

## SOUTHWESTERLY ENLARGEMENT OF GREATER CHINA

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The beginning of the 21st century provided a new platform for viewing the relations between the West and East in the world economy and politics. Three factors were largely conducive to this—the rapid economic upswing of

China and India (two sleeping giants of the past century), the powerful upsurge in the demographic potential of the Islamic world, and the demographic decline in the area where Western cultures are widespread, which caused a securi-

ty crisis and gave rise to a nervous reaction in the West to the risks and challenges in this sphere. After becoming involved first in the Afghan, and then in the Iraqi war, the U.S. began to have doubts about the unconditional nature of its leadership in the world, thus giving China and other Asian states (beyond the Near and Middle East) time to catch their breath after the 1997-1998 crisis and show greater initiative in resolving the tasks they faced.

One of the results of this reassessment of the situation is the idea of China's growing "region-forming" role, which being the country with the largest population on the planet, is transforming before our very eyes into the largest world economy. It is a well-known fact that today's economic progress is distinguished by high energy intensity. It is particularly high in the developing Asian economies, such as China and India. The PRC already occupies second place in the world (after the U.S.) in terms of energy consumption.

Energy requirements are one of the reasons China is extremely interested in creating safe conditions for delivering the energy resources it needs

to ensure invariable economic growth. There are doubtlessly other geo-economic and geopolitical factors explaining the PRC's interest in forming and reinforcing regional security all along its borders. A.D. Voskresenskiy sees the increase in the Chinese factor and the country's influence as the reason for the recent contraction of the traditional regions of Northeast, Southeast, South, and Central Asia into a single, interrelated East-Asian regional complex.<sup>1</sup> The formation of Greater East Asia (or Greater China) is still in its infancy. Nevertheless, we should agree both with the analytical substantiation of the author's conception, and with his assertion that such a large regional complex is based not so much on politico-ideological preferences, although they are also important, as on ideas of security and objective patterns of the growing integration under globalization conditions of contiguous, but in the recent past rather isolated and topographically clearly designated, regions.

<sup>1</sup> See: A.D. Voskresenskiy, "Bolshaia Vostochnaia Azia," in: *Mirovaia politika i energeticheskaia bezopasnost*, Moscow, 2006, pp. 26-28, 48-49.

## Western Vector of the Chinese Transport and Energy Strategy

Despite the objective formation of regional security and cooperation complexes, we cannot ignore the fact that they are developing in a sphere where entirely subjective political interests and national geopolitical strategies are interacting. In our particular case, the matter concerns the policy of the current PRC leadership regarding the development of the country's remote western and northwestern regions, which are a long way from the central, peninsular land mass and include two autonomous and strategically important regions—Tibet and Xinjiang-Uighur. This is not a new course in any way, rather the emphasis is on speeding up the implementation of an already existing policy.

Completion of the Qinghai-Tibet railway in the summer of 2006 is a very good case in point. It characterizes the achievements being made at the current stage of economic growth. The first branch of this railroad—from Xining, the capital of the province of Qinghai, to Golmud (at the foot of the Tibetan mountain range)—was laid as early as Mao Zedong's time. The line from Golmud to the capital of Tibet (Lhasa) began being built in 2001. The plans entailed laying a route of 1,142 km in length, most of which would pass through a high-altitude region of up to 5,000 m above sea level under condi-

tions of permafrost. The undertaking, which was impressive by all standards, was successfully carried out in five years.<sup>2</sup>

It is obvious that the current Chinese leadership (fourth generation leaders) is continuing the policy of the past, which implies smoothing out the regional disproportions. At the same time, this special feature of domestic policy extends to foreign policy—the “time link” can also be seen there. Since the end of the 1980s, Beijing has been elaborating plans to lay transportation corridors in the westerly direction. The Xinjiang-Uighur Autonomous Region (XUAR) is to be hooked up to the Soviet Central Asian transport system after uniting it with the main regions of the country by means of railways. This would make it possible to ensure the movement of Chinese freight in the northwesterly direction to the U.S.S.R. and on to Europe. In September 1990, the section of railroad between the province of Gansu and the XUAR went into operation. At that time, a ceremony was held at the border station of Alashankou (Friendship, now Dostyk) where the Chinese railroad network met up with the Soviet. The regular shipment of freight began in 1991, while passenger travel began a year later, along the railroad joining China with Kazakhstan. In 1999, another branch was laid from the capital of Xinjiang (Urumqi) in the westerly direction to the border with Kyrgyzstan.<sup>3</sup>

Nevertheless, after the disintegration of the U.S.S.R. and the economic crisis that engulfed the post-Soviet space, the PRC’s plans to build this bridge between Asia and Europe had to be postponed. In addition, after 1993, when the country began importing crude oil (prior to that it was a net exporter), energy security became a top priority.

Beijing encountered great difficulties in solving this task. China began importing most of its oil from the Middle East. A fleet of tankers delivered a rapidly increasing volume of crude oil to the Chinese ports (mainly those in the south) from Saudi Arabia, Iran, and the Gulf states. By 2000, China’s import had increased to 50 million tons. In the next five years, the volumes of oil imported by the PRC dramatically rose, exceeding the forecasts by approximately 40%. In the middle of the decade, the PRC had already imported 160 million tons (3.2 million barrels a day) and continued to depend on the Persian Gulf countries and Africa to supply it with 75-80% of its needs.

China’s continued high dependence on oil deliveries by sea—through the northern basin of the Indian Ocean—was due to Beijing’s not entirely successful attempts to diversify its sources for obtaining this raw material. The northwesterly direction was particularly attractive to Beijing from the beginning. The improvement of relations with post-Soviet Russia, which occurred in the mid-1990s, made it possible to count on extremely advantageous (from the viewpoint of transportation to the PRC) development of Siberia’s large hydrocarbon fields. A framework agreement on planned natural gas deliveries from the Kovykta field (close to Irkutsk) to China was signed by high-ranking officials of the two states as early as 1997. At that time, discussion began of laying an oil pipeline from Taishet through Angarsk (close to Irkutsk) to northeast China (through Mongolia). But the cherished dream of completing this project in three years was not destined to come true.<sup>4</sup> Incidentally, since the beginning of 2000, the Chinese have been receiving steadily growing volumes of oil from Russia by rail, but these deliveries could not meet their demands and were rather expensive. The share of Russian oil in China’s entire import increased to 8%, and the amount of oil to approximately 13 million tons.<sup>5</sup>

<sup>2</sup> See: W. Lam, “The Qinghai-Tibet Railway: China’s New Instrument for Assimilation,” *The Jamestown Foundation, China Brief*, Vol. 6, No. 11, 5 July, 2006, available at [[http://www.jamestown.org/publications\\_details.php?volume\\_id=415&issue\\_id=3789&article\\_id=2371247](http://www.jamestown.org/publications_details.php?volume_id=415&issue_id=3789&article_id=2371247)], 14 March, 2007.

<sup>3</sup> See: L. Kondrashova, Ma Wenzhe, “PRC: Choice of Regional Priorities,” *Far Eastern Affairs*, No. 1, 2005.

<sup>4</sup> See interview with the then head of the YUKOS Oil Company M. Khodorkovskiy, who, judging by everything, was one of the main initiators of the “Chinese” project, *Ekspert*, No. 3, 2000, p. 23.

<sup>5</sup> See: N. Norling, “Russia’s Energy Leverage over China and the Sinopec-Rosneft Deal,” *China and Eurasia Forum Quarterly*, Vol. 4, No. 4, 2006, p. 32.

In 1997, China began importing oil from Kazakhstan, also in tank cars by rail. By the mid-2000s, the amount of Kazakhstani oil shipped by rail reached 4-5 million tons, and in 2007, it is expected to reach 8 million tons. After the plans to quickly build an oil pipeline from the Irkutsk Region fell through in 2003, Beijing was forced to place its main hopes on the prospect of obtaining oil from Kazakhstan, although the Kazakhstani pipeline was twice as long as the intended Russian one.

Despite certain achievements in developing the western and northwestern vectors (at the end of 2005, an agreement was reached with Russia on laying an oil pipeline from Siberia to China, the first stage of which—to the Chinese border—is to be finished by the end of 2008), the Chinese leadership is worried that most of the raw material will continue to be shipped, if nothing changes, along a route that has several bottlenecks—the Bab al Mandab Strait at the outlet from the Red Sea, the Strait of Hormuz at the outlet from the Persian Gulf, and the Strait of Malacca at the entrance to the South China Sea. The last stretch of the tankers' route of almost 1,000 km in length, which lies between the coasts of Malaysia and Indonesia, is particularly narrow.

At the beginning of the 1990s, the northern basin of the Indian Ocean became an arena for pirate activity. Rapacious attacks on merchant ships reached their peak in 2003-2004. As a rule, pirates were not interested in oil-loading ships as such, but they could at any moment become targets for politically motivated terrorist attacks. After the devastating tsunami in December 2004, the Indian Ocean became an "unreliable" place for purely natural reasons as well.

The geopolitical aspect can also be considered significant. U.S. naval forces ensure the safety of the Strait of Malacca, and this could turn into a factor of pressure on their potential adversaries, of which the PRC is one of the most obvious. The projection of American power in the region, where an "invisible axis" of confrontation lies between Beijing and Washington and in which Taiwan is located, the further fate of which could send peace and security sky-high, cannot help but concern the Chinese leadership, which perceives American policy as a strategy of deterrence, geopolitical encirclement, and an attempt to clamp down on China.<sup>6</sup>

This perception of Washington's policy and the demands for energy security can most likely explain the energetic steps of the current Chinese authorities aimed at searching for new ways to ensure the uninterrupted, most economically advantageous, and geopolitically reliable import of raw hydrocarbons. In addition to the Middle East and the Central Caspian Region, the PRC's attention is also being drawn to distant continents, such as Africa (the Sudan and Nigeria) and Latin America (Venezuela, Ecuador, and Argentina). There is nothing surprising in the fact that Beijing has also turned its sights to the region of South and West Asia contiguous to China.

## Southwesterly Course

A turn came in 2001, which was rich in dramatic events and significant in terms of global political changes. It is a well-known fact that China has had strained relations with its main neighbor in Asia—India—for more than three decades (from the end of the 1950s to the beginning of the 1990s). The border disputes and conflicts of interests in the zone where their control intercepted in the Himalayas escalated into the short-lived border war of 1962, which Beijing won, and then into its policy of "controllable tension" with respect to its neighbor.

Against this background, Pakistan became the PRC's main partner in South Asia. China's geopolitical policy regarding the region located to the southwest of its borders began to gradually change after the end of the 1980s, but today 1993 marks the time when then PRC leader Jiang Zemin visited

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<sup>6</sup> See: Hu Shisheng, "China's South Asia Policy and its Regional Impact," in: *Major Powers and South Asia*, Islamabad, 2004, pp. 306-310.

India and after which the significance of China's military-technical cooperation with Pakistan began to decline. After passing through several stages, one of which saw a perceptible deterioration in relations with India (during the year after it carried out underground nuclear testing in May 1998), Chinese-Indian interrelations underwent an upswing, the gist of which was competitive cooperation, that is, cooperation in some areas of the international economy, along with politics and rivalry in others.

In the second half of the 1990s, a gloom was cast on the relations between China and Pakistan by the latter's support of the Taliban movement. This support also went indirectly (by means of the Taliban), and very possibly directly too, to the international Islamic radicals headed by Osama bin Laden and his underground network organization, al-Qa'eda. There were also Chinese Uighurs among those who underwent training with radically-minded instructors (in religious schools and seminaries of Pakistan and Afghanistan). When they returned home, they frequently became the instigators of political actions and participated in uprisings, terrorist acts, and sabotage. These phenomena engulfed the XUAR at the turn of the 1980s-1990s and only began dying down slowly afterwards.

After 11 September, 2001, the Pakistani leadership refused to maintain official relations with the government of the Afghan Taliban and dissociated itself from the activity of al-Qa'eda and the religious extremists related to it, including of course the Uighur Islamists and nationalists. In this way, Islamabad's transfer to the international counter-terrorist forces helped to improve its relations with Beijing, which began to be less worried about keeping law and order in the Xinjiang-Uighur Autonomous Region.

The results of the new rapprochement were manifested as early as 2002, when Gwadar, a large deep-water port located to the west of the Makran coast of Pakistan, began being built with the help of the PRC.<sup>7</sup> The project for turning Gwadar, which is located 100 km from the coastal border with Iran and approximately 400 km to the east of the Strait of Hormuz, into a large seaport has existed since 1964, but Pakistan did not have its own funds to build it and foreign resources were long absent. The potential significance of the Makran coast increased after China began laying the high-mountain highway in 1967 linking Xinjiang-Uighur with part of Jammu and Kashmir controlled by Pakistan (in the region of the Hunjrab pass) through the Karakorum mountain range. The route, which was called the Karakorum highway, was opened in 1978.<sup>8</sup> Regular movement along it began a little later and reached its full proportions in the mid-1980s. The road along the extremely topographically difficult route was primarily of military-logistic significance. It was widely used in 1979-1989 for shipping weapons, armaments, and other military hardware intended for the mujaheds (fighters against the government troops of Kabul) to the PRC. Incidentally, the route was narrow and for almost six months was closed due to weather conditions.

No matter how difficult movement was along the Karakorum highway, its building was of great symbolic and practical significance. It became a real link between East and South Asia, the first sign of revival of the southern route of the Great Silk Road, the one along which contacts between the Chinese and Indian civilizations were made in the olden days and Buddhism migrated to the East.

India regarded the building of the Karakorum highway as a strategic threat and an attempt to "engulf" it from the northwest. The government statements and protests from the Indian public did not, however, have any particular effect. Since the mid-1980s, the Pakistani leadership, as strange

<sup>7</sup> See, in particular: N.A. Zamaraeva, "Pakistanskiy port Gvadar v regionalnoi strategii Kitaia," available at [[www.iimes.ru/rus/stat/2006/12-11-06.htm](http://www.iimes.ru/rus/stat/2006/12-11-06.htm)]; R.R. Chaturvedi, "Interpreting China's Grand Strategy at Gwadar," *Peace and Conflict*, Vol. 9, No. 3, March 2006, pp. 4-5.

<sup>8</sup> See: V.Ia. Belokrenitskiy, V.N. Moskalenko, T.L. Shaumian, *Iuzhnaia Azia v mirovoi politike*, Moscow, 2003, p. 118, 175; R.M. Mukimdzhanova, *Strany Tsentral'noi Azii. Aziatskiy vector vneshney politiki*, Moscow, 2005, p. 84.

as it may seem, inhibited a further increase in the highway's role. The country's military dictator, M. Ziya-ul-Hak, took an acquaintance-making trip along it in 1984. He visited the main cities of Xinjiang (Kashgar and Urumqi) and, being a devout Muslim, asked the Chinese authorities to open up long-closed local mosques. It is believed that by meeting the wishes of its then ally in the fight against the U.S.S.R., the Chinese leadership strengthened the Islamists' position. The Hunjrab pass was not opened to border trade until 1993. The volumes of freight along it were long determined at only 1-3 million dollars. Nevertheless, after the above-mentioned turn in Islamabad's policy, the Karakorum highway began to be more actively used to develop both border and regular trade between the PRC and Pakistan.

By 2001, the Chinese-Pakistani trade turnover reached one billion dollars, and over the following years it increased six-fold. This rapid growth fits the overall context of China's movement from Xinjiang in the southwesterly direction. It can be said that at the beginning of the 21st century, Beijing placed special emphasis on developing trade and economic relations and cooperation not only with India, on which the main attention is focused when analyzing the situation in East and South Asia, but also with Pakistan. China invited Pakistani President General Pervez Musharraf to make three official state visits to the PRC—in 2002, in 2003, and in February 2006. In 2004, Pakistani Prime Minister Shaukat Aziz went to China. The Chinese leaders visited Pakistan less frequently and usually combined these trips with visits to India. In the spring of 2001 and 2005, premiers of the Chinese State Council Zhu Rongji and Wen Jiabao came to Pakistan. During the visit of the latter, the two countries signed a Treaty on Peace, Friendship, and Good-Neighborly Relations, as well as 22 agreements on cooperation in the defense, political, trade, and economic spheres.<sup>9</sup> In November 2006, PRC Chairman Hu Jintao visited Pakistan.

Despite the fact that Washington gave Pakistan the status of the U.S.'s main ally outside NATO (in the struggle with terrorism), China continued to develop multifaceted military-technical cooperation with it. The sides arranged for the joint production of JF-17 airplanes (of the American F-16 class), as well as two state-of-the-art frigates in the Karachi building berth. Moreover, Chinese military hardware, including another three frigates, fighter planes, and other armaments, were delivered to Pakistan.<sup>10</sup>

Incidentally, the livelier bilateral contacts between the PRC and Pakistan were not restricted to military-strategic goals. Direct Chinese investments in the Pakistani economy were estimated at the end of 2004 to reach 4 billion dollars. China helped to build more than 100 facilities in Pakistan, at which approximately three thousand Chinese managers, specialists, and builders worked. By the beginning of 2006, the number of Chinese companies in Pakistan rose to 360, and, according to some estimates, they constituted more than half of all the foreign companies.<sup>11</sup>

Joint efforts are mainly being directed toward building the Gwadar port. The Chinese side agreed to participate in financing both the first and the second construction phases, by providing up to 80% of the expenses. Dredging made it possible for marine vessels carrying hardware for erecting the port facilities to enter the Gwadar bay as early as 2003. According to the data for 2006, the PRC spent approximately 200 million dollars and Pakistan 50 million (approximately 3 billion Pakistani rupees) to build three multi-functional docks.<sup>12</sup>

<sup>9</sup> See: "Pakistan, China Sign Treaty of Friendship," *Dawn*, 6 April, 2005.

<sup>10</sup> See: T. Niazi, "Thunder in Sino-Pakistan Relations," *The Jamestown Foundation, China Brief*, Vol. 6, No. 5, 2 March, 2006.

<sup>11</sup> See: "PM Outlines Incentives for Chinese Investors," *The News International*, 18 December, 2004, available at [www.thenews.com.pk]; "Pakistan an Emerging Economic Hub, Says Musharraf," *Dawn*, 24 February, 2006.

<sup>12</sup> See: S. Ramachandran, "China's Pearl in Pakistan's Waters," *Asia Times Online*, 4 March, 2005, available at [www.atimes.com].

## Difficulties with Implementing Projects

Furthermore, the construction work at Gwadar underwent many delays. There were two main reasons for this—the unsettled situation in the province of Baluchistan, where the port is located, and the low efficiency of the Pakistani contract companies, which is largely related to the corruption of officials and the slowness of the bureaucratic machinery.

Baluchistan has been a “sore spot” for Pakistan since the latter came into being in 1947. The desert located to the west of the lower reaches of the Indi (the historical region of Sind) was topographically part of the Iranian foothills, which are culturally and historically closely related to the Persian-Afghan world. The area where the Baluchi tribes reside currently encompasses not only Pakistan, but also the south of Afghanistan (the province of Hilmand), as well as the west of Iran (the Sistan *ostan* and Baluchistan).

The movement for greater independence (real autonomy), which passed through several stages, lost its force and popularity after the end of the 1970s, not becoming revived again until the beginning of this century. Aggravation of the struggle escalated into a series of terrorist acts—assassination attempts on government officials, explosions of gas pipelines, firing on administrative buildings, roads, etc. from grenade launchers. In response, the government sent additional contingents of troops into the province and began engaging in task force-search and counter-terrorist activity. These measures, after taking a certain effect, also increased the scope of the discontent and internal resistance. Leftist organizations, primarily the Baluchi Liberation Front, People’s National Party, and others, traditionally play a leading role in the opposition circles. For tactical reasons, certain elements from among them could, it is believed, coordinate their actions with the Islamists, who raised their heads again at approximately the same time as the Taliban and al-Qa’eda.<sup>13</sup>

The opposition groups functioning in Baluchistan were displeased about the fact that China was helping to build the port of Gwadar, as well as other facilities (in particular a highway connecting Gwadar with Karachi). Chinese specialists working in the province became the victims of oppositionists several times—in May 2004, three Chinese were killed and nine wounded (a total of 450-500 Chinese construction workers were employed there) on the road to Gwadar. In October of the same year, terrorists launched a new attack on engineers from the PRC in Quetta. At the beginning of February 2006, another three Chinese specialists were killed in Gwadar. Almost immediately following this incident, Pervez Musharraf made his above-mentioned visit to China. One of his goals was to alleviate the negative impression left after the terrorist act and convince the Chinese side not to slow down the cooperation rates with Pakistan.

At that time, violation of the deadlines for completing the initial stage of building the Gwadar port became aggravated. According to the agreements, the construction of the first three docks was to be completed at the beginning of 2006, but the Pakistani contractors were unable to finish the work on time. It became clear later that the Chinese engineering port company responsible for building Gwadar intended to send the Pakistani government a bill for 1.6 million dollars for not finishing the construction on time (there was a delay of eight months). The fine was supposed to compensate for the losses incurred, while the company was forced to stand still and not begin its second stage of activity.<sup>14</sup>

<sup>13</sup> See: Z. Haider, “Baluchis, Beijing, and Pakistan’s Gwadar Port,” *Georgetown Journal of International Affairs*, Winter-Spring 2005, p. 97.

<sup>14</sup> See: K. Mustafa, “Delay in Gwadar Port Project Causes \$500m Loss,” *The News International*, 4 January, 2007, available at [www.thenews.com.pk].

## Overcoming Difficulties

We should keep in mind that the provisional arc that links Xinjiang to the Arabian Sea through Pakistan is not the only direction that China can essentially choose to resolve the above-mentioned problem of ensuring the security of its oil deliveries from the Middle East and Africa. In addition to the southwest (Pakistani arc), there are several alternative hypothetical routes. One of them is the central route, its outlet from Tibet to the Bengal Straits via Nepal, India, and Bangladesh, but it is too complex in the topographic respect and simply unrealistic in the foreseeable future. Another vector is the route from the southern provinces of the PRC via Myanmar to the Bengal Straits and the Andaman Sea. The route from Kunming (the Yunnan province) to Sittwe on the Myanmar coast of the Bengal Straits is still at the planning stage. Both cooperation with regional partners, in particular with India (the Kunming initiative of cooperation among China, India, Myanmar and Bangladesh), and independent actions, which could be perceived in India as an attempt to bypass it from the opposite direction to Pakistan, are possible during its development.

In 2004, Beijing regarded the project for building a large oil refinery on the western side of the Thai part of the Peninsula of Malacca and building a land bridge—an oil pipeline of 220 km in length ensuring access to the Gulf of Siam—as another alternative in order to avoid the bottleneck in the Strait of Malacca. However, the dramatic rise in world steel and rolled pipe prices in 2005 made it necessary to postpone the financial and technological estimates related to this project.<sup>15</sup>

For all the above-mentioned reasons, the southwest vector in China's strategy appears to be the most preferred for ensuring energy security. It is worth noting that the situation in Baluchistan settled down by the fall of 2006 (after the death in August of Akbar Khan Bugti, one of the main instigators of resistance to the government).

The visit to Pakistan by PRC Chairman Hu Jintao in November entirely justified the hopes of the Pakistan side. The question of insisting on a penalty for the delay in the construction work at the Gwadar port was closed. Pakistan and China came to terms on new deadlines for completing the first phase of construction. The opening ceremony took place in March 2007, and the first phase was to go into operation by the end of the year.

During the visit, the sides confirmed their intention to begin widening the roadbed of the Karakorum highway from 5-10 to 15-30 m. A principal agreement on this (a memorandum of understanding) was signed in June 2006. The cost of the project, which will primarily be carried out by a Chinese road and bridge building company, is estimated at 794 million dollars.

The Pakistani president suggested building a Karakorum railway, but at this stage the PRC considered it only possible to modernize railroad communication from the terminal in Havelian in the north of Pakistan to Sind (with a branch to Gwadar).

Turning the entire length of a high-mountain road into a multi-lane highway or laying a railroad conduit in extremely difficult topographical and climatic conditions are extremely complicated tasks, but building the Qinghai-Tibet railway is making the government take these plans very seriously.

Even without taking into account the increased capacity of the trade and transport corridor between the north of Pakistan and northwest China, reciprocal trade is expected to almost double by 2008 (to 8 billion dollars), and to 15 billion dollars in the next five years, with an increase in the flow of goods being shipped via Karakorum.

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<sup>15</sup> See: C. Hirst, *China's Global Quest for Energy, Wash., 2006. A Report for the U.S. Government*, p. 3, available at [www.iags.org].



We will emphasize again that the trade and transport element of the southwest Greater China arc is being supplemented with an energy component. If the designated construction plans are carried out, the Gwadar port will have a total of 12 docks (sea terminals) in the relatively near future, three of which are intended for oil tankers. Tankers and other large seafaring vessels (including floating bases) will be able to enter Gwadar thanks to the plans to dredge it to a depth of 14.5 m. Crude oil, reloaded onto special trucks and/or into rail tank cars, will travel on through Pakistan right to the PRC.<sup>16</sup>

There are plans to build a large oil refinery with a capacity of 10.5 million tons of raw material a year in the region of the Gwadar port. The Chinese side has already announced its desire to participate in this construction and, according to the reports in the Pakistani press, is willing to invest up to 12.5 billion dollars in the Gwadar petrochemical complex. It is presumed that in the future, the capacity of the above-mentioned enterprise will increase to 21 million tons, and the building of yet another plant will make it possible to raise the refining potential of the Gwadar industrial zone to 30 and 40 million tons a year.

The shipment of petroleum products by land will undoubtedly be more economically justified than the transportation of crude oil. At the same time, the project to lay an oil pipeline, as well as a gas pipeline, along the Karakorum route (parallel to the highway) is just as promising and apparently technically and economically more realistic. In so doing, plans are appearing in the press for transporting oil from Saudi Arabia and building a Saudi-Chinese trans-Karakorum oil pipeline. Pakistani officials are making proposals about the possibility of transporting oil from Iran and Africa along the same route.

At the beginning of 2007, all of these intentions became even more realistic due to the decision of the Pakistani government to transfer Gwadar to the management of the International Administration of the Singapore Port. This company is the biggest operator of port facilities (20th in eleven countries from Singapore to Holland). It agreed to invest 4 billion dollars in building the second and third lines, after the above-mentioned Chinese engineering port company finishes building the first.

Although China, in the words of Pakistani Prime Minister Shaukat Aziz, did not make any claims to future development and management of the port (in contrast, we will note, to the previously reached agreements), it is still very interested in developing Gwadar, and its influence on the building and further fate of the energy and economic center being created on the Makran coast is extremely significant, if not decisive.

## Possibilities of Expanding the Southwest Arc

The trade and transport and economic significance of Gwadar, and of Pakistani Baluchistan as a whole, is not limited just to the northwesterly direction, toward the PRC. The plans to link Gwadar with Iran and Afghanistan by means of highways can be carried out with relative ease. Roads can be built from the port to the northeast, parallel to the Pakistani-Iranian border. It links Gwadar with the Saindak region, where significant copper and gold reserves have been found. Incidentally, Chinese companies have already received a concession for their development. Transportation routes from Saindak, which are linked to the highway built as early as the 1960s leading from Karachi to the Iranian border, stretch to the Iranian town of Zahedan and Afghan Kandahar. From the latter, ship-

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<sup>16</sup> See: "China Interested in Himalayan Pipeline," *The News International*, 24 October, 2006, available at [www.thenews.com.pk].

ments from Gwadar could reach Central Asia (Turkmenistan and Uzbekistan) by a shorter route along the Afghan ring road (it is being actively restored and reconstructed with Western, mainly American, help).

Iran and Afghanistan's involvement in the southwesterly enlargement of Greater China meets their vitally important interests. A significant percentage of the crude oil imported from the Persian Gulf zone is Iranian, amounting to 13.6% in 2004. According to some information, Iran later occupied first place among the oil deliverers to China. Beijing showed an interest in assimilating the new fields discovered in Iran (primarily Yadavaran, the reserves of which are assessed at 2.7 billion tons). An agreement on China's participation in this project was reached in 2004, and a contract was signed in 2006. It is characteristic that along with the state China Petroleum & Chemical Corporation (51% of the shares), the state oil and gas corporation of India (25%) and the Shell Company (20%) belonged to the concern. Production is expected to reach 7.5-15 million tons a year after 2009.<sup>17</sup> Another promising Chinese-Iranian cooperation project is assimilating the largest gas field, North Pars. The transaction is preliminarily estimated at 20 billion dollars. Long-term plans also include building an oil pipeline 368 km in length from Iran to the north—to Turkmenistan and Kazakhstan—with a hookup to the Kazakh-Chinese pipeline. This route, which forms a wide arc, will make it possible to avoid the dangers of transporting energy resources by sea.

Judging by everything, Beijing approves the plans to build a gas pipeline from Iran through Pakistan to India. This project has been at the coordination stage for several years (since Indian-Pakistani relations warmed up in 2003). The cost of the construction is currently estimated at 7.5 billion dollars. Despite the rather hefty expenses, the governments of the three countries say they are willing to begin carrying out the mentioned development. The main obstacle is ostracism, which Iran is subjected to by the U.S. due to its nuclear program. At the beginning of 2007, Islamabad openly rejected America's involvement in resolving this question. Pakistani officials (along with Indian), probably with China's moral support, held a series of talks with the Iranian side regarding the building of a gas pipeline. The Pakistanis and Indians were long unable to come to terms on the price of Iranian blue fuel, but in the end a compromise seemed to be reached.

If trilateral (Iranian-Pakistani-Indian) cooperation regarding building of a gas pipeline is successful, it could eventually develop into cooperation with the PRC in this sphere: routes can be laid there both from India, and from Pakistan.

It is known that India and Pakistan are competing over restoration of Afghanistan's economy, as well as in the region's integration programs from the Indian Ocean to the center of Eurasia. In counterbalance to the project for building the Gwadar port and the vertical leading from it to Central Asia, India is helping Iran to build the port of Chah Bahar located at the entrance to the Persian Gulf. There are plans to improve the road leading from it to Zahedan, with further access to Afghanistan (to Hilmand and Kandahar). Despite the competition of these projects, behind which Indian-Chinese rivalry is also seen, the existence of various routes linking Afghanistan (and through it also Central Asia) with the World Ocean does not contradict the development goals of this region, which can be described as enlarging Greater China or Greater East Asia in the southwesterly direction.

### *C o n c l u s i o n*

It should be emphasized again that the PRC's growing economic potential is creating a strong field of regional and interregional interaction around it. China's economic development at the begin-

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<sup>17</sup> See: A. Maleki, *Iran and China: Dialogue on Energy*, Harvard University, 15 May, 2006, available at [bcasia.ksg.harvard.edu], p. 30.

ning of the 21st century is characterized, among other things, by the following two special features. The existence of large amounts of cheap and disciplined workers in combination with contemporary technical and technological achievements is allowing the PRC to implement transport construction projects under complicated and extreme conditions, which are difficult to realize within the framework of any other sociopolitical and national system. This is opening up opportunities for assimilating the mountainous and high-altitude areas of East as well as Central Asia (Tibet, Pamir, and even the Himalayas).

The second special feature consists of China's independence on the import of energy resources. At this stage, its economy is feeling an oil pinch, but in the near future, the PRC will in all likelihood also become a net importer of natural gas, which can replace oil and petroleum products as the primary source of energy.

Both of these features are making Beijing's plans to assimilate the mainland space near and around China, which is rich in oil and gas deposits, pertinent and vitally important. In addition to using the oil and gas fields to the west (the Central Asian-Caspian region) and northwest of it (the West and East Siberian regions), the building of energy transportation corridors from Xinjiang to the southwest—to the higher quality and cheaper hydrocarbon supplies of the Persian Gulf zone—is also promising certain prospects.

The creation of an energy corridor is an extremely important, but not the only argument in favor of the idea of a southwest projection of the Chinese economy. In addition to electric power, the trade and transportation component of the route from Xinjiang to the Arabian Sea is also significant. If the Karakorum highway is improved, the high-mountain route will become rather a prominent artery, although not all the year round, linking the center of Eurasia with the World Ocean.

Assimilation of the Makran coast of Pakistan is also very important from the viewpoint of the PRC's geopolitical and military-strategic interests. This will make it possible for Beijing to designate its presence close to the Persian Gulf, Red Sea, and Horn of Africa, in so doing challenging the domination of the U.S. and its allies in the region, which is a key one due to safety of the sea routes of great importance to China. The reasons for the rivalry with India, which is building up its naval might in the northern basin of the Indian Ocean, are also playing their role, particularly since India is likely to form a strategic block with the U.S., Israel, and the European states.

It is extremely curious that at this historical stage China's unpublicized intentions to build a route from Xinjiang to the southwest do not seem to contradict America's Expanded Central Asia or Greater South-Central Asian Expanse plans. This is explained by the fact that the U.S. and its NATO allies are taking responsibility for the foot work to establish civil order and security in the interior regions of this wide belt, which stretches from Central Asia in the north to Afghanistan and Pakistan in the south. The West is directing most of its efforts and resources in Afghanistan to these purposes in particular, without apparently giving the necessary attention to improving the economy or resolving social tasks. It is possible that in three to four years, after creating a national army in this country and convincing everyone of its ability to maintain relative peace and order, the U.S. will withdraw most of its armed forces from this country, leaving other states and international corporations to continue economically developing the Afghan market, as well as the country's natural resources. If this hypothetical alternative comes to pass, China will most likely have an advantage over other global and regional players.

The policy for ensuring stability and peaceful coexistence, as well as fighting terrorism, separatism, and extremism also fully meet Russia's interest. It is advantageous for Moscow to support the involvement of foreign forces which are not aimed at directly or indirectly ousting it from the geopolitical and geo-economic field of Central Eurasia (Central Asia and the Southern Caucasus). Precisely these territories can be considered part of the enlarged regional system of Greater Russia in the future. For several reasons, the Kremlin's interests are irreversibly shifting from the West to the East of Eurasia

and are orienting its regional (Eurasian) policy toward the south and southeast. In so doing, Russia has two flanks—the southern (Caucasian-Iranian) and the eastern (Far Eastern-Chinese), between which the central (Siberian-Central Asian) is located. All of them are interrelated, differing only in their specific characteristics.

In the central vector, Moscow is coming up against rival projects—American and Chinese; the outcome of this rivalry is difficult to second guess. We all know that elaborating details can create all manner of pitfalls, and the success of a particular program depends not on its analytical beauty and perfection, but on the efficiency of the systems (political, economic, social) putting it into effect.

At this stage, all the geopolitical and geo-economic mega-regional projects do not seem to be mutually exclusive. They fit into the ideas of open regionalism, and most likely supplement each other, interact, and correlate, rather than contradict. The reciprocal application of macro-regional constructs is opening up opportunities for competitive cooperation, as a result of which everyone should win (although not to the same degree). This “competition in interaction” model, or efficient rivalry, corresponds to the ideas of multilateral cooperation security in counterbalance to collective leadership cooperation as such.<sup>18</sup>

In conclusion we will note that the economic transformation of Asia’s mainland expanses is still at the initial stage, despite the fact that theoretical elaboration has been going on in this area for a long time, and specific drafts and memorandums on understanding date back to the beginning and middle of the 1990s. All the same, despite the objective difficulties of contracting regions and forming political-economic macro-spaces in this part of the world, steps are obviously being made in the right direction. However we should not expect any rapid results. Nor should we exclude long halts caused by the combined effect of diverse political, economic, and scientific-technical factors.

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<sup>18</sup> For a model of such a security system, see: A.D. Voskresenskiy, *op. cit.*, p. 110.