

CHINA’S GROWING ROLE IN CENTRAL ASIA AND IMPLICATIONS FOR THE UNITED STATES

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Introduction

The geostrategic location of China in Asia is somewhat challenging for the country. Geographically, it links with East Asia as well as Central and South Asia. In other words, China is an interlocking state because it is situated “in between” more than two regional settings. This complex geographical location complicates not only the political situation but also puts many hurdles in the contemporary role of China at the international front. Being an interlocking state and an emerging power it has been enhancing cooperation among the regions and connecting the regional orders of South Asia, Central Asia and East Asia. This regional engagement of China is associated with its internal peaceful situation. Hence, it is very vital for Chinese leadership to protect and maintain “harmony” in its internal affairs because internal stability is most important for its smooth economic development. In the prevailing environment the Chinese leadership is apprehensive about the threat of terrorism, extremism and separatism. In attempting to deal with it, it is focusing on promotion of friendly relations with the neighbouring countries. However, the problems of Xinjiang in Central Asia, Taiwan in

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East Asia and Tibet in South Asia are thin lines between the internal and regional stability.⁽¹⁾

In the 21st century the Central Asian region has become very pivotal for China in both geoeconomic and geopolitical terms. China is growing rapidly and requires a vast variety of energy reserves and raw materials for maintaining rapid and smooth growth of its industry and economy. Central Asia is rich in a number of natural resources which China so urgently needs.⁽²⁾

China is improving its economic and political ties with the Central Asian republics (CARs) and has become a major source of foreign investment, trade and aid in the region. It is increasing its influence in Central Asia through different projects and by providing aid which has become a form of struggle among the major powers for securing natural resources. China projects its image as a “good neighbour” for the regional countries. It has so far invested more than 10 billion dollars in the CARs.⁽³⁾ It shares borders with three of them, Tajikistan, Kyrgyzstan and Kazakhstan, through its Xinjiang-Uighur Autonomous Region which forms one-sixth of the total Chinese territory with around 19 million population. Among them 47 per cent are Uighurs, and 41 per cent Han Chinese while the rest comprise Kyrgyz, Tajiks and Uzbeks.⁽⁴⁾

For policymakers the CARs region is a serious headache due to its massive energy reserves, ethnic and interstate conflicts, big powers rivalry and the problem of religious extremism. The region has strategic significance in international arena. Chinese interests along with those of other competitors here clearly show the importance of the region. Strategic concerns for China stem from three reasons. Firstly, this region is important for China for eliminating insurgent activities in its Xinjian Region. Secondly, China views Central Asia as a theatre where the United States is seeking its encirclement. Thirdly, China considers this region vital for its domestic energy needs.

Table 1**Chinese interests in Central Asian region**

| | |
|---|--|
| Stability and Security across borders | China needs security and stability of borders because insecure borders pose many threats to its national security besides endangering its economic development. |
| Friendly relations for a "Harmonious World" | China is developing friendly relations generally with the world and particularly with neighbours. Through a "Harmonious World" China looks for peace and wants to resolve all issues through peaceful means. |
| Securing natural reserves for smooth growth | China is growing at a tremendous rate and to ensure smooth growth it looks to the Central Asian region which is endowed with enormous reserves of minerals, oil and gas. |
| Military relationship | The United States is involved militarily in Central Asia and Afghanistan. Such presence threatens Chinese interests in Central Asia. In order to secure its interests in the region China is getting involved there in soft terms. |
| Regional engagement | China's Central Asia policy is based on Five Principles of Peaceful Coexistence. Through this policy China is developing friendly relations with the governments of all Central Asian countries and supporting their rapid growth. |

Source: Author's own.

China's Central Asia policy post 1991

China's policy towards Central Asia comprises two phases. The first phase refers to Central Asia's pre-independence period and covers the years 1949-1991. These states were at the time part of the Soviet Union. In the 1980s, China allowed the regional authorities of Xinjiang to negotiate developing trade and cultural relations with Central Asia. The second phase, from 1991 to date, is based on the acceptance of CARs as independent entities by China. Following their independence China used different strategies for promoting bilateral and multilateral relations and securing its geopolitical and geoeconomic interests in the newly emerging international environment.⁽⁵⁾

The CARs that lie on the western border of China opened up new markets not only for China but also for the rest of the world. After the dissolution of the Union of Soviet Socialist Republics (USSR), Russia could not maintain its control on these states owing to its own

economic and political problems. These new states emerged as the “buffer zone” between China and Russia. Moreover, these buffer states helped reduce defence expenditures of both neighbours.⁽⁶⁾

In recent times China's policy towards CARs which is based on the following principles has attracted international attention:

- Establishment of friendly relations with the CARs, based on the Five Principles of Peaceful Coexistence.
- Enhancement of co-operation based on common interests and common prosperity.
- Respect for the will of the people of these states and non-intervention in their domestic affairs.
- Respect for the sovereignty of these states for promoting peaceful environment and stability in the region.⁽⁷⁾

China's Central Asia policy aims at securing a peaceful international environment which could contribute to promoting its economic development, and ensuring social stability and internal progress. It is hard to predict its long-run interests in the region but at present the focal point of its policies is to build and secure a peaceful environment. Besides, China wants to stop any kind of support from Central Asia to the Uighur separatist movement in Xinjiang.⁽⁸⁾ China wants Central Asia as a safe and easily accessible region which helps secure its presence in the region. Moreover, through a stable Central Asia, China can also develop its relations with the Middle East, Europe and South Asia.⁽⁹⁾ China's policy towards CARs is primarily related to its domestic stability and based on the principle of good-neighbourly relations with a view to making Xinjiang and Central Asia a hub for new raw material markets.

China believes that by improving its foreign policy in different dimensions, it would help its companies to work in a better way in CARs. Moreover, a good foreign policy would help develop all kinds of relations as well as improve its image with the neighbours. This indicates that China is a peaceful rising country and has no plans to rule the world but promote peace and stability generally in the world and particularly in the region.

Political relations

China and CARs region share a 3,300-km border as well as cultural and blood relations. In the early years, bilateral ties remained

limited. China was among the first countries recognising CARs and establishing diplomatic relations. It accepted Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan as sovereign states on 27 December 1991. In 1992, a high-level Chinese delegation visited Central Asian republics and paved the way for diplomatic relations. Many delegations from various departments of China frequently exchanged visits for promoting cooperation. The president of Uzbekistan was the first Central Asian leader paying an official visit to China in 1992. After that the presidents of Kyrgyzstan and Turkmenistan visited China in May and November 1992. In 1993, Nursultan Nazarbayev made the first visit by a Kazakh president to China. The year 1994 saw several visits by Central Asian leaders. In 1996, Jiang Zemin as president of China visited Central Asian republics.⁽¹⁰⁾ In his speeches during the visit president Jiang Zemin called for development of friendly relations between his country and the CARs. He further said China and Central Asia share common interests, so for the 21st century China is hoping for peaceful relations and common growth with Central Asian states, being a good partner, a good neighbour and a good friend forever. Both sides have common points of view on problems related to territory and sovereignty besides some other issues.

After the resolution of border disputes in 2000, all kinds of relations were enhanced to the extent that leaders of all CARs pointed out that they reserved the biggest role in economic growth and foreign policy for China. In 2006, the president of Turkmenistan visited China and signed gas supply agreements. In 2007, in his annual speech to the nation the president of Kazakhstan pointed out that he considered relations with China very vital.⁽¹¹⁾

Chinese leadership knows that political relations are the basis of all other relations. When political relations are good, all other relations would be better. Good political relations would also provide favourable environment to the Chinese companies working in the region. On the other hand, through good political relations China is dismantling any kind of political support to the Uighur separatists who are creating disturbance in the Xinjiang region.

Border and security concerns

China and Central Asian states have common security concerns. Both sides are addressing these through bilateral cooperation, multilateral agreements and defence pacts. For ensuring security of borders and stability in the region CARs are cooperating with China. As stated above, China has common borders with three Central Asian States.

Disputed borders were one of the problems between China and these states since their independence. That was creating many security problems along bordering areas. For resolution of border disputes the parties signed different agreements on different occasions.

On 10 May 2002, in Beijing, China and Kazakhstan concluded a protocol for demarcation of borders which recognized the 1740-km border line between the two. This agreement was based on previous boundary agreements concluded between the Tsarist Russia and China's Qing dynasty rulers in the 18 century.⁽¹²⁾ Another two protocols were signed for settling disputes between China and Kyrgyzstan in 1996 and 1999. According to the 1996 protocol Kyrgyzstan gave 30,000 hectares of land to China which was ratified by the Kyrgyzstan Parliament in 1998. Under the latter agreement, Kyrgyzstan gave up another 95,000 hectares. After the signing of these protocols their relations normalized and friendly ties developed. In May 2002, during the visit of Tajik president Emomali Rakhmanov to China an agreement on border protocol was signed, with Tajikistan giving 1,000 sq. km of its land to China. In reciprocation, China withdrew its claim to 28,000 sq. km of Tajik territory.⁽¹³⁾

After resolution of border disputes the next step was addressing security-related problems in the region. Uighur unrest in Xinjiang is one among many such problems. To some extent, Central Asian states too have the Uighur problem and banned all Uighur organizations in a bid to face the security threat. China and CARs signed a memorandum for fighting separatism jointly. Uighur unrest has led to the phenomenon of terrorism which is on the rise across the borders including those of Xinjiang and the strife-torn Afghanistan.⁽¹⁴⁾ China is trying to counter Uighur separatists links with al-Qaeda and other terrorist' organizations on every level.⁽¹⁵⁾

Regional security and SCO role

The Shanghai Cooperation Organisation (SCO) is a grouping comprising China, Russia and the four Central Asian republics — Kazakhstan, Tajikistan, Kyrgyzstan and Uzbekistan.⁽¹⁶⁾ Its charter was adopted in June 2002, defines its structure, purposes and principles. It lays down the objectives as economic cooperation, regional development, security and stability, and combating the “three evils” of separatism, terrorism and religious extremism. It works on new security concepts based on disarmament, reduction of forces along the borders, mutual trust and security cooperation. It is building relationship among the members on the basis of partnership instead of alliance.⁽¹⁷⁾ The SCO

is addressing problems of regional security in general and terrorism in particular between China and the Central Asian region.⁽¹⁸⁾ China and Russia are also using the SCO to counter the US influence in the region.

All SCO members are worried over the possible growth of terrorism and drug smuggling after the withdrawal of US-led NATO forces from Afghanistan in 2014. To address these emerging problems, the SCO is participating, among other things, in the reconstruction of Afghanistan which has been given observer status in the organization. At the founding Summit of the SCO in Beijing all members agreed to respond collectively to any threat to regional peace, stability and security even to the extent of intervening in the domestic affairs in the event of any armed internal conflict in any member country.⁽¹⁹⁾

China, which plays a leading role in the SCO, puts greater emphasis on economic and trade co-operation and has taken the initiative, like Russia, for setting up a regional development bank with an offer of US\$8 billion start-up capital. It is pursuing cooperation in infrastructure building, telecommunications and transportation while at the same time ensuring collective security by fighting against the “three evils”. Security cooperation among member states is a major focus of the SCO where all members need a clear approach to counter the new threats the region is facing. In accordance with the 2001 SCO Convention for joint struggle against the “three evils” all member states have conducted joint military exercises since 2003.⁽²⁰⁾ In 2002, China’s forces along with those of Kyrgyzstan first started joint military exercises which were followed up by similar exercises with Russian, British, Australian, French, Indian and Pakistani participation. Similarly, in 2005, another joint military exercise condemned “Peace Mission” was conducted under the aegis of SCO.⁽²¹⁾

China has been tackling different kinds of security threats through peaceful means and is trying to stabilize the region through economic development. China believes that with economic growth in the region local people’s lives will improve thus eliminating breeding grounds and bases for terrorism. In the aftermath of 9/11, China has stepped up its role in the region by giving loans and helping with infrastructure development.

Economic and trade relations

The expansion of China’s economic relations with Central Asian countries has led to an enhancement in its presence in the region especially in the energy sector.⁽²²⁾ After development of diplomatic

relations Chinese leadership took effective measures for development of economic and trade relations. In April 1994, while on a visit to Kazakhstan, Li Peng, Chinese prime minister at the time, announced the following principles for trade and economic relations with Central Asian states;

- Both sides will enhance their economic relations according to economic laws and on the basis of equality and commonality of interests.
- Enhance different types of collaboration.
- Move forward with full use of all available resources.
- Through constructing New Silk Road both sides will improve communication and transport systems.
- For increasing friendly relations China will provide economic assistance to the regional countries.

China signed several agreements with the CARs for enhancement of trade and economic cooperation, securing investments in the region, and cooperation in the banking and transport sectors. At the governmental level both sides formed joint working groups for economic, trade, scientific and technological cooperation. China extended a large number of soft-terms loans.⁽²³⁾

The opening years of the 21st century saw China-CARs trade grow tremendously. At the start its volume was not more than half a billion dollars. However, in 2001, when the Shanghai Five expanded and transformed into Shanghai Cooperation Organization, bilateral trade increased four times and reached around 2 billion dollars.⁽²⁴⁾ The figure hit \$27 billion in 2004.⁽²⁵⁾ China's exports to Central Asia include machinery goods and consumer products while Central Asian exports to China include textile items, raw material, ferrous, nonferrous and chemical products.

From 2004 to 2007 bilateral trade volume increased 3.7 times and reached 16 billion dollars. In 2007, China's total trade exports to the Central Asian region were calculated at 14 per cent while on the other hand Central Asian exports to China were only 0.7 per cent of their total trade. During 2007, China's trade with Kazakhstan was 12,385 million dollars, Uzbekistan 1,608 million, Kyrgyzstan 984 million, Tajikistan 84 million and Turkmenistan 377 million dollars. At the end of 2007, Central Asian exports to China were 91 per cent of its total exports which included textile items, ferrous and nonferrous metals. In the same

period, China exported 86 per cent of its manufactured goods to Central Asia.

Many markets and free economic zones are presently working for expanding trade between Central Asia and China. The Dordoi market near the Kyrgyz capital Bishkek is one of the major markets not only for Kyrgyzstan but also for other neighbours and provides incentives in the form of low taxes and reduced customs duties on all products. Everyday thousands of customers, mostly from all Central Asian states, come to Dordoi and buy truckloads of Chinese products. Another market in Kyrgyzstan with the name “Karasuu Bazaar” is among the biggest markets of Central Asia which is opened for Chinese products for all retailers and wholesale customers. Similarly, many major Chinese and Central Asian joint markets are working at Mostafa Artush, Bunyad Shehgong, Amindzhan, Shanghai and Shahahe Abreshim.⁽²⁶⁾

Two Turkish analysts, Farrukh Suvankulov and Yunus Guc, writing in *Eurasian Journal of Business and Economic*, vol.5, issue9, 2012, say: “Between 1996 and 2009 Chinese exports to Central Asia skyrocketed from 218.2 to 16669.0 million USD. In 2009, Kazakhstan imported goods for the total value of 7748.2 million USD in 2009. More surprisingly, Kyrgyzstan accounts for 5227.5 million USD which is equivalent to about 1000 USD of Chinese imports per capita. Given the fact the nominal per capita income in this impoverished country is about 860 USD, it is likely that most of these goods were re-exported to Kazakhstan and Uzbekistan. Direct exports to Uzbekistan in 2009 were equal to 1560.5 million USD, Tajikistan, 1217.6 million USD, and Turkmenistan — 915.7 million USD. The list of Chinese exports to the region is very diverse: Garments, clothing accessories, textile yarn, fabrics, footwear, plastic, rubber items, industrial machinery, road vehicles, telecommunication and office equipment, home appliances, iron, steel, consumer chemicals, and furniture are at the top of the list.

Chinese investments in the region

Chinese investments in the region were primarily driven through many companies like China National Petroleum Company (CNPC), the China National Offshore Oil Corporation (CNOOC) and the China Guangdong Nuclear Power Company. Along with these, many small private companies are also working on different projects being supported by the government. These small companies are providing China high level of economic activities in Central Asia.⁽²⁷⁾

For increasing trade with Central Asian states, China is making investments, giving loans and improving infrastructure in the region. In fact China is one of the biggest investors and the single largest trading partner for CARs and is investing massively on developing their roads and railways,⁽²⁸⁾ linking different parts within Central Asia as well as with China. Chinese investments, especially for reconstruction of the ancient Silk Road, would make Central Asia a transport hub between Europe and Asia once again.⁽²⁹⁾

Table 2**China's major investments in Central Asia**

| Country | Date | Company | Description |
|----------------|---------------|--|--|
| Kazakhstan | 1997 | CNPC | Purchased 60 per cent of Aktobemunay Gas Production Association for US \$4.3 billion and 51 per cent of Uzan field for \$1.3 billion. |
| Kazakhstan | March 2003 | CNOOC/Sinopec (China Petrochemical Corporation) | British Gas Group announced the sale of its 16.67 per cent interest in Kashagan field to CNOOC and Sinopec. Subsequently, however, 5 of the 6 partners in the Kashagan consortium exercised their pre-emption rights and blocked the Chinese companies from investing. |
| Kazakhstan | May 2003 | CNPC | Purchased 25 per cent interest in Aktobemunay Gas Corporation increasing its total interest to 85 per cent. |
| Kazakhstan | December 2003 | Sinopec | Acquired a 50 per cent stake in Big Sky Energy Kazakhstan for \$2.3 million. In 2004, Sinopec withdrew from Big Sky Energy Kazakhstan. |
| Kazakhstan | October 2004 | Sinopec | Purchased 160 million dollars worth of Kazakh oil asset from first |

| | | | |
|------------|---------------|-----------------------|--|
| | | | International Oil Company, a small US company. |
| Kazakhstan | October 2005 | CNOOC/CNPC Equivalent | Acquired 35 per cent of the joint venture Texaco North Buzachi from Nimir Petroleum. In September 2003, CNPC bought out ChevronTexaco interests becoming the sole owner of the rights to develop the field. In February 2004, CNPC conveyed a 50 per cent stake in the project to the Canadian company Nelson Resources for \$ 90 million. The joint venture is now Nelson Buzachi Petroleum BV. |
| Kazakhstan | October 2005 | CNPC | A Canadian court dismissed a case brought by Lukoil claiming pre-emptive right in CNPC's 4.18 billion offer for PetroKazakhstan. Kazakh state-owned KazMunayGaz will get a share of the company and joint management over its Shymkent refinery in return for political approval for CNPC's offer. |
| Kazakhstan | December 2005 | CNPC | The 988-km Atasu-Alashankou pipeline has been completed. It is the second and easternmost section of a three phase pipeline that will carry oil from |

| | | | |
|--------------|----------------|-------|--|
| | | | western Kazakhstan to Xinjiang. This is a 50/50 venture with KazMunayGaz but CNPC is responsible for sourcing oil to fill the pipe. |
| Turkmenistan | July 2005 | China | Signed an agreement on oil and gas cooperation. China extended a low-interest loan of 24 million dollars for the development of the Turkmen energy sector. |
| Turkmenistan | | China | China extended \$12 million low-interest loans for the purchase of Chinese drill rigs. |
| Uzbekistan | July 2005 | CNPC | Agreed to a \$60 million oil venture to invest in 23 oilfields and a 50/50 partnership with state-owned Uzbekneftegaz. |
| Uzbekistan | September 2005 | CNPC | Signed an agreement for establishing an investors consortium with Unbekneftegaz, Lukoil, Petronas and Korea National Oil Corporation. |

Source: Srikanth Kondapalli, ref.15, pp.148-149.

China's Vice-Premier Wang Qishan, addressing the opening ceremony of the SCO business forum in Beijing on 6 May 2012, said SCO had played an important role in promoting regional cooperation since it was founded 11 years ago. Trade between China and other SCO members exceeded US\$ 100 billion for the first time in 2011, up by 9 times compared with the 2001 figures. He said China's total investment in other member countries exceeded US\$20 billion. A number of major

cooperation projects including cross-border oil and gas pipelines, highways, railways and telecommunication had been completed and cooperation in such industries as energy and minerals, processing and manufacturing, commerce and logistics, and agriculture had further deepened. Significant progress was made in regional economic integration, he added.⁽³⁰⁾

Besides the energy sector, Chinese investment is also pouring into Central Asia's telecommunication and transport sectors, though the investment in oil and gas is a major source of income for China. Many other Chinese enterprises are working in Central Asia for expanding road links between the two sides.

China's interest in Central Asia's oil & gas

For easy access to Central Asian resources China has invested heavily in infrastructure development. In energy security the most important thing is Central Asian oil and gas which is one of the major aims of Chinese policies towards the region.⁽³¹⁾ China is an oil importing country. In 2001, oil import volume was 81.632 million tonnes which increased 122.4 per cent and reached 181.57 mt in 2006. In terms of value, the 2001 imports were worth 15.406 billion. In 2001, China's oil import volume was \$ 15.406 billion which increased 432 per cent and reached \$81.952 billion in 2006. In 2005, its oil importation was calculated at 6.8 per cent of the world's total and China was only third after the United States and Japan in the list of oil importers. In 2007, it left Japan behind and became the second biggest oil importer. China imports oil from the following top nine countries and the imports add up to 130.18 mt annually: Saudi Arabia 24.71mt; Angola 23.45 mt; Russia 21.31 mt; Iran 18.64 mt; Oman 13.18 mt; Korea 11.06 mt; Venezuela 7.32 mt; Congo 5.42mt, and Equatorial Guinea 5.27 mt.⁽³²⁾

At the same time China is currently second biggest oil consumer and is expected to overtake the US in 2030. Natural gas is not a very big source of energy in China but its usage in the country makes it a gas importer. Central Asia's massive reserves of oil and gas are easily accessible for China and will enhance its energy security. China's role in the energy sector of Central Asia is highly integrated with its broader geoeconomic and geopolitical interests. On official level many Chinese companies are presently working for oil and gas resources in Central Asia. Along with these companies many other enterprises are busy in building infrastructure like roads, railway tracks and highways.⁽³³⁾ China is gaining long-term contracts in oil and gas production there and is willing for laying new pipelines extending to its borders. Like in 2009,

when a 140-mile Turkmenistan-China pipeline was opened that reached Xinjiang after crossing three Central Asian countries.⁽³⁴⁾

In June 2009, China gave Turkmenistan \$4 billion for the development of its South Yolotan gasfield. This contract was signed for 30 years and will give 40 bcm of gas annually to China. A few months later, in December 2009, China and Central Asian states agreed on a 1,833-km gas pipeline which passes through Uzbekistan and Kazakhstan into China through Xinjiang.⁽³⁵⁾ In August 2012, during an official visit, leaders of China and Uzbekistan signed a \$535 million agreement for the supply of natural gas. According to the agreement, in the 2016 the volume of gas supply would reach nearly 25 bcm per year.⁽³⁶⁾

In Central Asia Kazakhstan stands out for its abundance in oil and gas. Along with other parties China is also actively involved in Kazakh oil sector.⁽³⁷⁾ It opened initial contacts in 1994 for cooperative exploitation of oil. In 1997, actual talks were started after they concluded the framework of a general agreement. In 2003, the Atasu-Alashankou project was signed and China purchased new oilfields. Thus, it entered the Kazakh energy sector massively in less than a decade. In 1997, CNPC won the tender for 60 per cent oil shares of Aktobemunaigaz Oil Company. Again in 2003, CNPC won another 25 per cent shares of this field for 150 million dollars. Thus, China has more than 85 per cent shares of this company which controls one-seventh of oil production in Kazakhstan. Since 2001 Aktobemunaigaz has enhanced its production capacity pushing it up to one million tonnes annually. Moreover, in 2006, it had developed the capacity to produce 10 million tonnes oil and 1.5 bcm gas. In 2003, CNPC bought petroleum products worth 25 million dollars.⁽³⁸⁾

Competitive terms and conditions

In Kazakhstan China has advantage over other countries. After the dissolution of the Soviet Union Kazakhstan concluded contracts with Western oil companies, some of these on unfavourable terms. In contrast, the contracts signed with China are more profitable for Kazakhstan being tax free. Moreover, some Chinese companies are working on the development of oilfields at comparatively lower cost. Along with operations in oilfields, Chinese companies also help with development of the area where they are operating. Aktobemunaigaz also agreed to give \$ 6 million a year for different projects and another one million for infrastructure building in less-developed areas. Besides hydrocarbons Kazakhstan holds 15 per cent of world's uranium reserves and is world's 14th biggest exporting country. Uzbekistan has massive reserves of gas

and uranium while Tajikistan and Kyrgyzstan have insufficient reserves of hydrocarbons.⁽³⁹⁾

China thinks broadly in its relations with Central Asia, which are wide-ranging and multiform. Both sides have increased their cooperation in cultural, humanitarian and educational fields. Chinese investments in road and railway tracks development and in the oil and gas sector will help Central Asian countries to boost their economy and raise their international profile. China's diplomatic activities in the CARs, both in bilateral and multilateral terms, indicate its strategy of keeping the region from becoming a breeding ground and base for terrorists.

Implications for the US

American interests in Central Asia are three dimensional, i.e. political, economic and security related. For protecting and promoting these interests the US needs a comprehensive regional strategy. Security concerns are a matter of prime importance for the US. It needs long-lasting stability for the protection of its economic interests and energy security. Its other vital interests in Central Asia are related to human rights, economic development, prosperity and stability and political engagement. Central Asia is a reliable partner of the United States and both sides are cooperating for economic development, promotion of democracy as a form of government and addressing problems related to nuclear proliferation, terrorism and energy.⁽⁴⁰⁾

The United States is faced with a very challenging environment in Central Asia. Its concerns relate to possibilities of instability in the region. US policy makers wonder whether their country should pursue its strategic interests in the presence of China and other competitors. China is a major player in the region. Geographically, China's location enables it to gain access to other parts of the world through Central Asian countries. This configuration encourages Central Asian states to break out of their traditional dependency on Russia and the United States. Furthermore, Central Asian states are worried over possible spillover effects of the Afghan situation and cooperating with China in tackling the "three evils" and for ensuring regional peace and stability. China is expanding its trade and economic relations with the CARs through the SCO. On the other hand, as Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan are members of the SCO, their leadership formulates their policies with consideration for vital interests of China. The impacts of such policies are difficult for the United States to measure.⁽⁴¹⁾

In terms of military relations, the United States is playing a bigger role for countering terrorism and religious extremism in Central Asia. Since the emergence of CARs the United States has been intervening in their internal affairs in the name of security. The United States considers this region very vital due to the ongoing conflict in Afghanistan. But all its security interests are at stake in the presence of other regional players in this region. For countering US military intervention in the region China together with other regional players is manoeuvring through the SCO. In a bid to streamline security cooperation SCO members held joint anti-terrorism exercises in 2003. Through this forum member countries seem to be tackling security threats effectively. However, US thinking is different from China's regarding counterterrorism.⁽⁴²⁾

Growing politico-strategic-economic relations between China and Central Asia has enormous implications for the United States. The US considers Central Asia very important for its geopolitical and geoeconomic interests. Business and economic relations between the two sides hold immense potential. Central Asia's oil and gas give the US an attractive energy diversification option. In current environment, China's security and economic engagement with CARs is perceived by American policy makers as posing great geo-political and geo-economic challenges to the US. Thus, there are both challenges and opportunities for the United States.

The United States needs to play a pro-active role in Central Asia by engaging in economic cooperation in a more affirmative and rational way. Access to the oil and gas areas and import-export markets of the regional countries makes sense for US economy and its market provides a great range of options for many Central Asian products.

Conclusion

Summing up, China is playing a leading role in Central Asian republics. Its focused foreign policy has enabled it to expand its economic and trade activities in the region. China's policy towards Central Asia is based on two points: Firstly, China wants to secure its important Xinjiang-Uighur Autonomous Region from becoming a base for separatist insurgents. Secondly, China wants to gain access to natural resources of Central Asia as its economy is growing tremendously and demands massive energy supplies. China is facing a challenging environment in the presence of other players, i.e. Russia, United States, Turkey, Iran and India, among others. Along with China, these players also have great influence in the CARs. China is developing good political

relations with all Central Asian states with frequent exchanges of high-level official visits.

On the basis of these relations, China is improving economic ties with the CARs. It is giving aid to these states and helping them with infrastructure development. In a friendly environment, many Chinese companies are gaining access to different projects in these countries. They are also working on improving roads, railway tracks and highways in the areas where they are operating. China and Central Asian countries have geographical proximity due to which cost of investment and trade is very low for China as compared to other competitors. Moreover, bilateral trade is increasing and China's attention is providing new markets to different Central Asian products.

China is getting raw material from these countries which feeds its growing industry. It is investing in the CARs on a large scale. China is basically trying to bring peace and stability to the region because that would ensure more opportunities to work for shared development, progress and prosperity through multifaceted cooperation.

The United States has its own interests in this region and views China's big role as a factor that is disturbing these interests and giving it a challenging environment. China's Xinjiang region shares borders with Central Asian countries so any instability in these states would disturb its internal environment. It is dealing with the problem of Xinjiang and any kind of disturbance in Central Asia or any other neighbour through peaceful means. It follows the policy of "Harmonious World" in its foreign relations. Pursuing this policy, China aims to resolve all conflicts in Asia through peaceful means.

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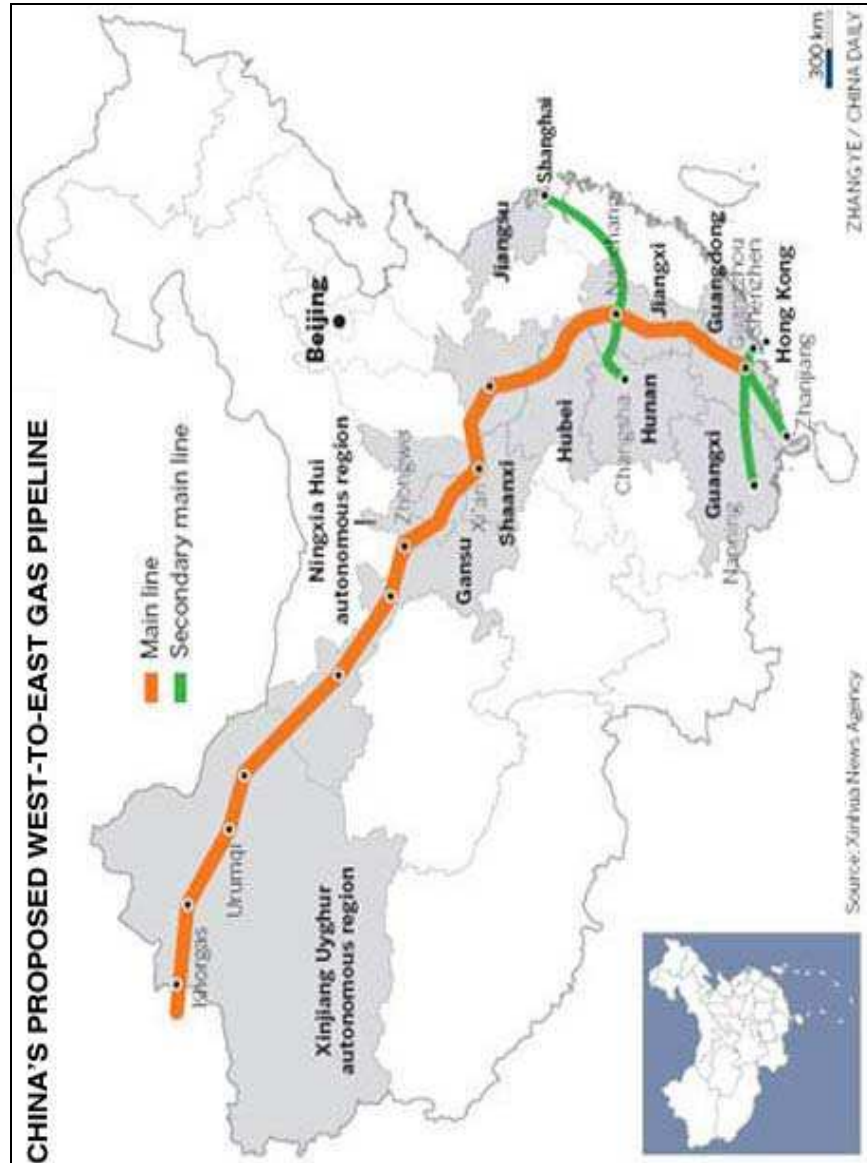
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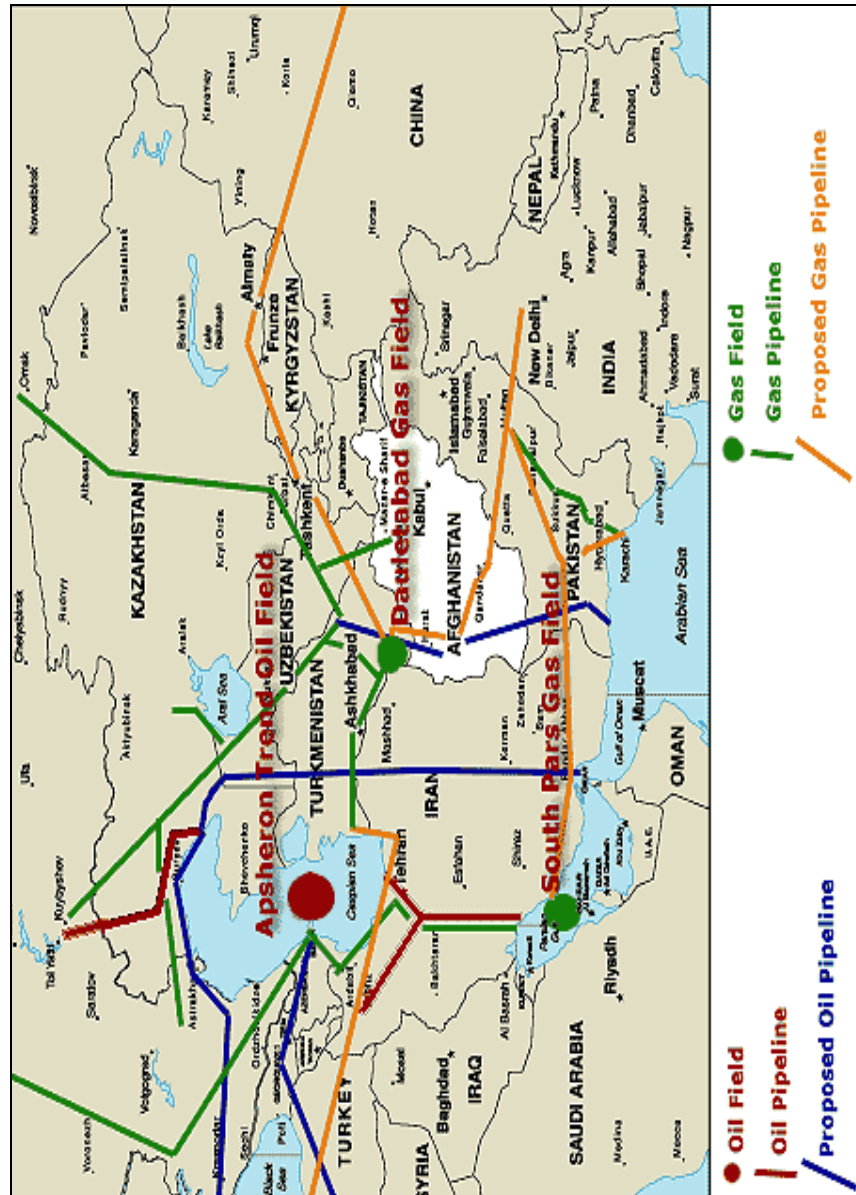
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Appendix I



Appendix II

Oil and gas pipelines from Central Asia to China



Source: Pipeline Politics: Oil, the Taliban, and the Political Balance of Central Asia, <<http://worldpress.org/specials/pp/pipelines.htm>>

Appendix III**Gas pipeline from Turkmenistan to China**

Source: Central Asia-China Gas Pipeline, Turkmenistan to China,
<[http://www.hydrocarbons-technology.com/projects/centralasiachinagasp/
centralasiachinagasp1.html](http://www.hydrocarbons-technology.com/projects/centralasiachinagasp/centralasiachinagasp1.html)>.