzzle that's seen Pakistani concerns about the Pakistani-Taliban strategic depth in Pakistan and the huge improvement in Afghanistan-Pakistan relations, probably even more important factors.

But there is now a real chance that reconciliation talks could get underway soon, and China has played its part.

The result of these developments is that in the period since 2011, in particular, China and the United States have become more closely aligned in their interests and objectives, and cooperation has moved forward at the diplomatic level I would say, and to such an extent that I think it's become a rare foreign policy issue where the two sides are actually operating in a relatively coordinated fashion.

It doesn't, of course, mean that they see eye to eye on all the underlying issues, not least on how to view terrorism and the Uyghur issue, but there is enough of an agreement on basic objectives, a stable independent Afghanistan without a dominant Taliban role, that I think that this is now a case where China and the United States on balance are operating in broadly complementary terms.

Very last point. This even extends to the U.S. drawdown. China's position was once we'd like to see you leave. Now its position is we'd like to see you leave in the end but don't go too quickly.

**PREPARED STATEMENT OF MR. ANDREW SMALL  
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STATES**

**China, the United States, and the question of Afghanistan  
March 18th, 2015**

**Andrew Small, Transatlantic Fellow, German Marshall Fund of the United States  
Testimony before the U.S.-China Economic and Security Review Commission  
Hearing: Looking West: China and Central Asia**

For many years, US attempts to encourage China to play a constructive role in stabilizing Afghanistan were met with staunch opposition. Not only did Beijing resist any form of cooperation with the United States there, it sought to limit its own involvement in Afghanistan, and was at best a second tier actor among the powers who were influencing the country's future path. Chinese policy is now in a new phase. The US drawdown has concentrated minds in Beijing, and China's anxiety about the security implications in the aftermath are drawing it into increasingly active efforts to help forge a political settlement. After a long period in which China's approach to Afghanistan was a source of frustration, this is now one of the rare areas of foreign policy where the United States and China largely see eye-to-eye.

**China and Afghanistan**

Afghanistan has been an issue of strategic salience for China only when it has perceived a clear security threat there, either the military presence of a strategic rival or the risk of Islamic militancy spilling over into Xinjiang. Until recently, the two periods in which Afghanistan loomed large in Chinese thinking were during the Soviet occupation in the 1980s, when China provided substantial arms supplies for the mujahideen's campaign, and in the late 1990s, when the East Turkistan Islamic Movement (ETIM) was given the freedom to set up training camps there under Taliban rule. At other times, Afghanistan has been treated as largely peripheral to China's strategic calculus. China has not been seriously invested in the country, politically or economically, and the small, remote border between the two countries has remained closed. During certain stretches of time, particularly the 1990s, Beijing was effectively willing to outsource the management of its interests there to its closest partner in the region, Pakistan.

In the decade after 9/11, China had two main security concerns. The first was geopolitical: that the United States might establish permanent bases in Afghanistan and Central Asia. The second was the non-conventional threat: that a victory for the insurgency would have a radicalizing effect in Xinjiang and provide the conditions under which safe havens for Uighur militants in Afghanistan could be re-established. When it came to political and security matters China therefore chose to sit on the sidelines rather than providing any materially significant backing to either side. Beijing did seek to take advantage of the opportunities for resource investments in Afghanistan, but for an assortment of reasons, its largest economic commitment, the \$3.5 billion Aynak copper mine deal, has never gone into operation.

Since President Obama's announcement in 2011 of plans for a drawdown of US forces, the sense of geopolitical threat has largely receded. Instead, China's fear of a messy aftermath to the US withdrawal has become its principal concern. With the terrorism threat in China escalating in the period since 2008, particularly in the last eighteen months, which have seen attacks moving beyond Xinjiang and into major Chinese cities, the importance of containing extremist influences in the Chinese periphery has grown significantly. The major strategic economic initiatives since Xi Jinping took office, the Silk Road Economic Belt and the Maritime Silk Road, are perceived to be threatened by instability in Afghanistan. As a result, in the period since late-2011 Beijing has invested steadily increasing political energies in Afghanistan, whether by way of its bilateral relationship with the Afghan government, its regional diplomacy (most importantly with Pakistan), its coordination with the United States, or its contacts with the Taliban.

China's heightened interest in Afghanistan was given a notable public demonstration by Zhou Yongkang's visit to Kabul in September 2012, the first by a Politburo Standing Committee member in decades. But Beijing waited for Afghanistan's elections in April 2014 before it was really willing to invest its political capital. China appointed a special envoy for Afghanistan, former Ambassador Sun Yuxi, in July 2014 and went on to host the "Heart of Asia" ministerial in October 2014, the only time it has acted as the host for a major multilateral gathering on Afghanistan. The conference was of particular importance for its timing, coming immediately after the new government had taken office, and just as the West's commitments were being drawn down. China was Ashraf Ghani's first formal overseas destination as president.

The October meeting was also notable for China's offer to act as mediator for talks between the Taliban and the Afghan government, an offer later made public by the Chinese foreign minister, Wang Yi, during his visit to Pakistan in February 2015. China has been engaged in intense diplomatic efforts with the Afghan government, the Taliban, Pakistan, the United States, and other important powers, to try to create the preconditions for a reconciliation process. If peace talks between the Afghan government and the Taliban do move ahead, the principal cause will be the dramatically improved relations between Kabul and Rawalpindi, but China has also played an important background role.

The last couple of years have seen Beijing convening an array of bilateral and trilateral meetings on and with Afghanistan, in particular including Pakistan, India, Russia, and the United States, although Afghanistan has also featured in Chinese talks with the Gulf States, Iran, and the Central Asian states. China's main objective has been to forge a degree of consensus between powers whose rivalries in Afghanistan have been one of the main reasons that the country has stayed at war. Most importantly, China has employed a mix of pressure and persuasion with Pakistan in order to encourage it to facilitate talks rather than act as a spoiler. China has made it clear that it wants its "all weather friend" to take into account Beijing's strong interest in seeing a stable political settlement in Afghanistan, while providing the reassurance that an enlarged Chinese role in the arrangements over Afghanistan's future is one of the ways to guarantee that Pakistan's interests there will be fully accommodated.

China has also expanded its direct contacts with the Taliban. China's relationship with the Taliban goes back to the days of its rule in Afghanistan, when the Chinese ambassador to Pakistan, Lu Shulin, became the first senior representative of a non-Muslim country to meet with

Mullah Omar. At the time, China sought to ensure that the Taliban would no longer provide carte blanche for ETIM to operate in Afghanistan, while the isolated Taliban regime wanted Chinese backing at the UN, political recognition, and economic support. Although the agreement reached left the two sides only partially satisfied, it laid the foundations for a relationship that persists to this day. Some Chinese officials claim that China has been the only country other than Pakistan to maintain continuous contact with the Quetta Shura, the Taliban's leadership council in exile. Both sides have seen value in continuing ties: China to ensure that the Taliban do not extend backing to Uighur militants and that its investments are not attacked, and the Taliban to gain a measure of tacit political recognition, financial assistance and even weapons supplies. Chinese-made HN-5 anti-aircraft missiles, landmines, rocket-propelled grenades, components for roadside bombs, and armor-piercing ammunition have all been deployed by the Taliban on the battlefield.

Direct Chinese contacts with the Taliban have increased markedly over the last year. Previously, most of its meetings with the Taliban and Taliban intermediaries took place in Pakistan, largely in Peshawar. More recently, the bulk of the meetings have been with representatives of the Taliban's Qatar office, which would provide the lead for any future talks with the Afghan government. These meetings included a publicly confirmed visit to Beijing from Qari Din Mohammad Hanif, a former Taliban minister, as well as other non-publicized meetings in Doha, Islamabad, and Beijing.

China's offer to Pakistan, the Afghan government and the Taliban has also been an economic one. All sides stand to gain significant benefits by way of Chinese investment if a lasting peace can be secured. This includes the \$45.6 billion China-Pakistan economic corridor, which will require some degree of regional stability to realize. Economic interests have been one of the main topics addressed in China's meetings with the Taliban.

Whether or not China ends up playing a direct mediating role in the reconciliation process itself remains to be seen, and at the time of writing there is still the prospect that talks will not move ahead at all. But China has undoubtedly played a significant role in getting them close to the starting line.

### **Chinese interests**

Security interests continue to dominate Chinese thinking about Afghanistan. The principal security focus is to prevent the establishment of safe havens for Uighur militants, and associated concerns about the impact of rising militancy and a deteriorating situation in Afghanistan for Xinjiang. China is also keen to avoid various spillover effects: the potentially destabilizing impact of intensifying war in Afghanistan on Pakistan, its quasi-ally; the risks that proxy wars between Pakistan and India in Afghanistan will result in conflict in South Asia too; and the impact of instability on its broader economic interests in the region. Narcotics flows from Afghanistan are a further, secondary security concern. While China has a decent working relationship with the Taliban it does not want to see them occupy a dominant role in the country. Whatever deals Beijing can make with the leadership, it still sees the risk of a Taliban "victory" as an ideological and practical threat to its interests in Xinjiang.

China's direct economic interests in Afghanistan weigh less heavily. China is often described as Afghanistan's largest investor but this would only be true if its one grand-scale economic project, the China Metallurgical Group Corporation's (MCC) copper mine in Logar province were to be realized at something close to its original contract terms. Instead, political and security considerations have meant that it is not even close to beginning activities, and MCC has made ongoing attempts to renegotiate the contract to strip out many of the commitments to infrastructure development that it had originally agreed to take on. For an assortment of reasons, CNPC's more modest investment in the Amu Darya oil field has also stalled. In the event of peace in Afghanistan, Chinese economic involvement in the country would increase exponentially but its existing activities are not really motivating its policy - with commodities markets in their present state, a large copper mine is not quite as appealing as it was back in 2007 anyway. The new government has sought to draw China into investments in cross-border projects, particularly between Afghanistan and Pakistan, and into the development of a national infrastructure plan, as a way of embedding the country more closely in Chinese broader economic plans for the region. For now though, Beijing's direct economic interests in Afghanistan are more aspirational than real.

Central Asia is also connected to Chinese interests in Afghanistan in a few respects. Most of the flows of militants, narcotics, and weapons between Afghanistan and China, as well as from Pakistan's tribal belt, go through Central Asian states rather than directly across the Afghanistan or Pakistan borders. Uighur militants are typically hosted by Central Asian militant groups, principally the Islamic Movement of Uzbekistan. Central Asia is one of the principal arteries for the Silk Road Economic Belt, which risks being disrupted by broader instability emanating from Afghanistan. Central Asian states are closely involved in some of the main multilateral processes for dealing with Afghanistan, such as the "Heart of Asia" process and the Shanghai Cooperation Organization. Policies towards Afghanistan and Central Asia do therefore have threads in common, but there are important aspects of China's Afghanistan policy that are channeled through the prism of Pakistan and its South Asia policy.

### **China's security engagement with Afghanistan**

A spectrum of Chinese government entities have been involved in security cooperation with Afghanistan. The tone for this was set by Zhou Yongkang's visit in 2011, wearing his hat as China's security chief and accompanied by a delegation of security and party officials. The Ministry of State Security (MSS) in particular has taken an important role in dealing with Afghanistan, and intelligence cooperation between the two sides has moved forward considerably in the last few years. The State Councilor responsible for public security, Guo Shengkun, made a prominent visit to Afghanistan in November 2014, and a month before that, Qi Jianguo, the PLA Deputy Chief of the General Staff with responsibility for foreign affairs and intelligence, made a less publicized visit. China has long been heavily reliant on Pakistan for its intelligence in the region and the Afghan government has sought, with some success, to position itself as a valuable additional resource for addressing Chinese security concerns in the region. Chinese intelligence officers, rather than diplomats, have taken the principal role in maintaining contacts with the Taliban, including the recent rounds of talks. The Chinese intelligence services - 2PLA as well as the MSS - are the greatest repository of expertise and experience on Afghanistan in the Chinese system, going back to their operations in the 1980s, and will likely

continue to play a leading role in bilateral relations. Even some of the senior Chinese diplomats working on Afghanistan now either have backgrounds in intelligence or have occupied important intelligence liaison roles. This reflects the fact that in Afghanistan, China is still overwhelmingly focused on counter-terrorism issues, as well as the fact that, over several decades, Beijing has had to navigate so many important, and sensitive relationships outside formal government channels.

China has provided training for limited numbers of Afghan National Security Forces (ANSF) personnel and Afghan police, largely in counter-narcotics and mine clearance, and will be expanding its programs in the coming years, focusing in particular on counter-terrorism training. In 2014, China pledged \$330 million in aid for the period to 2017, and committed to provide professional training for 3,000 Afghans, which will include programs on the security side. China is also moving forward with the supply of very modest levels of military equipment, including a publicly announced \$1 million donation to the Ministry of the Interior in 2014, and is exploring relatively non-sensitive ways in which it might further expand its equipment contribution to the ANSF. China's principal advantage in its security engagement in Afghanistan is that it is seen as a relatively neutral actor by all the different parties to the conflict, and can undertake many of these initiatives without provoking the level of suspicion that dogs so many training and support programs from outside powers. For now, direct security cooperation is limited precisely by the fact that China does not want to be seen to be backing one party to the conflict too actively, but in the event of a political settlement, it is likely that Chinese bilateral security assistance could be scaled up considerably.

### **US-China cooperation**

For a number of years, US efforts to solicit China's cooperation in Afghanistan met stonewalling from Beijing. Not only did China not want to help facilitate a long-term US military presence so close to its western border but it feared that being seen to cooperate with the United States would make it a militant target. Even the most modest proposals for bilateral cooperation, such as supplying books to schools, were deemed too problematic. Talks between the two sides were frustrating, as was China's total reluctance to play even the most modest role diplomatic or economic role in Afghanistan - the stalling of Chinese investment projects meant that it was not even providing useful revenue to the Afghan government.

Nowadays that aversion has gone. In the period since 2011, China and the United States have become more closely aligned in their interests and objectives, and cooperation has moved forward to such an extent that it is perhaps the foreign policy issue on which the two sides are in closest sync. China's foreign minister has publicly described Afghanistan as a "new highlight" of Sino-US cooperation. There have been some symbolic bilateral initiatives, such as a program for joint training of Afghan diplomats, but these are of far less importance than the discreet pattern of coordination that has emerged between the two sides. This is symbolized by the fact that a new US-China-Afghanistan trilateral, agreed during President Obama's visit to Beijing for the APEC meeting in October, will be the only such trilateral of its nature that exists between the United States and China. Chinese officials have met regularly with US counterparts to exchange information, and coordinate on important meetings and policy initiatives, including China's push on the reconciliation issue. The two sides have a basic level of agreement on the need to see a

stable outcome in Afghanistan after the drawdown of US troops, and the need to ensure that the Taliban do not play a dominant role in the country's future. While in the past the nominally shared interest in "stability" was only one of a number of Chinese objectives, which might be trumped by Beijing's interest in seeing a US exit from Afghanistan, this is no longer the case. Even when it comes to US troop presence, China actively encouraged former President Karzai to sign the Bilateral Security Agreement with the United States, and has - if anything - been seeking to ensure that the drawdown does not take place with undue haste.

This does not mean that the two sides agree on all issues. There is a clear values gap, for instance, when it comes to matters such as the treatment of Uighurs. Beijing's blurring of the lines between terrorism and legitimate political activity means that certain forms of intelligence and information sharing are impossible, largely to China's disadvantage. There are a number of genuine Uighur militants though, some of whom have held leadership roles in Al Qaeda, and were specifically targeted in US drone strikes. China's extremely narrow focus on Uighur militancy, rather than its operating environment, has often meant that it was happy to see the US remain the number one target for various other militant groups, and to fix deals with them, as long as China could keep out of their crosshairs. Elements of this approach are starting to shift though, demonstrated by China's efforts to encourage the Pakistani army to conduct operations in North Waziristan, as well as its newfound willingness to play an active - and politically risky - role on strategic-level issues in Afghanistan.

China is also more sympathetic to Pakistan's position than the United States, including being keener to ensure that India's role in Afghanistan does not grow - from the Pakistani perspective - uncomfortably large. Even here though, Beijing has sought to reassure India that the two sides share concerns about Afghanistan's future situation and militancy in the region; that China's political efforts will benefit India too; and that China, to a greater extent than Pakistan, sees India's economic and political role in Afghanistan as conducive to the country's stability.

At times, China has been accused of free-riding on the US presence in Afghanistan. The one sense in which this is true is that it did not make meaningful economic, political or security contributions to stability in Afghanistan during some of the most critical phases of the US-led war there. But China did not extract any real economic benefits from Afghanistan during this period either. Moreover, China is likelier to expand its economic activities further in the aftermath of US withdrawal, provided the right political conditions exist. China has wanted to see security for its investments in the country but it has not relied exclusively on Afghan government, NATO or US troops to provide it: it has also sought arrangements with insurgent forces, both at the local level and at the leadership level, to ensure that there are no major attacks on its facilities.

More importantly, China is now undoubtedly doing some genuine diplomatic heavy-lifting on Afghanistan, with the potential to have a more consequential security impact than any other conceivable role that it might take on. It is unclear that a Chinese security presence in Afghanistan, for instance, would be particularly helpful at present. Neither would overly visible US-China cooperation: both sides' interests are better served by ensuring coordinated, complementary positions on issues of mutual importance.

In the long term it is entirely possible that Afghanistan will be enveloped into the broader pattern of strategic competition that has emerged between China and the United States across much of Asia. But the picture to China's west does look different in important ways from the picture to the east, given the premium that both sides place on stabilizing this region, and Beijing's growing concern about the domestic implications of rising militancy. In the short-to-medium term at least, despite some continued differences, China's enlarged role appears to be largely constructive when it comes to US security interests in the region. We have been here before: in the 1980s, the anti-Soviet campaign in Afghanistan was probably the two sides' closest area of security cooperation in a third area. This appears to be another period in which shared views on a common threat is producing an unusual level of alignment.

### PANEL III QUESTION AND ANSWER

HEARING CO-CHAIR TOBIN: Thank you all.

Now, we have a good number of questions to air. Commissioner Fiedler.

COMMISSIONER FIEDLER: Thank you.

I have a number of things. I want to make a comment first. It's a general comment. We talk about terrorism. Do you all think terrorism is a tactic like I'll use a baseball bat on you or I'll blow you up, your civilians up? It's a tactic; right? It's a tactic, tends to be a tactic of powerless people. Right?

So how does a Uyghur fight back? How does a Palestinian fight back? How do--you know. How do the Jews fight back against the Brits? So it's a tactic.

It always makes me uncomfortable to just talk about terrorism as opposed--that we're only worried about the tactic, not the underlying grievance that drives things. You talked, Mr. Clarke, about the low level of Chinese troops in Xinjiang, which means basically to me that they don't view any immediate or imminent threats.

But don't you have a whole lot of public, People's Armed Police there? Isn't the Production and Construction Corps essentially an armed force as well and has been historically?

DR. CLARKE: Sure. Just I suppose two points there. On the first issue about the number of actual PLA troops, that is correct, that it seems to be quite a low number, but that's backed up by a large public security personnel presence.

On the Bingtuan or--

COMMISSIONER FIEDLER: Bingtuan; right.

DR. CLARKE: --the Production and Construction Corps, historically, a military agricultural colony in a sense, various units reclaiming land for agriculture and so forth. That was its key role after 1949, sort of 1949 through to the early 1960s. After that time, the function has changed somewhat. It had absorbed large numbers of Han Chinese into the region, demobilized PLA soldiers, and so forth. This was a key means of establishing physical control of the region.

After Deng Xiaoping's reforms, the "reform and opening" and so forth, you see sort of the Bingtuan branching off into different functions. So a major part of the Bingtuan unit's role now is economic. They run some key elements of industry. For example, they run border trading companies, et cetera. This is a way of controlling those openings to Central Asia as well.

In terms of the public security presence and front, again, I suppose it's a recognition that the Chinese don't feel any conventional threat from Central Asia. However, they do feel an acute sense of nontraditional security threats from Central Asia into Xinjiang.

COMMISSIONER FIEDLER: As a pathway in?

DR. CLARKE: Yeah, yeah.

COMMISSIONER FIEDLER: And we've seen reports of Uyghur participation in Syria and other places. Does anybody have any sort of harder numbers? Anybody in the intelligence community talking to you?

[Laughter.]

DR. CLARKE: Well, not from my particular perspective. I mean the Chinese officially have claimed--China's envoy to the Middle East claimed that there was 200 to 300 Chinese nationals. He didn't specify Uyghurs, but he suggested the majority were what they termed East Turkistan elements, which is code for essentially Uyghur extremists.

However, there's very little proof other than that. There is a few grainy pieces of footage

of individuals supposedly fighting for ISIS captured by Iraqi forces. Yet, physiologically that person appears to be Han Chinese and not Uyghur.

COMMISSIONER FIEDLER: Yeah.

DR. CLARKE: So that sort of raises a different set of questions. This all leads back to a point that I raised in my written testimony, is that we need to take Chinese claims here with a very large grain of salt.

COMMISSIONER FIEDLER: Salt dose.

DR. CLARKE: Because it has a clear political agenda here which again feeds back into this idea that I talked about briefly in my oral statement, this developmentalist agenda, which is really about, in a sense, one scholar who is a colleague of mine has termed the Chinese state as the "steamroller state" in Xinjiang. Essentially, if you don't get on board the developmentalist bandwagon, if you will, you'll simply be steamrolled in a variety of ways.

Where the terrorism issue feeds into this is that if you're a Uyghur and you engage in forms of opposition against the Chinese state--

COMMISSIONER FIEDLER: You're a terrorist.

DR. CLARKE: --you're a terrorist, but you're also against modernity. You're against development.

COMMISSIONER FIEDLER: You're a terror--I mean there doesn't appear to be a lot of international cooperation if "Uyghur extremists," quote-unquote, are stabbing people instead of shooting them. That tells me that AK-47s are not going across the border from Kazakhstan or Uzbekistan or somewhere to foment greater damage by sympathetic people.

Let me ask--let me change the subject slightly. Just a quick question. We heard testimony this morning that the Silk Road project and the railroads and the pipelines, alternative sources of oil are because of sea lane concerns, security concerns. How secure are pipelines from attack?

Let me see--thousands of kilometers of desolation, not very deep. Somebody could spend all day digging it up and blowing it up, and it would take you a long time to get there to fix it. You could turn it off. You have sensors in these things. But it doesn't seem too safe to me I mean as a security. And the production value of it and the percentage of oil or gas coming in, except for the gas from Turkmenistan, is minimal. What? Three percent, four percent? Am I wrong in this analysis?

DR. SWANSTROM: Chinese imports?

COMMISSIONER FIEDLER: Yeah.

DR. SWANSTROM: Four percent.

COMMISSIONER FIEDLER: Yeah.

DR. SWANSTROM: It's going to be a bit more, but--

COMMISSIONER FIEDLER: It will be more than--

DR. SWANSTROM: It will be more when a new contract--four percent.

COMMISSIONER FIEDLER: It's a minor--it strikes me as a minor hedging strategy for a large appetite country for resources and not much--and not a very dependable one, I think, in terms if conflict ever happened by the same people who would interrupt your sea lanes could pretty much deal with your pipeline; right? So am I wrong about that?

DR. SWANSTROM: No, I mean I think you're perfectly right, and I think the problem is even worse because, as we talked about before, Central Asia is not a primary target. It's Middle East.

COMMISSIONER FIEDLER: Uh-huh.

DR. SWANSTROM: Which, well, that's not a safe region either, and this is also why the Chinese focus so much on stabilizing governments and creating stable governments who can then assist in protecting this and all that, and it's--you're hitting the nail here. It's going to be extremely difficult. It's going to cost a lot of resources, and then it's a question, who protects them?

Will the PLA protect them? Absolutely not. I don't think we're going to see Chinese boots on the ground in the region because they know what it's going to cost.

COMMISSIONER FIEDLER: Well, it's too long a distance anyway.

DR. SWANSTROM: Yeah. No, so the question, how do you protect it?

DR. CLARKE: Just a sort of addendum just to your point there about whether the PLA could engage in those kind of operations, there is a draft law, anti-terror law, before the National People's Congress which will provide a legal basis for Chinese security forces to engage in counterterror operations beyond China's borders.

So if that passes the NPC, which in all likelihood it will, that creates I think an interesting dilemma for China's diplomacy in Central Asia given the emphasis on this norm of noninterference and so forth because it combines China's anxieties and concerns with Uyghur separatism/terrorism with a lot of negative perceptions in Central Asia about what are the ultimate ends of Chinese power and influence in the region. So I think it's a very unprecedented development which carries a series of larger implications.

COMMISSIONER FIEDLER: Yes, I understand.

MR. SMALL: Just to add very briefly to that, I mean the Chinese deployment of a battalion in South Sudan for the U.N. peacekeeping force, I mean I think the initial discussions for that were essentially that they would be protecting Chinese oil interests there, and it's rebadged since. I mean this was obviously not going to go down very well in public, but I mean the first deployment of or the second deployment of combat troops overseas was kind of framed through the ambit of securing some of these interests.

I mean the one other thing I would still say is I think China would still see as a sort of complicating process if you have attacks on pipelines in Russia, pipelines in Central Asia, pipelines from Iran through Pakistan and things like that--

COMMISSIONER FIEDLER: It's harder for the opponents--

MR. SMALL: --versus a blockade scenario.

COMMISSIONER FIEDLER: Yeah.

MR. SMALL: It's still--there are still some advantages.

COMMISSIONER FIEDLER: I agree. Thank you.

HEARING CO-CHAIR TOBIN: Commissioner Wessel.

COMMISSIONER WESSEL: Thank you for being here, and this has been a fascinating day. Thank you to the chair and vice chair and our staff.

The debate about China last year and part of this year has been the question of the pivot. I guess it's probably a little longer than that.

Mr. Swanstrom, you said that in part China's interests in the region are to break the U.S. encirclement. I believe that was your comment. So how would China view U.S. activism, greater activism, in the area? We heard earlier today that there are a lot of reasons for us to show interest, not only from our basic interests in sovereignty, et cetera, but also broader regional and geopolitical interests.

So if we do get more engaged, doesn't China view that as a provocative act, and for each of the witnesses, please?

DR. SWANSTROM: Well, it's true. I mean there's a perception of encirclement, or containment, if you want, but actually I think in Central Asia, it's the region where cooperation would be much more welcome, especially--

COMMISSIONER WESSEL: By the Chinese?

DR. SWANSTROM: By the Chinese.

COMMISSIONER WESSEL: Okay.

DR. SWANSTROM: The reason is it's not the priority region for the United States. It's not a region where the Chinese would feel threatened. Also it's a region where the Chinese lack expertise, knowledge. They have to learn from others how to deal with the security issues. So from my perspective, I think this would be an opportunity for collaboration, and to be very honest, this is actually I'll call it a testimony for Chinese military cooperation. Whatever they do in this region will then be able to translate into maybe military cooperation with other states.

So I would not--I mean of course it depends on how United States goes about it. If the United States go about it and say, well, you have to accept our values and principles and everything, the Chinese will feel threatened, but if we cut it down to what we can agree on, that we need to stabilize states, we need to protect their sovereignty, we need to create alternative economies, we need to tie them to the southern route, and to the Silk Road Belt, whatever, I see very little the Chinese would disagree with.

COMMISSIONER WESSEL: And I believe it was you who had talked about the lack of a uniform view among Chinese of various interests. When you're using your descriptions you just made, do you believe that has greater uniformity, greater salience across the various interests, or can you differentiate if there is any differentiation between the parties and how they may view it?

DR. SWANSTROM: Well, I mean, first of all, I think this is fairly normal that you have local interests. Take California as an example. It's one of the biggest economies in the world in itself. So that is not a problem. The problem is really when we think it's monolithic.

The problem we have, starting from the bottom, is organized crime. We talk about organized crime coming into China, but it's also coming out of China transported into Kyrgyzstan and Tajikistan up to Afghanistan. And, unfortunately, weapons are quite readily available, which actually indicates to me that if you put six people in a car and crash it, that's a very, very inefficient way of having terrorist actions.

But, so there are these issues. Then, of course, the private businesses. I think we have to realize that this is not necessarily in alignment with what Beijing wants always.

And then when they come to Urumqi and all this, since 80 percent of the trade is dependent on Central Asia, they will be ready to protect that trade to any price where as the central government in Beijing would have a more geopolitical and long-term strategy. So I would say the closest ally we potentially have is Beijing, but I think we also need to acknowledge that local interests need to be looked at and worked with, and I think in general principles. Then, of course, you have more detailed individuals and everything.

COMMISSIONER WESSEL: Do the other witnesses have any differential views on whether it's a provocative act or not? Mr. Small, you--

MR. SMALL: Sure. I mean I'll give an illustration from Afghanistan as to how it's quite context specific. Afghan officials used to go to Beijing, and the PLA would kind of pull out these maps and point to these locations of U.S. bases and ask how long they were going to be for, therefore, and this sort of thing. That was how a lot of these meetings were conducted for a long period of time, and that paranoia is clearly still there on China's part, and it's a paranoia that's

there in a way that transcends the actual utility of any of these bases vis-a-vis a contingency to actually involve China.

In practice, some of these would be vulnerabilities for the U.S. rather than assets. So it's a paranoia that is simply about this kind of conception of encirclement and some of these questions, but there has really been a big shift on that. I mean the Chinese encouraged Karzai to sign the bilateral security agreement, to take one of the most obvious examples about future U.S. role in the region.

And I think there is in the context of what's going on Afghanistan, I think there has been a shift in the balance of views that is, well, actually the U.S. doesn't really have the intention of being here over the long-term, and it may be useful in the short to medium-term that the U.S. plays a continued role in helping stabilize things rather than leaving us to deal with the repercussions.

COMMISSIONER WESSEL: Okay.

DR. CLARKE: Yes. I suppose I have a slightly different perspective to those just expressed here on the panel. I would suggest that China would and does feel threatened by renewed U.S. initiatives in Central Asia such as developing the southern corridor and so forth, the New Silk Road initiative, or however it's rebadged.

And this is for the very simple reason that it's connected not only to China's global interests, sort of this global ring of threats, i.e., its geopolitical strategic competition with the United States, sort of the encirclement issue, but also to its approach in Central Asia, but ultimately it derives from its integration of Xinjiang.

That particular anxiety feeds into China's perceptions of the interests and activities of other key actors in the region. So take the United States, for example. When Secretary Clinton announced the New Silk Road initiative and so forth, there were a number of op-eds and think tank pieces in China which specifically targeted that for widespread criticism, and it was on two major grounds.

One was the wider geopolitical game, i.e., this was about containing China again, also breaking the east-west linkages being developed by China and also by Russia and competing with the southern corridor. But ultimately this is all brought back to Xinjiang because, for China, as I sort of mentioned briefly in my oral testimony, the integration of Xinjiang is not just being done for the sake of it. That is perceived to contribute a number of things.

First, it contributes to ethnic and social stability, which is a key theme, particularly under Xi Jinping's leadership, but also before that under Hu Jintao.

Second issue, it's also perceived to be necessary for China to generate appropriate benefits from its foreign policy in Central Asia, i.e., continue to develop these transit corridors, infrastructure links, access to different sources of oil and natural gas.

For China, the issue of diversification of energy sources, I mean we talk about whether, in fact, it's economical for China to build these massive pipeline projects into Central Asia. The problem with that analysis again is it doesn't recognize the strategic intent behind this. This is symbolic of the importance that the leadership attaches to retaining Xinjiang, not only retaining it but making it a quintessentially Chinese province rather than this transition zone, this "Eurasian crossroads," as James Millward characterized it.

COMMISSIONER WESSEL: Thank you.

HEARING CO-CHAIR TOBIN: Commissioner Slane.

COMMISSIONER SLANE: This morning we heard a lot of testimony about the Silk Road and China's need for energy and oil and gas, et cetera, and I'm just wondering, it seems to

me what's driving their investment even more than energy is their national security and trying to control terrorists, and by having control over these five countries, they can protect their western provinces. And I also was surprised at the muted response of Russia, and I'm just wondering whether the Chinese said to the Russians really what we're doing here is trying to exert national security.

Any thoughts on this? I mean am I off base here?

DR. CLARKE: In terms of Russia's muted response to the Silk Road Economic Belt initiative or?

COMMISSIONER SLANE: Yes.

DR. CLARKE: I think on one level, I think there's recognition by the Russians that in some ways that initiative runs counter to some of the initiatives developed by Putin, most particularly the Eurasian Economic Union, but also the CSTO and so forth, which is all about I suppose a different form of integration within the so-called post-Soviet space.

China's approach I think is much broader, and this is encapsulated by Chinese rhetoric about not only the "One Belt" but also the "One Road," the Maritime Silk Road, about linking up these particular trade corridors and so forth.

Again, this links back to China's sort of grander objectives about combatting this perceived encirclement by the United States. But in terms of whether or not the Chinese have suggested that this is about, in a sense, counterterrorism or a preventative kind of form of national security policymaking, I think that is a valid point because again this goes back to this developmentalist agenda in Xinjiang for the Chinese, and this was reinforced by Xi Jinping in 2013 and last year as well in a number of talks he gave in Urumqi, was that economic development is still seen as the key, what they call the "key link" in resolving China's ethnic minority questions, which is again code for combatting Uyghur separatism and terrorism in Xinjiang.

So, again, this is all in a sense linked back to this core issue. Silk Road Economic Belt, yes, it contributes to China's regional goals in Central Asia. It contributes to the global goal, but ultimately it contributes--it's seen as a key part of solidifying China's control in Xinjiang.

DR. SWANSTROM: Just to add, I mean it's been very clear from the beginning that China would outperform Russia when it comes to goods, trading goods and all that. It was mentioned this morning also that China outcompetes local business, which is true, but if you've been in the region before independence, you realize it's the Russian merchandise that has been primarily outcompeted, and now they're outcompeting local.

And sort of the Russian sort of pivot back to the region is partly economy, but I don't think they have so much a solution how they're going to deal with that, but it's more on the security side that China--and China is trying to convince the Russians that it's not a threat to Russia in security terms. And I think that's also the visible thing we see. So when we deal with trade and business, the Russians are willing to let China take over the steering wheel but not so far when it comes to security matters. That will be the big tense issue between China-Russia.

But there will come a day, I think, where the Russian security, well, that China will provide as much security as Russia, but they don't do that. When we look at Kyrgyzstan, the Russians were willing to come in and assist the government in its--during the color revolutions. China was not. China was not interested in providing military assistance or security. So that's a huge difference.

MR. SMALL: Just to add a couple of points. I think, first of all, I would agree that this whole initiative is as much a sort of broader stabilization of China's western periphery and things

initiative than just an economic and commercial one, but I think from the Russian perspective, firstly, I think China has done quite a careful job in negotiating exactly this question of how do these--China is going to have an expanding economic role. Can it navigate these things with the Russians in a way that they're not entirely happy with but sufficiently comfortable with that they don't create too many problems?

And, of course, at the moment, as well, given what's going on on the China-Russian side, clearly there are more infrastructure connections, including on some of these projects that will go through Russia directly, and the bilateral pipeline deals are, of course, moving ahead with the Russians as well. So I think the sense is that they will at a time where obviously things are not, things are as dicey as they are in the Russian economy, that they will also be beneficiaries of this kind of broader initiative on China's part, too.

So I think the level of sensitivity, even by comparison with a few years ago, on these issues is in one sense a little bit less, and some of the big deals, like the Turkmenistan pipeline deal, for instance, where the Chinese would say to the Russians, well, we would have liked to do this with you if you'd been willing to move ahead with these things. Now, of course, the Russians have been willing to move ahead with these things.

HEARING CO-CHAIR TOBIN: Thank you.

I have a number of questions here, and let me start with Mr. Clarke. What I'll do is roll through the questions and then hear from you all. You've spoken very clearly about China's wish to integrate Xinjiang into its culture and its efforts and the expense it has put into controls.

My question is about that, everything that they're doing seems to be going against the possibility of integrating the minority population there. They're interested purely in control. So how is it possibly going to be successful?

Mr. Small, if China is able to deliver diplomatically in Afghanistan, can you imagine the future --what would be the next steps in terms of China understanding what it can do and what might it want to do?

And for all of you, if you could succinctly give us a sense, since we are mandated to provide Congress with specific recommendations, could you share your one or two thoughts on security. What should be done by the United States to encourage greater security and to work with China to foster great security? Several of you have spoken about it being an opportunity for the U.S. to work well with, to "dance" well with China?

So, Mr. Clarke.

DR. CLARKE: Sure.

HEARING CO-CHAIR TOBIN: Am I missing something?

DR. CLARKE: No, no. I was just jotting down all your points there. In terms of integration, this has been essentially the core struggle for China, control versus integration. And as you probably gleaned from my comments on coming down on the side of saying, well, essentially this is about control, not integration, and you can see this also at the elite level amongst policymakers within China and think tanks. There is an elite debate about ethnic policy, so-called "minzu policy."

And one prominent professor here, Ma Rong, has essentially argued for what he terms a "de-ethnicization" of ethnic minority policy, take the ethnic out of the policy.

HEARING CO-CHAIR TOBIN: Yes, yes.

COMMISSIONER BARTHOLOMEW: Out of the policy or the people?

[Laughter.]

DR. CLARKE: Out of the policy, but this has a key effect on the people. Frederick Starr

noted earlier in the day that there have been affirmative action policies and so forth. This has been based on I suppose an old understanding of ethnic minority policy amongst the elite, and this is the sort of traditional Marxist-Leninist theoretical perspective on national, regional autonomy which I won't go into.

Essentially this was about imbedding ethnic identities within the governing body so you have the Uyghur Autonomous Region, but within the region you have various subunits of, quote-unquote, "autonomy" with the particular dominant ethnic groups in various locales being the titular holder of autonomy.

What Ma Rong is talking about is essentially getting rid of this whole system. He's suggesting in a sense that China has gone wrong in the past through its traditional ethnic policy by politicizing ethnic identity, and this is what he terms it. So he suggests by identifying Uyghurs and targeting specific affirmative action policies and so forth of this particular population, that this has actually worked against social stability and ethnic harmony.

So he's suggesting China should focus on rather individual rights over so-called group rights. What this means, in effect, is that you do away with these affirmative action type policies. He's got a particular memorable phrase from a publication where he essentially says economic development or underdevelopment is a key issue throughout China, not just in ethnic minority regions. We should target our funding and investment wherever underdevelopment is. Essentially means there should be no more preferential treatment for ethnic minorities. Again, this feeds back into this developmentalist agenda.

HEARING CO-CHAIR TOBIN: Is he getting support or building it?

DR. CLARKE: Yes. I mean I think you can see the effect of this in some recent statements, particularly under Xi Jinping. I mean after the Urumqi, a couple of the Urumqi suicide bombings in May last year, his key sort of take-home besides the usual rhetoric about a war to exterminate the extremists and so forth was that development was the key, but it should be for all of the regions' 15 harmonious ethnic groups, essentially not privileging the Uyghur over any of the others.

So I suppose that's a long-winded way of suggesting that China believes that it can in a sense win this particular struggle by doubling down on these established patterns of authority and investment and control in Xinjiang.

So in terms of what the United States can do, we've heard through this panel and previously there are areas of cooperation for China and the United States, and counterterrorism is one that obviously springs to mind. At the same time, however, I think cooperation on that front will be very difficult because China does feel threatened here, not only by sort of the nontraditional security threats emanating from Central Asia and Afghanistan, but also the level of engagement that it's willing to take with the United States in these regions.

We have to recall here that it perceives the United States as one of these, quote-unquote, "hostile external forces" that is backing Uyghur separatists and extremists, either implicitly or explicitly.

HEARING CO-CHAIR TOBIN: So you're saying that it could be, but it wouldn't be because they--

DR. CLARKE: I think it would be very difficult because, again, these anxieties about Xinjiang feed into China's perceptions of other actors in the region.

HEARING CO-CHAIR TOBIN: Okay. Mr. Small.

MR. SMALL: Sure. On the Afghanistan question, if China delivers diplomatically, what could then be expected of it? I think, first of all, any, any deal with the Taliban is going to be

extremely tentative and vulnerable, and there will be all sorts of actors that are then looking to unravel it. This is already getting sort of a fair way down the line in terms of this actually happening, which will still be very difficult.

I think China's role, one, is being able to provide some level of economic benefits in the aftermath, a kind of peace dividend of sorts. China is one of the only external actors that could really come in to move ahead with these infrastructure projects and mine projects and things that would deliver some level of local benefits and also provide some level of central government revenue, which is, of course, very difficult for the Afghan government beyond external aid support.

And so I think China would potentially play an important role in that, and the other one is on the Pakistan front. It's kind of how do you keep Pakistan honest on any deal that they might provisionally agree to deliver, and China's leaning on Pakistan is one of the only ways that they've even got so far down the line as they have, and I think if there were to be a deal, there would be all sorts of actors there, including in the Pakistani security establishment, that would look for opportunities to unravel the whole thing again.

And so China maintaining a level of focus and pressure and continuing to stress that its interests are not going to be served, and it will consider it a problem in the relationship if Pakistan does unravel it, I think would be one of the only conditions of any of these things succeeding.

On the kind of bilateral security cooperation, I mean all of this--this is way down the line stuff, I think. I mean China is--also the economic incentives. Some of it is holding the economic incentives for the different actors in a sense hostage to this political process, that Pakistan doesn't gain the large sums of money that are being promised unless it moves ahead with this initiative.

The sort of financial squeeze is placed on the Taliban on the Pakistani side, and that there are some financial incentives for them basically if they move ahead with the deal, which I think is what China has also effectively promised, too.

On the security side, again, the Pakistan piece and expecting, encouraging China to play this role on that front and broadly it's going to be quite important.

The one piece that I think is moving forward and could move further forward, again, in the event of some sort of a deal, China is already looking at providing security equipment and things like that, at least on the sort of less sensitive side in Afghanistan. I think that could be potentially ramped up quite significantly in the event that it became less politically sensitive that they were doing it, and that's something that would have to be coordinated between the U.S. and China in terms of which equipment is actually of use to the Afghans.

On the counterterrorism front, I think there is this kind of--it does continue to be important to stress that China's interests will continue. I mean there are forms of counterterrorism cooperation with China that could take place on information and intelligence sharing and things like that that are absolutely impossible as long as China continues to blur the line between legitimate political activity and terrorist activity. I think it's important at the moment to stress I mean because there clearly are also kind of bona fide problematic terrorist actors, and China is impaired in its capacity to deal with that strand--

HEARING CO-CHAIR TOBIN: Right.

MR. SMALL: --as long as it continues to blur these lines.

HEARING CO-CHAIR TOBIN: Thank you.

And, briefly, Dr. Swanstrom.

DR. SWANSTROM: Yes. Just actually to reinforce what Andrew just said, that I don't

think the Chinese have a problem working with anyone on counterterrorism. I think United States and Europe will have that for exactly the same reason. So I think whatever we do has to be done with a realistic view. We have to figure out what can we really accomplish, and for me it comes back to--and I'm very pessimistic about, especially about Kyrgyzstan and Tajikistan and the stability. It's about national sovereignty, creating a multivectoral foreign policy, creating alternatives, about creating national institutions who can deal with these issues because we don't have that.

I mean in some parts of Central Asia, organized crime provides public goods because the government fails to deliver. And it's about creating an economic sustainability, and that's why I think the Silk Roads--all different Silk Roads alternative, the southern route, is fundamental, but I think to do this, we need to go back to the basics. We need to figure out how can we create a sustainable Central Asia, and it then comes back to this very basic point.

HEARING CO-CHAIR TOBIN: If you find over the course of the next month or two that you continue to have specific thoughts, I hope you'll stay in touch with our staff on that.

Commissioner Bartholomew.

COMMISSIONER BARTHOLOMEW: Thanks very much, and, gentlemen, thank you. It's all very interesting.

I have two, I think they're separate questions depending on the answer to the first one. Dr. Swanstrom, you have several times mentioned organized crime. You're talking about Central Asian-based organized crime, or are you talking about the triad participation in organized crime activities in Central Asia?

DR. SWANSTROM: Central Asian based.

COMMISSIONER BARTHOLOMEW: Okay. All right. Then that does simplify things. I was just wondering if the triads are doing any activities that might be providing weapons to terrorist groups? For example, if Beijing has enough control over them that they could prevent that from happening? But it's a separate set of questions.

So I'm going to move on to my second round, which is it's a darker scenario, and we've spent a lot of time today talking about great power issues, but apparently there was a U.N. report yesterday that ISIS is establishing a foothold in Afghanistan, possibly with attempts to displace the Taliban, and I'm just wondering in the ISIS view of the world, do the Central Asian countries fall under what they would consider the caliphate that they are trying to establish?

So, Andrew, for all of you, but I know it's a sticky wicket we're talking about here, but what happens? What happens if they get the foothold that they are talking about? What happens in Afghanistan? What happens in Pakistan and does China ultimately rue the day that the United States is not present with bases in the region? I mean will the Chinese engage? Will they actually send troops to fight if ISIS gains a foothold?

MR. SMALL: A partial answer to that. First of all, I mean the big difference between ISIS and say even Al-Qaeda in the past, which technically treated China in quite a sort of kid gloves way, ISIS has kind of put China, well, Xinjiang on the map and has specific sort of sections devoted to Xinjiang and the Uyghur issue in its literature, and I think there are also, whatever the numbers are, there have been Uyghur fighters. Of course, the proximity to Turkey makes it somewhat easier in terms of flows for people to go into Syria.

And so I think China does see in ISIS to a certain extent, I suppose, that it sees with Pakistani Taliban, a threat of a different order that it can't manage in the same way. I think it would still be extremely resistant and careful about putting troops into these sorts of situations.

I think it's still--the aversion to that and ending up becoming kind of a target for other

groups as well if it did take on a military role in this sort of part of the world is quite deep-rooted. So I think it will still be--it will still be largely averse to doing. I think it will still try to work through other actors in dealing with these things wherever possible. Pakistanis, particularly in this part of the world, would be probably its closest security partners, and it would rely very heavily on them in this part of the world.

It's really deepening its intelligence ties with the current Afghan government as well. I mean I think it is preparing for a number of problematic contingencies in the region, whether it's a kind of ISIS type thing or other bad scenarios there, and so that it has people in different intelligence services, different factions, who will work with it to deal with its main concerns, and whatever happens, and even if it has to deal with a whole series of groups fighting each other, those groups will at least still have and sort of treat China in relatively friendly terms.

DR. SWANSTROM: Well, I agree. I mean I think this has been actually a failure from both China and the West because Central Asia has normally traditionally since Islam came had a very liberal form of Islam, which means very moderate, and we have over time failed to encourage that and to--we welcomed in a much more extreme form of Islam. But even so, I mean Hezbollah here, which is, we all, they all agree in Central Asia, that's a terrorist organization, is arguably still much more soft in its approach than this.

So for me, it's mind-boggling that we sort of treated everyone as one single faith, but as in Christianity, they all come in different forms. Actually when you say the triads and they, of course, they have connections. I mean they're business entrepreneurs so, of course, the triads work with the Central Asian organized crime and the Russian organized crimes as well as the Burmese organized crime, et cetera. So the connection is, of course, absolutely there.

I don't know where the actual transit point is, but somewhere along the line in Xinjiang or whatever, triads would take over the merchandising and pass it on south. So, of course, the connection is absolutely there.

COMMISSIONER BARTHOLOMEW: Dr. Clarke, anything to add?

DR. CLARKE: Sure. I mean I would agree with Andrew's points about ISIS in Afghanistan and just wanted to add a point to Niklas' comments just then, in particular this issue of transit points, if possible, between Afghanistan, Xinjiang and so forth in relation to Uyghur terrorism.

The bigger issue for China again is conceptualizing this as non-traditional security threats. So this is not just about terrorism. It's also about related issues of drugs, weapons trafficking and so forth. An emerging issue here is trafficking in people. There's been reports over the last couple of years by the U.N. and so forth about large numbers of Uyghurs transiting out of Xinjiang into Afghanistan or Pakistan and then transit into Malaysia, Southeast Asia, and then onward to Europe, to Turkey perhaps.

The reason why that this is of particular concern would be connection to organized crime because there is some evidence, for example, there's around 200 Uyghurs who were detained in Thailand on the Thai-Burma border who had been smuggled rather circuitously through parts of Burma as well and into Thailand.

The key issue was organized crime and the relationship between forged documentation, passports, et cetera. So that is a huge concern for the Chinese public security effort in Xinjiang, I think. I mean connected to that, a few months ago, the Chinese reported of detaining and arresting I think ten Turkish nationals traveling on fake passports within China, had been into Xinjiang as well.

It's a huge issue given its concerns about these transnational linkages to global Islamists,

for example. So perhaps that is, that would be one key issue of regional cooperation, not just involving the U.S. but also Southeast Asia as well.

DR. SWANSTROM: May I just--look at a map there. The problem is not so much about Afghanistan to Xinjiang because the transit through Afghanistan into China is very difficult. It's one path. It's closed most of the year. So anything that has to do with Afghanistan automatically becomes a regional issue because you have the transit from Afghanistan either into Tajikistan or Kyrgyzstan into China or to Pakistan.

So the organized crime we see in Afghanistan automatically spills over into other countries, and that's why I think it's so important to look at Afghanistan as a part of Central Asia, greater Central Asia, because any solution to that region has to be seen in a broader regional context, and therefore, for example, the southern route would be a possibility and a challenge because if we actually improve trade linkages, we also improve smuggling of goods, weapons, narcotics, whatever you want.

COMMISSIONER BARTHOLOMEW: Can I just--Andrew, I just want to make sure that I understand what you're saying. So we've got the issues of organized crime which connect into the rest of this, but should ISIS gain a stronghold in Afghanistan, that increases the difficulties for Pakistan. I think what I heard you say is that essentially that the Chinese are pragmatic and they'll deal with whomever there is to deal with in these countries. Is that your sense of what would happen or are there lines that they can't allow to be crossed?

MR. SMALL: I mean I think in the case of ISIS, I mean this is why I compared it a little bit to the Pakistani Taliban situation. There are groups that they have not been able to fix deals with. I think ISIS would be in that category, and you'd be in a similar category--let's say you did have some sort of an agreement with sort of recalcitrant groups that refuse to go ahead with that and went on fighting, they would be groups that would have to be dealt with in completely different terms. I think there's a number of kind of groups that will not be reconciled to some kind of payoff or whatever that China offers, and they do try to do that sort of thing.

I think in that situation the group they would work with--they wouldn't try to take--it's just that they wouldn't try to take them on directly. They'd use their channels with others, the Afghan government, the Pakistani government, other actors, to try to address the threat, and so I mean they're pragmatic about how they, whatever scenario actually transpires in Afghanistan. They have good connections in all the different camps and with all the different regional actors as well, Iran and Pakistan, and they'd look to work with them rather than putting in say troops or something directly themselves.

COMMISSIONER BARTHOLOMEW: Thanks.

HEARING CO-CHAIR TOBIN: Thank you.

Commissioner Shea.

VICE CHAIRMAN SHEA: Yes. Andrew, I know you just wrote a book on China and Pakistan so consistent with Dr. Swanstrom's concept that we need to look at the region a little bit more broadly. Let's not just include Afghanistan, but let's also include Pakistan a little bit.

You said that China relies on its all-weather friend, Pakistan, to sort of manage the security, help China manage the security situation in Afghanistan because it doesn't want to spill over into Xinjiang Province. But what about stability within Pakistan itself? From what I see, it seems maybe close to being a failed state itself. Could you just inform us a little bit about China's attitude towards Pakistan?

In your book, you say China has sort of limits to its patience--I don't know if that's the right word--with Pakistan, the intelligence service sort of saying one thing and doing something

else. So if you could just illuminate on that.

And then for the other two panelists, do you see China engaging in the political lives of the states within Central Asia in any significant way? And particularly in the two largest countries, they have leaders that have been there since the Soviet Union was dissolved, and obviously there will be a transition at some point to other leadership in those countries. So do you see the Chinese trying to play a role in that transition?

MR. SMALL: Thanks very much.

On the internal Pakistan questions, China is undoubtedly far more concerned about the internal situation there than it has ever historically been. I think they look to--the Chinese military's, some of their scenario planning for contingencies in the region, and North Korea was ranked number one, and Pakistan was ranked number two in terms of scenarios that China feared in terms of state collapse, these sorts of things, a number of different other scenarios there.

So I think it is a real worry, and I think it's also translated into a very different kind of willingness. China would never talk about Pakistan to anyone else and especially the United States, particularly through the '90s and for most of the last decade. Now it's having kind of slightly worried conversations about situations there and what might be, what might be envisaged.

What China is actually doing about it, I mean I think, firstly, and you mentioned the kind of some loss of patience with the intelligence services and the Pakistani Army on some of these things. I think that's--I think that is true. I think they have pushed the Pakistanis to conduct the operations that they did conduct in North Waziristan, and with cooperation, was clearly something where China was one of the push factors towards them doing it. I think it's the same with the Afghanistan Taliban talks thing at the moment. I mean there is a level of stress coming in from the Chinese side that the Pakistani Army has to conduct itself differently vis-a-vis some of these militancy issues in the region.

But it is its closest friend. It is its sort of only friend, and so at the same time as this kind of loss of patience, the security relationship runs extremely deep, and China wants to be able to be helpful to Pakistan, too, and India still looms large, of course, on the other side of the border and continues to underpin it.

So a lot of the economic investments that China is putting into Pakistan in this coming period are again partly a stabilization effort on their part. They are partly looking to pump this money in despite the security problems that are there and because they think, as they often do, that the economic investment really is how you bring security in, and so whether this actually succeeds or not is a whole different question, but I do think the commitment of potentially tens of billions of dollars into Pakistan in investment in the next stretch of time is partly because of their worries about where it's going as well as some of the other incentives they have there.

VICE CHAIRMAN SHEA: Thank you.

Dr. Clarke, do you have--

DR. CLARKE: Sure. So China in terms of affecting the politics of Central Asia, obviously China has attempted to do, to play that sort of role in the past, in 1990s played a key role in getting the Kazakh and Kyrgyz governments, for example, to repress a variety of Uyghur advocacy groups and so forth. So it has a track record in that sense.

In terms of the ruling regimes in the region, I think China would be most concerned about Kazakhstan and a potential leadership change there given the depth of the relationship with Kazakhstan and its importance to China.

However, at the end of the day, China is, if anything, ruthlessly pragmatic here when it

comes to regime changes. It would be willing to work with whoever was to emerge as a successor to Nazarbayev, for example, in Kazakhstan.

So as an aside to this issue of China becoming involved in the domestic politics of countries such as Kazakhstan, there has over the last few years been a push of sorts to develop I suppose China's soft power mechanisms in Central Asia. I mean Xi Jinping at Nazarbayev University announced an education fund, for example, to fund Central Asian students to go to study in Chinese universities and so forth. I think that's part of a recognition that there is a divide between elite perceptions or views about the relationship with China and some level of public angst about either economic dependency emerging between China and Central Asia or about the Uyghur issue as well.

So there's some elements in that sense so there's a recognition, I think, by China that everything is sort of not going all the time right in terms of Central Asia.

DR. SWANSTROM: So I will be--Michael has mentioned or attempted, I would say, absolutely there's--the Uyghur issue is one thing, but China has the policy, of course, supporting the government and working with the government. And in a region where separatists, extremists, and terrorists tend to spill over into opposition, there is the tendency that opposition tends to be more anti-Chinese than the government because the Chinese support the government. The Chinese support a secular government, which puts it at odds with certain groups. They keep their options very much open. They try to interact with everyone.

But this said, there are groups they have a better relationship with and there are groups they have a worse relationship with. And generally speaking, I mean Turkmenistan is one country where, of course, the Chinese have a great interest definitely influencing the government.

Kazakhstan of course was mentioned; it's one of these. Kyrgyzstan, they also are working very heavily on. And, of course, I mean I don't see this rather unique to Chinese; I see this as realpolitik.

VICE CHAIRMAN SHEA: Sure.

DR. SWANSTROM: I mean they wouldn't--but I would--the dilemma the China faces is really that it's so strongly connected to the sitting governments that if there would be a color revolution, they will end up on a losing side potentially, especially if there comes in a more religiously dominated government. So there is an interest on the Chinese side undoubtedly as well as it is, I guess, for all of us.

VICE CHAIRMAN SHEA: Thank you.

HEARING CO-CHAIR TOBIN: Commissioner Fiedler.

COMMISSIONER FIEDLER: So I've been listening pretty intently all day, and let me make a couple of comments. One, it's clearly in the interests of the Chinese for us not to withdraw as quickly from Afghanistan. On the other hand, in our interests, by doing so, we create a vacuum that only they have to fill, and they want to be a rising power, oh, experience what it is like.

[Laughter.]

COMMISSIONER FIEDLER: Including having being double-dealt by the Pakistani Intelligence Service--

[Laughter.]

COMMISSIONER FIEDLER: --on a constant basis to sort of test your patience as a rising power. Why is it in the interests of the United States to ameliorate Chinese problems there as they sort of play the edge of the envelope in the Senkakus, in the South China Sea, in the

Philippines, in U.S. interests? I don't, it seems to me in our interest to let them walk into quicksand that doesn't ordinarily exist in a desert, in a geopolitical sense.

I still haven't seen a compelling United States interest today that as we exit Afghanistan, which people might argue over time was initially compelling but not compelling in a long-term way, which is why we're getting out, that we should reengage in a meaningful way to ameliorate any potential conflict with the Chinese and Muslims and the Chinese and the Russians while they're making mischief for us in half a dozen other places.

I'm at a loss here in a realpolitik sense of why we should--now, I mean in a human sense, I'm not interested in anybody getting repressed any further in the Central Asian states by their governments. On the other hand, I have a realistic notion that we can't do a lot in the short-run to stop that, and by the way, we have a fairly ignoble history of supporting such states ourselves. So tell me where I'm missing the U.S. interests here.

I've heard a lot of people complain that the United States is ignoring Central Asia today, and I haven't heard a compelling argument why we shouldn't continue to ignore Central Asia.

HEARING CO-CHAIR TOBIN: And we want to hear your answers, but see if you can make them relatively brief.

COMMISSIONER FIEDLER: That's all right. We'll go over three o'clock.

MR. SMALL: Just on Afghanistan. I'll leave Central Asia more broadly to the others. I mean I think this is exactly what the Chinese fear, that the U.S. is withdrawing from Afghanistan--

COMMISSIONER FIEDLER: Give them what they fear.

[Laughter.]

MR. SMALL: --to upgrade its presence in East Asia, to better be placed to push ahead with the pivot. So this is very much uppermost in their minds. I mean I think the argument at the moment would only be from within this framework, that there's a particular window now on political talks that have come about partly through the pressure of U.S. withdrawal.

The new government that's in place at the moment, if one can hold this together for another year or so, and there's a chance of at least being able to fulfil a series of U.S. objectives vis-a-vis counterterrorism policy, counter-extremism policy in the region, if some of this stuff can be dealt with over the next--over the coming time period, and clearly the U.S. withdrawal has been a forcing mechanism for all of the different actors involved.

But now there's kind of a timing question about whether one would really want to have this, have Afghanistan enveloped in chaos again even though it would be to China's disadvantage. There are clearly scenarios there that would be unhelpful from the perspective of U.S. interests, too, and there does seem to be a window of opportunity at the moment on the political side.

DR. SWANSTROM: I mean for me it's influence, it's status in the region, but I mean more importantly since I see this as a regional issue, if this becomes an unstable region, it will influence Iran, it will influence other regions, Pakistan, potentially even in towards India, which is of strategic interest to the United States.

By being engaged there, we would be breaking the Russian primarily now influence over the region but also the Chinese and creating a foundation for friendly governments which could be used by the United States to have the leverage in the region, purely sort of realists.

So I would really sort of look at it from that perspective, and we gave away the region to the Soviet Union, and the region is now giving away to China, and I think that it would be in our strategic interest to balance this. Then there's the whole thing that the Central Asian states want

to balance it. That's, but that's their issue. It's not sort of our issue.

So I do see a value there from a geostrategic realpolitik point of view.

DR. CLARKE: I would tend to agree with Niklas on this one, and mainly from the perspective that ultimately I think the main or core interest of the United States in Central Asia about the level of engagement, obviously that's debatable, but I think there should be engagement, primarily for the reason to shape the--in the sense that the field of choices of other actors in the region.

So if we look at China, for example, we talk about the pivot, the Obama administration's pivot to East Asia, has this opened up a new avenue for China, the March Westward, and so forth? I think China's diplomacy has been pretty self-defeating in the last five to ten years maybe. It's alienated a lot of states in East Asia, Southeast Asia and so forth. So, in a sense, the pivot wasn't really necessary.

The perceptions of the region were already set in place by Chinese actions. In Central Asia, the field is a lot more open in that sense. So the role of the United States, as I see it, would be to be able to help shape and mold those perceptions in ways that it benefit U.S. interests.

So, again, in terms of Afghanistan, make it a much more broadly a regional, a regional issue so it's not just about NATO and the United States have left; it's now somebody else's problem. It's rather saying to the Chinese, in particular, you now have skin in the game in Central Asia, and I would argue they have a great deal of skin in the game. So it's now up to them to make a series of decisions about the level and scope of their own engagement in the security sphere in particular.

COMMISSIONER FIEDLER: Cogent arguments, gentlemen. How compelling I'm still out on. Thank you very much.

HEARING CO-CHAIR TOBIN: Thank you.

Our conversation on this topic is going to be continuing amongst ourselves and probably with you, too, over the next few months.

In closing I'd like to say thanks again to all of our witnesses today. We really appreciate the time and effort, and Vice Chairman Shea and I would like to express our gratitude to the Commission staff who helped orchestrate today's proceedings.

You could not have gotten a better set of witnesses. In particular, I'd like to thank Nargiza Salidjanova, Caitlin Campbell, Chris Fioravante and Reed Eckhold.

The Commission's next hearing on a quite different topic will occur on April 1, and it will focus on China's offensive missile forces.

VICE CHAIRMAN SHEA: A happy topic.

HEARING CO-CHAIR TOBIN: What's that? A happy topic, yes.

VICE CHAIRMAN SHEA: Happy topic.

HEARING CO-CHAIR TOBIN: Right.

[Laughter.]

COMMISSIONER FIEDLER: Any of you interested in coming back?

HEARING CO-CHAIR TOBIN: Yes--and which way they're aiming. So we adjourn for today and we hope to see you again soon. Thank you again.

[Whereupon, at 3:03 p.m., the hearing was adjourned.]