

# *In the Name of God*



**Allame Tabatabaee University**

**ECO College of Insurance**

**Political economy of china in Central Asia**

**Supervisor:** Dr. Hamidinia

**Advisor:** Dr. Goodarzi

**By:** Somayeh Saremi

**Summer 2012**

## **Abstract**

This research is about the Political economy of China in Central Asia. In this research the political & economic interactions affected on China's political economy in Central Asia are examined.

China's goal of presence in central Asia including political-security, economic and energy goals is described in one part. In another part, the trade relations between China and Central Asian countries are examined.

And in last part, the role of Central Asian countries in energy security of China is described.

### **Key Terms:**

Political economy , Central Asia , China , Security of energy , Islamic Fundamentalism

## **Acknowledgment**

I would like to express my sincere gratitude to my supervisor, Dr. Hamidinia for his guidances and I would like to thank my advisor Dr. Goodarzi.

I would like to thank Dr. Boghozian, who agreed to serve as head of the jury during my defense of this thesis.

I feel deep sense of gratitude for my family especially my parents whom never ending their encouragement and support during my life.

My special and deepest thanks goes to my sister who helped me during the writing of this thesis.

## Chapter one: Introduction

<b>1- Description of Problem.....</b>	<b>6</b>
<b>2- Key Questions.....</b>	<b>7</b>
<b>3- Hypotheses.....</b>	<b>7</b>
<b>4-Backgrounds-(Review of Literature &amp; Bibliography) .....</b>	<b>7</b>
<b>5- Research Objectives/purposes.....</b>	<b>10</b>
<b>6- Data Gathering Method.....</b>	<b>10</b>
<b>7-Description of Methodology .....</b>	<b>11</b>
<b>8-Key Terms.....</b>	<b>11</b>
<b>9- Shortcomings and Obstacles of the Subject .....</b>	<b>11</b>
<b>10-Structural Framework of the research .....</b>	<b>12</b>

## Chapter two: China's goals of presentation in Central Asia

<b>1- Introduction .....</b>	<b>14</b>
------------------------------	-----------

<b>2- Economical Objectives .....</b>	<b>16</b>
2.1- Trade and Infrastructure.....	16
2.2- Sino-Central Asian Trade Relations.....	19
2.3- Gaining Economic Presence .....	26
<b>3- Political Objectives .....</b>	<b>27</b>
3.1- Security .....	27
3.2- Collapse of the UUSSR .....	30
3.3- Strengthened US Presence .....	35
3.4- The Shanghai Cooperation Organization (SCO) and Relation between China And Central Asian Countries .....	39
3.5- Implication for Others Actors .....	42
3.6- Targeting Religious Extremism.....	47
3.7- Targeting Hegemonism.....	49
3.8- Gaining Security Guarantees .....	52
<b>4- Energy .....</b>	<b>55</b>
4.1- China's Strategy of Energy Security .....	57
4.2- China - Central Asia Energy Relations .....	59
4.3- China – Iran Energy Relations .....	60
<b>5-Conclusion .....</b>	<b>61</b>

## Chapter 3: Trade Relations of China and Central Asia

<b>1-introduction .....</b>	<b>64</b>
<b>2- The Corridor Approach .....</b>	<b>67</b>
2.1- Status of CAREC Corridors.....	75
<b>3- Hisrory of Trade Relations Since 1991 .....</b>	<b>80</b>
<b>4- Economic Cooperation between China and Central Asian Countries .....</b>	<b>83</b>
4.1- The China – Kazakhstan Trade Axis.....	90
<b>5- Chinese Investments in Central Asian Infrastructure.....</b>	<b>95</b>
5.1- Exports of Ferrous and Nonferrous Metals .....	96
5.2- Transportation: Roads, Tunnels, and Railways.....	100
<b>6- Conclusion .....</b>	<b>104</b>

## Chapter four: Energy Security of China and Central Asia

<b>1- Introduction .....</b>	<b>110</b>
------------------------------	------------

<b>2- Central Asia Energy Capacity and its Position in the Energy Markets .....</b>	<b>112</b>
<b>3- China's Energy Strategy in Central Asia .....</b>	<b>115</b>
3.1- Energy Diplomacy .....	115
3.2- Investments in Oil and Gas Sector .....	117
3.3- Oil And Gas Pipelines .....	120
<b>4- China's Entry into Central Asia .....</b>	<b>123</b>
4.1- Closer Energy Cooperation between China and Central Asia .....	127
<b>5- Russia And China's Colliding Interests in Central Asian Oil And Natural Gas .....</b>	<b>131</b>
<b>6- Iran And China's Energy Needs .....</b>	<b>140</b>
<b>7- Conclusion .....</b>	<b>143</b>

## Chapter five: Conclusion

<b>Conclusion .....</b>	<b>147</b>
Resources .....	150



# **Chapter 1: Introduction**

## **1- Description of Problem**

Today China as the second global economy with a 9.1 % has been growth rate in 2009 and one of the emerging powers seeks play an effective role proportional to its situation. Range of influence of this country has been developed due to its economic growth increase of capital and technology.

Here Central Asia as an emerging area after Soviet collapse which has high capacity and resources has allocated to itself a special place in China's long\_ term strategy.

Central Asia has significant resources of oil, gas, water, and natural resources and it has high agricultural capability. There are some problems in this area such as low population, poverty, lack of technology, lack of development infrastructures along with the weakness of democratic structure, lack of active civil society and fundamentalist attitudes and mentalities that has led to presence of regional and transregional powers, and among them China has assigned a particular place to itself.

Economy has been one of the influence channels of China in region, which has led to formation of political economy attitude of China in the region. Attempting to neutralize of religious trends, competition with Russia and USA are also amongst the effective factors of presence of China in Central Asia.

## **2- Key Questions**

1-What factors affect political economy of China in Central Asia?

2- What goals china follows from its present in Central Asia?

## **3- Hypotheses**

1. Energy security is an effective factor in shaping the political economy of china in Central Asia.
2. Factors such as Islamic Fundamentalism and competition with Russia and US affect on political economy of china in Central Asia.
3. China's interests in Central Asia includes; trade, energy and security.

## **4-Backgrounds-(Review of Literature & Bibliography)**

Dowling, Malcolm & Ganeshan Wignaraja, " Central Asia's Economy: Mapping Future Prospects to 2015", Silk Road Paper, 2006.

Dwivedi , Ramahant , " China's Central Asia Policy in Recent Times " , China and Eurasia Forum Quarterly , 2006 ,Vol : 4 , No : 4 , Pp : 139-159.

Paramonov, Vladimir & Oleg Stolpovski, "Chinese Security Interests in Central Asia", Defence Academy of the United Kingdom, 2008.

Pourcelot, Thomas, "Central Asia at the heart of Russian and Chinese issues ", International Area Review, 2010, Vol: 13, No: 3.

Peyrous, Sebastien, "Economic Aspects of the Chinese – Central Asia Rapprochement ", Silk Road Paper, 2007.

Tazhin , Marat , " The Geopolitical Role of the Main Global Players in Central Asia " , American Foreign Policy Interest , 2008 , Vol : 30 , Issue : 2.

Yitzhan , Shichor , " China's Central Asian Strategy and the xinjiang Connection : Predicaments and Medicaments in a Contemporary Perspective " , China and Eurasia Forum Quarterly , 2008 , Vol : 6 , No : 2 , Pp : 55-73.

Wishnick, Elizabeth, " Russia, China and the United states in Central Asia: Prospects for great competition and cooperation in the shadow of the Georgian crisis ", 2009.

Wu, Hsiu – ling," The Prospects for Regional Economic Integration between China and the five Central Asia ", Central Asia survey, 2004, Vol: 27, no: 10.

Tobakov, Igor, " The West, Russia and china Central Asia: What kind of game is being played in region? " 2006.

Swanstrom , Niklas , " China's role in Central Asia : Soft and hard power " , Global Dialogue , 2007 , Vol : 9 , No : 1 – 2.

Siegel, Matt, "Crisis ..... What crisis? China spends big in Central Asia ", 2009.

Godehardt, Nadine, "China's regional" chess game ": Chinese foreign policy in Central and East Asia ", 2010.

Yin Li, Hak & Zhengxu Wang, " Assessing Influence in Central Asia: A Dominant Regional Power? " 2009.

Peyrous, Sebastien, "Central Asia's growing partnership with china", Eucam Working Paper, 2009, No: 4.

Peimani, Hooman, " China – Central Asia: Political and Energy relation ", 2011.

Ionela Pop, Irina, " China's energy strategy in Central Asia: Interactions with Russia, India and Japan ", UNISCI Discussion Papres, 2010, No: 24.

Nanay, Julia, "China Makes Its Mark in Central Asia", 2008.

Ibraimor , Sadykzhan , " China – Central asia Trade Relations : Economic and Social Patterns " , China and Eurasia Forum quarterly , 2009 , Vol : 7 , No : 1 , Pp : 47 – 59 .

Bahgat, Gawdat, "The Geopolitic of energy in Central Asia and the Caucasus", 2009.

سلیمی ، حسین و مریم هفت آبادی ؛ «ملاحظات امنیتی - سیاسی چین در آسیای مرکزی  
مطالعات اوراسیای مرکزی ، مرکز مطالعات عالی بین المللی ، دانشکده حقوق و علوم سیاسی ، سال  
اول ، شماره ۲ ، ۱۳۸۷.

امامی میبدی ، علی و بشیر اسماعیلی ؛ « چین و منابع انرژی حوزه دریای خزر » ، مطالعات اوراسیای مرکزی ، مرکز مطالعات عالی بین المللی ، دانشکده حقوق و علوم سیاسی ، سال اول ، شماره ۲ ، ۱۳۸۷.

## **5- Research Objectives/purposes**

This thesis examines the relations of China and Central Asia countries from political economy dimension. It reviews economic and trade cooperations that play the main role in the relations between China and Central Asia countries, and also examines China's efforts to halt and suppress ethnic and religious movements in maintaining stability in Central Asia. This thesis reviews China's relations with Russia and USA.

## **6- Data Gathering Method**

The secondary data for the present study includes written researches and academic works , articles , magazines and also internet websites.

## **7-Description of Methodology**

The study will use the descriptive analytical research type of methodology as research methods. by utilizing related researches and academic works , I will discuss Political Economy of China in Central Asia.

## **8-Key Terms**

Political economy , Central Asia , China , Security of energy , Islamic Fundamentalism

## **9- Shortcomings and Obstacles of the Subject**

Serious weakness of the study resources in the field of political economy in Persian language and limited to few English and Persian articles makes the internet as the most important and main source for gathering data.

## **10-Structural Framework of the research**

Chapter 1: Structure of the research

Chapter 2: China's goals of presentation in Central Asia

Chapter 3: Trade Relations of China and Central Asia

Chapter 4: Energy Security of China and Central Asia

Chapter 5: Conclusion



## **Chapter 2: China's goals of presentation in Central Asia**

## 1-Introduction

China's growing involvement in Central Asia has attracted much international attention in recent years. Fears have been expressed about the extent to which China has made inroads into the region's economy and political life, as well as the motives behind this policy. China has even been accused of viewing Central Asia as its legitimate *Lebensraum* .

Such reasoning seems remote from reality; all the indications are that China's expansion into the markets and politics of Central Asia is peaceful and has clear limitations. It is evident that Central Asia is a key concern of Chinese foreign policy, following closely behind other fundamental issues such as Taiwan and the "one-China" principle that the island should not be recognised as politically independent of the mainland. The last decade has seen an expansion of military co-operation between China and the neighbouring Central Asian states, especially as regards counter-terrorism and military confidence-building measures. Economic co-operation, integration, and infrastructure projects have also been priority concerns of Beijing. Chinese investment in the economies of Central Asia and bilateral trade are growing rapidly, and China looks to Central Asia to reduce its energy deficit, diversify its energy imports and transit routes, and increase its energy security. Yet there are limits to China's influence and control over economic and political developments in the region.

Russia is still the major regional power in Central Asia, but its influence is declining rapidly despite a recent surge in activity to consolidate its position. Since 2005, Russia has pursued an aggressive strategy to regain

its lost influence and economic position, with marginal success. Much of the Russian failure is due to more intense competition from China, and increased Chinese attractiveness in the political, economic and military spheres. But no Central Asian state would like to exchange Russian domination for Chinese, preferring to keep as many options open as possible.

Even though Russia and China are co-operating to marginalise the influence of other external actors in Central Asia, and most notably that of the United States, Moscow views with suspicion China's engagement in the region—a suspicion shared by India, the United States and the European Union. It is becoming apparent that Beijing's desire to increase its economic influence in Central Asia will create tensions with other interested powers. This is especially true if Iran and its commerce with China become attached to the Central Asian network through transit trade, energy pipelines and political and military co-operation. In only a decade, China's political and economic might has grown tremendously, and Beijing will increasingly be able to influence the Central Asian states through military sales, exercises, and other inter-state military relations.

The Shanghai Co-operation Organisation, consisting of Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, has been the primary facilitator of current trends and is likely to feature prominently in the future integration of the region and also in handling any conflagrations that may occur there. It is true that much of China's policy in Central Asia is conducted directly via bilateral relations. However, it is in Beijing's interest to create a stronger Central Asian community with stable and

peaceful relations that could foster better multilateral co-operation. This would help to secure China's own borders, but also to improve communication links, pipelines and trade in general, for all of which a stable and peaceful Central Asia is necessary. The particularities of the region have also spurred a Chinese policy of exploiting the natural synergy that exists between western China and Central Asia. Close to 80 per cent of China's trade with Central Asia is conducted by Xinjiang, indicating the importance Central Asia has for this westernmost Chinese province. (Niklas Swanstrom, 2007)

## **2-Economical Objectives**

### **2-1-Trade and Infrastructure**

China makes no secret of its attempts to win trade advantages in Central Asia, advantages that can only be won at the expense of Russia, primarily, but also Europe and the United States. According to Chinese customs statistics, the trade volume between Central Asia and China increased from a total of \$465 million in 1992 to \$7.7 billion in November 2005. This is a tremendous growth, especially as no other country has been able to achieve a similar trade expansion with the Central Asian nations. China's share still amounts only to approximately half of Russia's trade with the region but is rapidly gaining ground on the latter in relative terms. China's trade with Central Asia is primarily in natural resources, especially oil and gas, while Russia dominates the arms sales to the region.