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## China and Russia’s Soft Competition in Central Asia

RAFFAELLO PANTUCCI

China and Russia have a long history of conflict and competition in Central Asia. Sitting between the two great superpowers, the landlocked Central Asian nations appear to have little choice or control over their destiny, and are often considered to be pawns in a perpetual great game. Yet this narrow view misses the broader picture of the Sino-Russian relationship. It is undeniable that the region has been slipping out of Russia’s immediate economic sphere of influence for some time, but China has been making inroads with Russia’s full acquiescence. For Moscow and Beijing, Central Asia is increasingly a region of soft competition where they are very aware of and attentive to each other’s interests, rather than a source of conflict and tension.

Overriding any differences concerning the steppe are the larger realities of the Sino-Russian strategic relationship on the international stage, where the two permanent members of the United Nations Security Council continue to support each other’s refusal to bow to a Western-dominated global order. Russia may appear to be the loser in Central Asia, but the two powers have established a *modus vivendi* that suits the interests of both. The real geopolitical losers are likely to be the Central Asians, slowly slipping from Russia’s orbit into China’s.

### SHIFTING INFLUENCES

In the wake of World War II, Central Asia ended up a province of the Soviet Union. For Beijing, the region was far away, adjacent to one of China’s least developed regions, Xinjiang (which means “New Frontier”). Xinjiang came under the formal control of Beijing only in

1949, when the People’s Liberation Army (PLA) swept through the province, defining the western borders of what we know today as modern China. The region’s southernmost city, Kashgar, had been at the heart of the old imperial great games, a locus of intrigue where the British and Russian consulates spun plots spanning the region. Russian influence endured for some time; the ruble was still an accepted currency in Urumqi, the regional capital, well into the twentieth century. Today the two consulates have been turned into hotels, retaining vague vestiges of their former glories.

During the Cold War, the border between Central Asia and China was a remote junction of the two communist empires, though there were noticeable differences. Cities like Tashkent and Almaty flourished as cultural hubs of Russian influence. Across the border, Xinjiang stayed fairly underdeveloped. The Chinese government largely left regional responsibility to the Xinjiang Production and Construction Corps (XPCC), a paramilitary entity made up of former PLA cadres who had been demobilized after Beijing conquered the region in 1949. Home to a sizable population of Uighurs—an ethnic minority close in language, culture, and appearance to Turkic Central Asians—the region was consistently beset by ethnic clashes. The Uighurs resented the arrival of increasing numbers of Han Chinese. The role of the XPCC was in many ways similar to the approach taken by ancient Rome, which dominated distant conquered lands by demobilizing its legions, offering them land and wealth to persuade them to stay and colonize the territories. Beijing essentially replicated this model with the XPCC, colonizing Xinjiang and establishing strong local and militarist state control over the frequently restive Uighur population.

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With the collapse of the Soviet Union, its Central Asian republics were grudgingly pushed into the world as a new cluster of predominantly Turkic nations. The leaders remained largely the same as they were in Soviet times, through a seamless transformation from vassal states to authoritarian dictatorships. For China, this was an interesting inflection point. During the height of the Cold War, relations between the two Communist powers had been frosty, but by the time of Mikhail Gorbachev they had started to warm up. Formal exchanges included discussions aimed at finally demarcating the disputed border regions between Soviet Central Asia and Xinjiang. After the Soviet collapse, this initiative became a five-party discussion group including China and Russia alongside newly independent Kazakhstan, Kyrgyzstan, and Tajikistan—the countries that shared borders with China. Gradually building on a foundation of border delineation and de-escalation of tense security relations, the grouping evolved into the Shanghai Five; in 1996 the members signed the Treaty on Deepening Military Trust in Border Regions.

By 2001, the group was considered so successful that others were eager to join—even Uzbekistan, which did not share borders with China or Russia. All the Central Asian states had at first been hesitant to leave the Soviet Union, but by the turn of the century they had settled into statehood and were actively seeking all the relevant trappings, including international recognition and alignment with like-minded nations. In 2001, the Shanghai Five became the Shanghai Cooperation Organization (SCO). Its secretariat was established in Beijing.

The member nations saw the benefit of cooperation in a region that they perceived as beset with security threats. Afghanistan was in the middle of its long post-Soviet civil war, with the fundamentalist Taliban slowly establishing its domination. Tajikistan went through a brutal civil war in the mid-1990s that left the state weakened well into the next decade. The entire region faced the menace of organized crime (particularly narcotics trafficking) and the specter of Islamist extremist groups filtering out from the aforementioned conflict zones and training camps in Pakistan. China felt this last threat intimately. In an incident described to the author, a Chinese delegation visiting Afghanistan in 2000 was shocked to discover a large encampment of Uighurs living under Taliban protection in Jalalabad. Western jihadists have recalled that Uighurs (or Turkestanis, as

they are often called) made up one of the largest contingents at the al-Qaeda and other foreign-run terrorist training camps dotted around the region at the time.

For China, focused on domestic economic growth and its fractious relations with the United States, a peaceful western periphery was a welcome prospect. In September 2000, President Jiang Zemin launched one of Beijing's first "western development" strategies, seeking to bring some of the booming prosperity of the coasts to the inner regions. Chinese officials were also concerned about security threats emanating from Afghanistan and the connections among Uighur dissidents inside Xinjiang and across Central Asia. So developing a regional security organ that had the potential to expand in economic directions was something that appealed to Beijing.

The biggest question for many, however, was why Russia allowed such an entity to come into existence. Moscow had long considered Central Asia part of its sphere of influence, and it tied the region into the network of regional institutions it had created in the wake of the Soviet collapse—from the Commonwealth of Independent States to the Collective Security Treaty Organization (CSTO), as well as the underdeveloped Eurasian Economic Community. Moscow saw the addition of the SCO to this system as a way of retaining some control over China's increasing forays into the region. The fact that decisions were to be made by collective agreement, with all members enjoying veto power, helped alleviate Moscow's concerns that the SCO would become a vehicle to advance Chinese interests. As it turned out, this was something of a miscalculation on Moscow's part.

## **CHINA'S ENERGY SURGE**

The basis of Moscow's error was the assumption that the SCO was the main thrust of China's advance into Central Asia. Seeing Beijing as a cautious player, Russian strategists assumed that China was developing the SCO to try out a new foreign policy tool. After all, the SCO was (and still is) both the first regional security organization that Beijing joined and the first that it initiated. In fact, the organization was merely one strand of Beijing's plans for the region. China envisioned a simultaneous bilateral and multilateral surge, a policy that reflected Beijing's caution. It wanted to avoid overcommitting to one path or partner, and instead to focus on a long game in which it would eventually dominate across the board.

At the time of the establishment of the SCO in 2001, China was already becoming a more important player in Central Asia. Back in 1997, China National Petroleum Corporation (CNPC) had made one of its first large foreign investments in Kazakhstan, buying 60 percent of AktobeMunaiGas for \$320 million. The deal provided a welcome infusion of cash for Kazakh coffers and gave the company a mature former Soviet field as a foothold in the region. CNPC also agreed to build a pipeline to get the hydrocarbons back to China. By 2005 the pipeline had been completed at a total cost of \$700 million, linking the Aktobe field to Alashankou in Xinjiang. On a visit in 2007, Chinese President Hu Jintao affirmed the success of the project by announcing a plan to extend the pipeline to other Kazakh fields.

From its inception in 1997 to the first flows through the pipeline in 2005, the project was in many ways an experiment for China's newly globalized national energy companies. The success of the experiment emboldened Chinese strategists to look to Central Asia's other energy giant, Turkmenistan. As early as 2000, Chinese companies were exploring the feasibility of building pipelines from Turkmenistan to China. By April 2006 a deal had been struck, and on a state visit to Beijing President Saparmurat Niyazov signed an agreement to sell China 30 billion cubic meters of gas per year by 2009. This schedule was dismissed abroad as unrealistic, given questions about financing, feasibility, and technical capacity. Nevertheless, Chinese companies (with subcontractors from the Russian gas giant Gazprom) got immediately to work, establishing joint venture companies in Uzbekistan and Kazakhstan, and laying the pipeline in record time. By December 2009 the entire project was complete and pumping gas to China.

The timing was particularly fortuitous for Turkmenistan. On April 9, 2009, a mysterious explosion ruptured the main pipeline carrying Turkmen gas to Russia. Ashgabat and Moscow immediately blamed each other. The Turkmen side accused Gazprom of reducing the amount of gas it was taking through the pipeline and of being responsible for destroying the link. The Russians expressed dismay at Turkmen behavior and claimed that high-level meetings were not being followed up with action. Whatever the case, the pipeline was not repaired. Relations had always been somewhat tense; the Turkmen

resented the fact that Gazprom was essentially undertaking an intercontinental form of arbitrage—buying gas from Turkmenistan at cheap prices to supply its domestic requirements while selling Russian gas to European customers at much higher prices. Lacking alternative pipelines, Turkmenistan was unable to do much about this—other neighbors like Afghanistan and Iran were too poor, while Uzbekistan and Kazakhstan had ample domestic supplies. Further afield, American firms were keen on gaining access to Turkmen fields, but were hamstrung by regional security considerations. And European companies continually failed to deliver the necessary political support to open routes across the Caspian. The arrival of China changed this picture, and Ashgabat's calculus.

The biggest loser in this shifting geopolitical energy situation was Russia, both in terms of being able to arbitrage Turkmen gas and in its direct energy relationship with China. Russia and China had long discussed expanding those links. A pipeline project was mooted in the early 2000s to open up East Siberian fields to Chinese markets. But talks floundered, and for more than a decade the two sides failed to agree on pricing and how to pay for construction of the pipeline, as well as the route. All of this was taking place against a backdrop of falling energy prices, the emergence of new regional energy suppliers like Australia, and—more crucially for Central Asia—the development of the Turkmenistan-China pipeline. This changing dynamic strengthened China's hand, both in its regional relations in Central Asia and in its discussions with Russia. The latest round of negotiations between China and Russia led to a November 2014 deal reportedly worth \$400 billion, but as of this writing a price for the gas had not yet been agreed on. CNPC contacts indicated that the Chinese company was not going to pay for building the pipeline.

## COMPREHENSIVE APPROACH

China's regional energy strategy is far more sophisticated than mere oil and gas extraction. One of the most fascinating developments of recent years is the growing presence of Chinese firms in an ever-expanding range of Central Asian industries and markets. Nowhere is this more clearly on display than in China's increasing role in building and rehabilitating regional energy infrastructure.

In Uzbekistan, Chinese firms have entered into deals to help rehabilitate hydropower plants in Ahangaran and Andijan, as well as engaging in bilateral cooperation on solar energy projects. In August 2011, the Xinjiang Garson Sun Wind Power Technology Company opened an office in Uzbekistan, while the Holley Group agreed to work with local partners to upgrade the Uzbek metering system. One joint venture company, Elektron Xisoblagich, started with a focus on electricity meters in Uzbekistan and has rapidly become a regional supplier. All this Chinese activity is in addition to energy deals signed with the Uzbek government to extend pipelines from Turkmenistan across its territory and to send Uzbek gas down the same link to supply China.

Across the border in less industrially developed Tajikistan and Kyrgyzstan, the picture of Chinese involvement is different but in many ways just as comprehensive. Chinese power and pipeline companies are a growing presence in Dushanbe, planning ambitious links to sell excess Tajik electricity to Xinjiang and developing routes from Turkmenistan and Afghanistan to China. The Chinese firm TBEA is building a thermal power plant in Dushanbe that will reduce the regular electricity shortages that the city endures in winter. Highlighting the connections between government relations and energy projects at every level, both the construction of the pipeline through Tajikistan and the second phase of the thermal plant began when Chinese President Xi Jinping visited Tajikistan in September 2014 for that year's SCO summit.

That same year, the construction of a refinery was announced in Dangahra, a city near Tajik President Emomali Rahmon's hometown, by Chinese firm Dongying Heli Investment and Development, further weakening Russia's dominance over the country. Previously, Tajikistan had relied on purchasing Russian refined hydrocarbons for its domestic market. In Kyrgyzstan, an almost identical pattern is visible: Chinese firms are building refineries, refurbishing power plants, and seeking to reconstruct decaying energy infrastructure like power lines.

While Kyrgyzstan and Tajikistan lack the energy wealth of their larger neighbors, Chinese companies have nonetheless made exploratory forays, most prominently in a joint venture with

France's Total and British-Canadian company Tethys Petroleum to explore a potentially massive gas find near Dushanbe. China's role as the major energy player in Central Asia was definitively confirmed in September 2013, when CNPC announced that it was buying an 8.3 percent stake in the giant Kazakh Caspian field Kashagan from KazMunaiGas (KMG) for \$5 billion. CNPC tried to buy into the field in 2003 when Britain's BG Group decided to sell its stake, but the purchase was blocked by KMG.

A decade later, the Chinese relationship with Kazakhstan had developed considerably. This time, when ConocoPhillips decided to sell its Kashagan stake, it initially appeared to strike an agreement with India's Oil and Natural Gas Corporation. However, KMG stepped in to scotch this deal, turning instead to its reliable long-term partner CNPC. Grouped with a series of high-profile contracts valued publicly at \$30 billion, the deal was signed when Xi visited Kazakhstan and gave a speech inaugurating the Silk Road

Economic Belt. The entry of China into Central Asia's largest energy project underscored Beijing's emergence as the dominant regional player. As for the announcement of the Belt, it was a strategic affirmation of what China had

been doing in the region for some time already: Xi's speech enunciated a vision of creating an economic and trade corridor reaching from western China through Central Asia and ultimately to Europe, reconnecting the Eurasian landmass.

This dominance extends far beyond energy. Go to any Central Asian market and you will find Chinese goods and traders. From the giant Barakholka bazaar outside Almaty near the Kazakh-Chinese border to the markets at Avaza on Turkmenistan's Caspian coast, China is clearly the leading presence. Russian chocolates are still on display, and Turkish goods are still cherished for their quality, but increasingly Chinese household appliances are the market leaders. In agriculture, Chinese firms have pursued land deals in Kazakhstan and Tajikistan. These have caused some friction with locals worried about the implicit loss of national territory, but given a lack of domestic capability and the offers of ready cash, governments are willing to make deals with Chinese firms.

China has also begun to assert itself culturally. There is increasing evidence that most of

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the Central Asian elite's children are being sent to Chinese universities. Scholarships, language courses, and Confucius Institutes drive this burgeoning relationship, slowly cultivating a generation of young Central Asians with an affinity for China. In this realm, too, the era of Russian dominance in the region has waned.

## SECURITY SUPPORT

The one area in which Russia remains the regional leader is security. In the wake of brutal ethnic rioting in 2010 after the ouster of President Kurmanbek Bakiyev, Kyrgyzstan's interim leader Roza Otunbayeva called on Moscow and the CSTO, rather than Beijing, to send forces to stabilize the situation. Shortly before the collapse of Bakiyev's government, a delegation from Kyrgyzstan had visited Beijing in hopes of signing transmission line deals to improve the country's energy infrastructure. The resulting agreements were not sufficient. Energy prices rose and the country spiraled into chaos. Rampaging mobs stormed Bakiyev's properties in Bishkek. He fled to the south, sparking fighting between loyalists and opponents, as well as interethnic rioting between Uzbek and Kyrgyz populations. Moscow's response was to stand back and act as a supporter of last resort, while China sent buses and planes to evacuate the many Chinese traders stranded in southern markets like Kara-Suu, Osh, and Jalalabad. Ultimately, though, Otunbayeva turned to Russia for support. The Kyrgyz unrest highlighted the different regional roles played by the two powers: Russia continued to be the main provider of security and political support across Central Asia, while China's influence was largely economic.

But even this picture is starting to change, with China increasingly stepping in to play a supportive role in regional security. The 2010 rioting in Kyrgyzstan took place close to China's borders; in its wake there has been a noticeable increase in Chinese joint training missions with Kyrgyz border units. Interior ministry officials and border guards are now offered 11-month Chinese language courses in Nanjing, and China is providing equipment such as vehicles, uniforms, barracks, and communications technology.

In Tajikistan, a long-standing Russian security presence was given a 30-year lifeline when the

Tajik parliament extended the mandate of at least 7,000 Russian soldiers at the Gatchina military base on the border with Afghanistan. Supported by air power from the Kant base in Kyrgyzstan, this remains the most substantial regional military force, able to defend Tajikistan (and Russia itself) from any threats that might spill over the border from Afghanistan. Increasingly, however, this Russian presence is being supplemented with Chinese support. Under the auspices of the SCO, China holds joint training exercises with Tajik security forces and provides them with equipment and aid. Even in secretive Turkmenistan, China's security presence is beginning to be felt. Beijing is making efforts to support the Turkmen units responsible for securing the border with Afghanistan (of particular interest to China given the proximity of CNPC's energy projects to that border). There were also reports in early 2015 that China was selling missile systems to Turkmenistan.

Nevertheless, Moscow remains the primary security actor in the region, a reality that reflects historical links between Central Asian and Russian forces (right down to the Soviet belt buckles most Central Asian personnel still wear) as well as the fact that Chinese forces have not recently deployed abroad on any serious combat mission. Given the history of violence and instability in Central Asia, it seems unlikely that Beijing would want this to be the region where its forces have their baptism by fire.

## MOSCOW'S VISION

Moscow has also sought to exert greater influence in the economic sphere. President Vladimir Putin has tried to cement a regional network of institutions through the establishment of the Eurasian Economic Union (EEU), which is designed to remove national barriers and turn the former Soviet area once again into a single economic space. The idea of the EEU was first presented in the years after the collapse of the Soviet Union by President Nazarbayev of Kazakhstan, in a sign of regional leaders' concerns over losing Moscow's support. Almost two decades later, these dynamics have turned on their head, with growing Chinese economic dominance and increasing regional development and prosperity. Kazakhstan is no longer a supplicant partner to Moscow, but a

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budding regional hegemon fueled by hydrocarbon wealth.

Initially established to encompass Kazakhstan, Belarus, and Russia, the EEU has now supposedly been extended to include Kyrgyzstan, though its membership status is unclear. Moscow's ambitions for the bloc cover the entire Central Asian and Caucasian regions. The EEU has already restored Russian political influence over regional markets. Tariff barriers for the whole union are now dictated in Moscow, while Russian companies are able to move into Kazakh and Belorussian markets with greater ease. The EEU headquarters in Moscow presents a vision of a future with joint currencies, markets, and opportunities.

Putin has sought to extend this dream even further by hinting at greater political union, but this hope seems to have little resonance beyond Moscow. Already uneasy with the initial negative indicators of economic benefit from the EEU, Nazarbayev has repudiated any notion of losing sovereignty through its participation in the union. In an August 2014 interview, he said, "Kazakhstan will not be part of organizations that pose a threat to our independence."

## MODUS VIVENDI

Largely lost in this regional geopolitical competition is Central Asia's voice. Landlocked and dependent on its large neighbors for investment, the Central Asian states have long had to manage a complicated set of relationships. Visit any regional ministry and you will hear discussion of a "multi-vector foreign policy," with officials boasting of their ability to leverage their position between Russia and China and play the powers off each other. But in reality, the Central Asians face an ascendant power in Beijing and a waning one in Moscow. Their strong links to Moscow mean that they will suffer as the Russian economy shrinks.

Uzbekistan, Tajikistan, and Kyrgyzstan are all feeling the pinch of the Russian economic decline in the form of reduced remittances from the migrant male labor force that goes to Russia every year. At the same time, they fear being engulfed by the Chinese giant next door. All aspire to move beyond dependence on extractive industries and become manufacturing hubs, but this transition is difficult to pull off when they are adjacent to the world's factory. They also remain fearful of Islamist insurgencies, Afghan overspill, and

sprawling criminal networks. Regional security forces are underdeveloped, with only Uzbekistan and Kazakhstan boasting armies of any effectiveness.

But what is most unfortunate for Central Asians is the reality that Beijing and Moscow appear to have come to some agreement about how they want to operate in the region. Russia recognizes China's regional ascendancy and has chosen to work with it rather than hinder it. In May 2015, this reality was formalized when Putin and Xi met in Moscow and signed an agreement to cooperate "in coordinating development of EEU and the Silk Road Economic Belt." They declared their intention to coordinate their respective economic strategies to create a "common economic space" in Eurasia, including a free trade agreement between the EEU and China. There is additional evidence of a Chinese-Russian regional rapprochement, including Moscow's commitment to open upstream energy assets to Chinese investment, as well as China's growing security efforts.

It is increasingly clear that Moscow and Beijing have found a palatable *modus vivendi* at the heart of the Eurasian continent. The long-term prospects may favor Beijing, but not without some consideration of Russian interests. Talk to Chinese foreign and security policy experts or officials about Central Asia and they will uniformly tell you that they would never undertake any regional action without Russian acquiescence.

China is the increasingly dominant power in the region, but it is acting in full concordance with Russia. The Central Asians, squeezed between two giants that they depend on for funding and access to international markets, have the most to lose. To be fair, Beijing so far has not proved an overbearing regional player, and Xi's repeated visits are a demonstration of respect that is appreciated in Asian cultures. Central Asian countries may well profit from infrastructure development and other opportunities that China's presence could open to them. But in the new regional geopolitical game, it is abundantly clear that Beijing is the main player and Moscow an increasingly keen supporter. The region described by the British strategist Halford Mackinder more than a century ago as the pivot of Eurasia has moved firmly into the Middle Kingdom's orbit. ■