

Challenges from the East: China

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Over the past decade, Central Asia has come to be dominated by two regional powers—Russia and China. While Russia has been exerting its influence in the region since tsarist times, China first started to return in force at the turn of the new century. It seemed that China's rise would spur confrontation between the two powers as their interests lay in the same, or at least similar, sectors—particularly regarding the economy and energy security. However, this has not yet been the case.

Instead, the development in Central Asia and adjacent regions has gathered both powers around several common pursuits—reducing instability in Afghanistan, combating the incursions of Islamic radical groups as well as dealing with the Afghan narcotics trade. China and Russia also share dissatisfaction with the continuous presence of third parties in Central Asia. The American military base in Manas airport close to Bishkek has been a particular target of discontent.

Russia has been forced to acknowledge the Chinese influence in the region for several reasons. Firstly, Russia and China share many interests on the global scene, and accept each other's presence in Central Asia—unlike the presence of the U.S. or EU, which they have accepted only conditionally and temporarily. Russia is also aware of its inability to compete with growing levels of Chinese capital in the Central Asian markets, while China has not interfered significantly with traditional Russian tools of regional control—such as in the military, political and cultural spheres. Rather, China works to promote its long-run influence in these spheres, hoping to avoid confrontation with Russia.

Thus, China and Russia have so far proven able to find co-operational, rather than confrontational, approaches to the control of Central Asia. China is not openly challenging Russia's traditional spheres of influence, while Russia is un-

able to compete with Chinese influence elsewhere. Moscow also needs Chinese support—or at least to avoid Chinese opposition—in other issues of regional (e.g. Georgia 2008 and Ukraine 2014) and global character (e.g. Syria and the UN Security Council). While this has been successful on the global stage, it has been less so regionally. In the case of Georgia in particular, China tacitly opposed Russia's actions and provided cover for Central Asia's leaders to refrain from supporting Russia. In Ukraine, China has been less outspoken, but stayed clear of supporting Russia.¹ Consequently, Sino-Russian relations in Central Asia are a reflection of the two countries' general relationship—and their regional relationship is directly related to their relationship on the global scene.

At the same time, attempts to subject the region to Russian or Chinese dominance is complicated by the increasing difficulty of applying an overall regional strategy. The five former Soviet republics have drifted far from each other after the dissolution of the USSR. Currently, they have different—and even contradictory—foreign and internal policies, economic strategies, and even social structures. In addition, they demonstrate approaches to their neighbors that often shun cooperation and promote isolation, particularly in the cases of Uzbekistan and Turkmenistan. This considerably reduces their potential for regional cooperation, let alone integration. Accordingly, their approaches to Russia and China also differ considerably depending on local conditions, the actual geopolitical situation, and the level of interest from other outside players toward the region. The Chinese, and in recent times also Russian, approach has mostly been based on bilateral relations rather than an encompassing regional strategy—which further hinders regional integration.

This chapter focuses on the growing Chinese engagement in Central Asia, on both a bilateral and multilateral level, and its consequences for Russian politics in general, and for the Customs (and subsequently Eurasian) Union in particular. The recent Russian-Ukrainian crisis seriously stimulated the discussion about the future role of a Sino-Russian “condominium” in Central Asia. It seems that the stability of this axis is far from being disrupted, although more

¹ Niklas Swanström, “Georgia: The Split that Split the SCO,” *Central Asia-Caucasus Analyst*, September 3, 2008, <http://old.cacianalyst.org/?q=node/4930>; Swanström, “China's Stakes in the Ukraine Crisis,” *ISDP Policy Brief*, no. 147, March 12, 2014, <http://www.isdp.eu/images/stories/isdp-main-pdf/2014-swanstrom-chinas-stakes-in-the-ukraine-crisis.pdf>.

cautious attitudes from the Central Asian countries could push them closer to their eastern partner's embrace. Generally, this chapter argues that both countries are trying to avoid any serious clashes of interests in the region, for reasons that will be further discussed.

A Growing Chinese Presence in Central Asia

The new borders that emerged after the dissolution of the USSR have shaped Beijing's foreign policy toward Central Asia, especially as the region has strong ethnic and cultural linkages to China's westernmost province of Xinjiang. Economic growth in China has enabled large investments in Xinjiang, which was declared a priority following the victory of the Communist Party in 1949.

Central Asia was initially considered to be Russia's playground, while Chinese investments focused on Xinjiang. The Chinese approach was non-confrontational toward Russian interests, instead looking to improve diplomatic relations (the mutual recognition of all states), to gain legitimacy on the international scene after the 1989 massacres, and to resolve border issues with Russia and Central Asian states.

The Enduring Freedom operation in Afghanistan and the subsequent deployment of U.S. military bases in Central Asia (Uzbekistan and Kyrgyzstan) in and after 2001 sparked a more activist Chinese regional policy. The Central Asian states' demand for investment and capital flows without political strings attached related to their domestic governance, coupled with China's domestic demand for energy generated not least by the industrial development of Xinjiang, produced the conditions necessary for an increase in Chinese influence in the region. Other aspects that contributed to China's growing interest in the region include:

- Russia proved unable to control the region from a geopolitical point of view, allowing the deployment of Western and in particular U.S. troops.
- China faced a growing demand for energy at the same time as complications emerged regarding the supply of Middle Eastern energy exports, due to the Iraq campaign and sanctions against Iran in the early 2000s. The geographically easily accessible resources in Central Asia, although

underdeveloped, could substitute in part for a drop in energy imports from the Persian Gulf.

- While China grew and gained the means to invest abroad, Central Asian demand for investment increased, in order to replace old Soviet equipment and infrastructure. Russia and other geopolitical players were only partly able to meet these demands, and were thus unable to retain their influence.

The interconnectedness of politics, business (either state or semi-state owned) and culture in China as well as a growing ability to persuade Central Asian elites into cooperating with China had positive effects and contributed to China's success in the region. Chinese policy supported Chinese business and supplied the credit needed by the Central Asian states. Central Asian leaders desperately needed Chinese capital in order to satisfy the demands of the ruling class and their developing economies. In addition, the massive investments in Xinjiang started to bear fruit as the neighboring Central Asian states became the principal consumers of its production.² Although Central Asia has only played a marginal role in the entirety of Chinese business, it has been essential for Xinjiang's trade. Xinjiang has also served as the main channel for inland and coastal Chinese products to reach Central Asia. Meanwhile, Chinese goods flowing into the region have completely changed the Central Asian bazaars, which have traditionally relied on imports from the north.

Consequently, China has become the principal partner in trade and investment for all Central Asian states (if not the largest, it is by no means less than the second-largest trading partner). Table 1 compares the increasing role of China's trade with Central Asia to Russia's diminishing share of the same—although China alone cannot be said to have toppled Russia from its pedestal. Kyrgyzstan remains the only country with a strong Russian presence with a potential for deeper Russian involvement. Recent Russian investment projects and a prospective decrease of re-exports from China to CIS countries due to the expected admission of Kyrgyzstan into the Eurasian Union are the main reason for the increasing trade between Russia and Kyrgyzstan.

² Konstantin Syroezhkin, *Kazakhstan-Kitai: ot prigranichnoi torgovli k strategicheskomu partnerstvu*, Almaty: KISI, 2010.

Table 1. Russia and China's Share of Central Asian Countries' Total Trade (2000-2012)

		Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
		Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
2000	Russia	25.5 %	46.3 %	24.8 %	23.4 %	57.9 %	31.8 %	4.29 %	14.8 %	33.1 %	19.6 %
	China	11.3 %	3.3 %	19.1 %	25.0 %	2.56 %	3.9 %	N/A	1.38 %	N/A	2.85 %
2008	Russia	9.6 %	41.0 %	27.9 %	5.9 %	20.8 %	26.0 %	1.4 %	28.4 %	19.0 %	24.8 %
	China	12.1 %	15.0 %	3.5 %	65.7 %	2.0	48.6 %	0.4 %	28.0 %	4.72 %	15.4 %
2010	Russia	5.6 %	16.9 %	19.4 %	21.7 %	20.3 %	26.5 %	6.0 %	22.8 %	25.6 %	25.1 %
	China	24.5 %	48.7 %	10.2 %	50.0 %	5.3 %	54.3 %	38.9 %	17.7 %	21.9 %	17.8 %
2012	Russia	10.0 %	31.8 %	15.5 %	17.9 %	4.4 %	16.6 %	1.5 %	13.1 %	13.4 %	21.2 %
	China	21.2 %	26.8 %	7.4 %	56.5 %	9.6 %	43.2 %	66.5 %	20.2 %	19.2 %	16.8 %

Data Sources: EU Commission Trade Statistics, Observatory of Economic Complexity

With the launch of massive infrastructural projects during the last ten years, China has also replaced Russia (and the West in the case of Kazakhstan) as the main importer of Central Asian energy reserves, particularly Kazakhstan's oil and Turkmenistan's gas. The old Soviet system of pipelines suffers from a lack of investments and Western countries are hesitant to extend their involvement in Central Asian energy infrastructure. Thus, as the China-oriented network of pipelines expands, exports are shifting eastward. For instance, while the majority of Turkmen gas flowed to Russia in 2008, more than half of Turkmenistan's exports—mainly consisting of gas—were directed to China four years later.

While Turkmen gas exports to Russia shrank rapidly, China completed a large system of pipelines from Eastern Turkmenistan. Uzbekistan also joined the scheme, while limiting domestic consumption of gas and reducing gas exports to Russia. In this context, China's increasingly dominant economic position in the region has steadily turned it into a major geopolitical player.

The September 2013 decision regarding the fourth line of the Turkmenistan-China pipeline through Tajikistan and Kyrgyzstan should stimulate and secure stability in Central Asia.³ (The TAPI pipeline from Turkmenistan through Afghanistan to Pakistan and India has a similar purpose, promoting "stability through investments.") Regional stability could be easy to achieve, as the Central Asian states are relatively peaceful in relation to one other, despite some tensions.

In sum, Chinese capital coupled with a consistent and predictable Chinese approach to the countries of Central Asia has turned China into the region's most important player. No other country—Russia included—has been willing to compete with China's flow of capital into the region.

Multilateral Co-operation between a Clumsy Eurasian Union and a Flexible SCO?

From Moscow's point of view, there are several good reasons for further Russian integration with the former Soviet republics. For instance, as documented in Stephen Blank's contribution to this volume, there is an irredentist view that the old Soviet lands should be reunited, and that integration would boost economic growth. Moreover, there is a geopolitical aspect to further integration between Russia and key Eurasian states (Kazakhstan, Ukraine and Belarus) and other states willing to integrate with Russia (Armenia, Kyrgyzstan and Tajikistan), as Russian influence is challenged on several fronts.

To the West, Russia views the European Union and NATO as threats to Russian interests as they have attracted several post-Soviet countries, such as those in the Baltics, Eastern Europe, and the South Caucasus. While Belarus is currently under Russian influence, Moscow views Ukraine as a key battlefield in the struggle to increase Russia's geopolitical sphere of influence. In this context,

³ Marat Gurt, "China Secures Larger Turkmen Gas Pipelines," *Reuters*, September 3, 2013.

Russia feels that it is expedient to use hard power to counter European or American soft power—especially as it suffers few costs as a consequence. The operation in Crimea and in the Eastern Ukraine can thus be interpreted not only as a reaction to the latest developments in Kiev, but also as Russia testing the ability of European and American soft power to challenge Russian hard power.

To the East, by contrast, Chinese soft power has already surmounted Russia's potential for hard power. Moreover, using hard power in this region is problematic and the consequences for the internal stability of the region and Russia itself are quite unpredictable. Chinese interests are much stronger and firmer than the EU's position and interests in Ukraine. Moscow has few ideological or economic tools with which to challenge China. Russia is only able to contain the growing Chinese presence in Central Asia through two key measures: first, to maintain tight political ties with Central Asian states and Kazakhstan in particular; and second, to uphold its influence in the security and military sphere. In this context, the CSTO and the Eurasian Union projects fulfill the aim of decelerating Chinese penetration into a traditionally Russian area.

However, in Central Asia, the Eurasian Union can only slow down, but not stop, the growth of Chinese influence in the region, as local states in fact consider Russia a counterbalance to their growing dependence on China.⁴ In the case of Kazakhstan, the strategy has been partially fruitful, as shown in Table 1. Kyrgyzstan is the only country in the region whose imports from China are about to decrease, especially if it joins the Eurasian Union.⁵ However, Kyrgyzstan is—from the Chinese perspective—a marginal state with few useful resources.

Regarding Russia's military influence, the real abilities of the CSTO (and the purely Russian units) to operate in Central Asia has yet to be proven. Indeed, during the 2010 crisis in southern Kyrgyzstan, the CSTO proved ineffective. As is the case with economic relations, a bilateral axis rather than multilateral integration seems more effective. Maintaining Central Asian states' reliance upon

⁴ Ardak Yesdauletova and Aitmukhanbet Yesdauletov, "The Eurasian Union: Dynamics and Difficulties of the Post-Soviet Integration," *Trames*, vol. 18 no. 1, 2014, p. 14, http://www.kirj.ee/public/trames_pdf/2014/issue_1/Trames-2014-1-3-17.pdf.

⁵ Alexey Malashenko, "Kyrgyzstan: When Change Confirms Continuity," *Carnegie.ru*, April 10, 2014, <http://carnegie.ru/eurasiaoutlook/?fa=55303>.

Russian military equipment seems to be a vital task for future security and military integration. However, Russia's efforts to strengthen the Tajik and Kyrgyz armies constitute an attempt to keep potential threats from Afghanistan inside Central Asia, and far from Russia's borders, rather than boosting the integration progress.

From a Chinese perspective, a Russian commitment to regional security keeps the area stable and paves the way for further Chinese involvement. In case of a serious crisis in Central Asia that would threaten Chinese interests, China would probably be forced to intervene in the region regardless of the CSTO or any other Russian-Central Asian military co-operation mechanism. Currently, however, China has little interest in questioning Russia's military dominance. Instead, Chinese efforts are aimed at preventing any instability through soft power measures, such as through investments in pipelines, based on the assumption that pipelines through Central Asia will force the regimes to cooperate rather than to confront each other. Thus, Russia is considered to be the military guarantor of stability, even though its ability to conduct mass operations in any Central Asian country is highly limited. As a result, Russia securitizes the area, while China focuses on business.

China has no need to create a formal institution for integration. Even the Shanghai Cooperation Organization (SCO), led by China and balanced by Russia, is, in the Chinese view, more of a platform for the development of bilateral relations in the region rather than a multilateral organ.⁶ Apart from supporting bilateral relations, Beijing believes that the SCO's most important task is the resolution of problems between China, Russia and Central Asia.⁷ Recently, China updated its own project of economic cooperation and proposed the creation of a Silk Road Economic Belt, with which to counterbalance the U.S. New Silk Road Strategy as well as the Eurasian Economic Union.⁸ It would aim to

⁶ Marlene Laruelle and Sebastien Peyrouse, *The Chinese Question in Central Asia: Domestic Order, Social Change and the Chinese Factor*, New York: Columbia University Press, 2013, pp. 27-44.

⁷ International Crisis Group, *China's Central Asia Problem*, Crisis Group Asia Report No. 244, 2013, February 2013.

⁸ Yan Xuetong, "Silk Road Economic Belt Shows China's New Strategic Direction: Promoting Integration with Its Neighbors," *21st Century Business Herald*, February 27, 2014, <http://carnegietsinghua.org/2014/02/27/silk-road-economic-belt-shows-china-s-new-strategic-direction-promoting-integration-with-its-neighbors/h4jr>. See also for a more

include the Central Asian and, prospectively, the Caucasian states, in long-term economic co-operation. However, the project is not intended to create another clumsy formalized institution such as the Eurasian Union. It is based on economic and, consequently, political and social networking or community building through flexible informal and bilateral ties favorable to China's interests.

Transport became one of the most important tools to undermine Russian positions in Central Asia. China is highly involved in building or reconstructing roads all over Central Asia resulting the reorientation of transport flow from north to the east. Tajikistan, for example, was connected internally with Chinese help and the road leading to the Tajik-Chinese border in the Pamir mountains is being improved on both sides of the border. Kazakhstan or Uzbekistan rail tracks were also improved (among others) with Chinese help and new cars, buses, trucks as well as railway engines and carriages have been replacing old Soviet or Russian equipment. Consequently, China is going to secure the maintenance service to its side for a long time ahead. Central Asia, particularly Kazakhstan, is one of the territories for a future high-speed rail bridge between China and Europe.⁹ However, we have to bear in mind that Central Asia is just one and not the exclusive direction of Chinese transport expansion. Moreover, Chinese strategy for land export corridors looks to both Central Asia and Russia as one region. It means that the development of Central Asian–Russian transport ties is in accordance with Chinese interests as well.

In general, Chinese plans in Central Asia do not formally interfere with Russia's plans for further formalized integration. China does not intend to oppose any Russian-led integration in Central Asia, if it does not challenge China's economic involvement in the region. Beijing would not welcome any deeper engagement in Central Asian intraregional affairs, as they want China's main focus to be on commerce. On the contrary, letting Russia secure stability in the region saves China a lot of trouble, and lets China work toward its economic goals. This strategy seems to be much more effective than Russia's efforts to

global context of the Chinese New Silk Belt Strategy, Justina Szudlik-Tatar, *China's New Silk Road Diplomacy*, The Polish Institute of International Affairs Policy Paper No. 34 (82), December 2013.

9 Ye. Vinokurov and A. Libman, "Dve evraziiskie integratsii," *Voprosy ekonomiki*, no. 2, 2013, pp. 59-60.

maintain its position in the region through the cumbersome Eurasian integration project with its geopolitical rhetoric.

China and Central Asia after Ukraine

Following the accession of Crimea in March 2014 and the emergence of the conflict in Eastern Ukraine, Russia continues to work toward establishing a new post-post-Soviet order. Russia's actions fully confirm its intention to reorder the former Soviet borders according to its own needs using any political, economic and military means possible. Moreover, the Russian position has tended to be intolerant toward the multi-vector policy of its Central Asian allies, based on the idea that "either you are with us and support us, or you are against us."¹⁰ Several Central Asian states are about to go along with, and submit to, Russia's strategy. The extremely cautious reactions by the Central Asian countries to Russian actions in Ukraine (especially in the countries closest or most dependent on Russia—i.e. Kazakhstan, Kyrgyzstan, and Tajikistan) shows their vulnerability to Russia, which is due to their economies being highly integrated with Russia's, and perhaps most importantly, that much of the Kyrgyz, Tajik and Uzbek labor forces depend on Russia's economic and migration policies.

However, at the same time, Russia's policy is also a double-edged sword. Migration from Kyrgyzstan, Tajikistan and Uzbekistan is Russia's main tool with which to keep these states in its orbit. Economic integration also plays a role, but it is not comparable to China's. Thus, this kind of formal integration does not harm the Chinese strategy in the region. Furthermore, for Russia to play the "ethnic card" is counterproductive as the countries with Russian communities (Kazakhstan and Kyrgyzstan) have expressed their loyalty to Russia and have a policy of maximal tolerance towards their Russian-speaking minorities, despite some debates in Kyrgyzstan and the latent nationalistic moods amongst both ethnic majorities. Meanwhile, Turkmenistan has recently drifted toward China, while the local Russian community has, thus far, been of little interest to Moscow. Uzbekistan, centrally situated, maintains a cautious approach toward both powers, but has clearly sought to distance itself from Moscow's orbit, for exam-

¹⁰ Svetlana Gomzikova, "I ne drug, i ne vrag, a tak," *Svobodnaya Pressa*, April 15, 2014, <http://svpressa.ru/politic/article/84614/>.

ple by leaving the CSTO in 2012-13 and rejecting any notion of Eurasian integration.

Thus, the crisis in Ukraine does not produce any need for Beijing to change its strategy in the region. The Russian-Chinese axis in Central Asia has led to a balance between the two countries, and created common interests vis-à-vis third parties (the U.S. in particular). The two countries have not had to directly challenge one another in the region. Moreover, the two countries have taken a common stance on the problems facing Afghanistan post-2014. However, China will be less ready to pay attention to Russian interests in the region after the events in Ukraine when it comes to defending its own interests in the region. At the same time, its stated support for the sovereignty of its neighbors in internal affairs (unless it does not harm Chinese interests) ensures that China is seen as a more secure partner than Russia, which demonstrated its will to challenge the existing sovereignty of any post-Soviet country, as the examples of Georgia and Ukraine suggest. This factor forces Central Asian elites to look on Russia more cautiously and gives substantial advantages to Beijing.¹¹

Conclusions

On the one hand, Russia emphasizes formal, clumsy, and inefficient structures. On the other, China, with its consistent strategy of flexible, non-political involvement respectful of local sovereignty, and a growing network of contacts, poses a real challenge to Russia's plans for regional integration.

Despite the fact that Russia is the politically, culturally and militarily dominant power in Central Asia, China's economic influence—which can be translated into political or geopolitical influence—will force Russia to further surrender its position in the region. Russia is able to partially slow down the process by working toward further integration and/or by playing the migration card. However, the growing nationalistic mood in Russia, the potential for economic problems following the sanctions, and formal and informal pressure from Russian authorities, could induce some Central Asian migrants to return to their homelands. However, such processes could cause social unrest in Tajikistan,

¹¹ Baktybek Beshimov and Ryskeldi Satke, "China Extends Grip in Central Asia," *Asia Times*, November 13, 2013, http://www.atimes.com/atimes/Central_Asia/CEN-01-131113.html.

Uzbekistan and/or Kyrgyzstan, with unpredictable results for both powers. Russia's economic problems may cause the countries of the Eurasian Union to once again look toward diversifying their economies, thus moving away from Russia. It is clear that Russia has lost its position as the premier partner for the Central Asian countries, although it remains an important trading partner for most states. Today, Chinese money determines most of the international relations in the area. Through its vast credit, grant, and investment policy, China is increasingly able to resolve local and regional political issues. Central Asian states, dependent on Chinese money, will become more and more willing to resolve issues with their neighbors under Chinese supervision, as China's threats of halting the flow of money carry significant weight. Russia's role in these kinds of disputes will decrease as its focus on military superiority and nationalistic harassment cannot match China's soft power. Russia will, however, work hard to keep its regional influence.

The usefulness of Russia's dominance in military and security spheres is questionable. Russia has proven unwilling to get involved militarily in regional or internal conflicts in Central Asia. In this situation the only winner (if any) of unrest could be China, since such crises would expose the hollowness of Russia's power, and Beijing would use make sure that its laboriously constructed infrastructure in the region remains stable.

China is likely to view Russia as a useful, albeit less powerful, regional player. Thud, together they are able to contain any other external power intending to establish itself in Central Asia, thus reducing the harm to Chinese and Russian interests. Secondly, Russian military supplies contribute to the strengthening of the political status quo, although the supplies could also be used for internal clashes in case of regime change (the issue is particularly important in Uzbekistan and Kazakhstan). Third, Russia's increasing investments in sectors that are not on Beijing's radar (Manas International Airport, hydropower stations, oil and gas in Tajikistan and Kyrgyzstan) enable further Chinese involvement in key energy resources. Finally, Russia is vital in containing a potential humanitarian crisis in the region through its reception of labor migrants from Uzbekistan, Tajikistan and Kyrgyzstan (Turkmenistan relies on migration to Turkey, while Kazakhstan is a net importer of labor force). Increased Russian re-

strictions on migration, or a weaker Russian economy, could plunge the above-mentioned countries into turmoil.

In sum, China focuses on Central Asia's most important exports—energy—while also marketing its own production in the region. Investments in infrastructure should support the interregional exchange of Chinese goods and, in perspective, promote the transcontinental trade through the region (with Kazakhstan as the most reliable partner). Russia has only, through its regional integration projects, been able to partially contain China's economic rise in Central Asia. Despite some competition, China and Russia are creating a regional order in which their interests are aligned. Their common goals include, above all, the maintenance of the regional status quo, as well as preventing the interference of any third parties and co-operation in potential post-2014 Afghanistan problems. They have little interest in directly impeding each other's progress in most sectors. If, for some reason, Russia would fail to take responsibility for the military and political situation in Central Asia, China would likely step in to secure its assets in the region through the exertion of soft power. However, the Central Asian states can expect support neither from Russia nor China in case of challenges to their internal security (such as Islamic radicalism or regime change) unless the particular issue has significant effects on China's or Russia's interests.