

## SOME OF CHINA'S GEOPOLITICAL VECTORS IN CENTRAL ASIA

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### *Introduction*

The current stage of international relations is characterized by intensive rivalry among a whole number states over the establishment of a new world order. The end of the bipolar system after the collapse of the U.S.S.R. gave rise to a systemic vacuum which the world power centers have different ideas about filling. The United States sees itself as the world leader, that is, it is essentially striving to a unipolar system. Talking in September 2010 at the Council on Foreign

Relations, U.S. Secretary of State Hillary Clinton said literally the following: "Let me say it clearly: The United States can, must, and will lead in this new century."<sup>1</sup> Several countries, in particular China and Russia, which Washington regards

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<sup>1</sup> Secretary of State Hillary Rodham Clinton, *Remarks on United States Foreign Policy*, Council on Foreign Relations, US State Department, Washington, DC, available at [<http://www.state.gov/secretary/rm/2010/09/146917.htm>], 8 September, 2010.

as its main potential rivals, do not agree with this position.

In light of the current events, the policy of the People's Republic of China (PRC) is acquiring particularly importance. It is obvious that this country is playing a very important role in world policy and that this role will continue to grow as time goes on. China has all the attributes of a great power. Several well-known experts have already classified the PRC as an economic superpower.<sup>2</sup>

<sup>2</sup> See, for example: F. Bergsten, Ch. Freeman, N. Lardy, D. Mitchell, *China's Rise. Challenges and Opportu-*

Some of them even think that whereas during the first 30 years of the economic reforms, China's integration into the outside world was the key imperative, during the next three decades, the PRC will put the main emphasis on establishing a world order that encompasses the entire globe.<sup>3</sup> Beijing sees the future world order as multipolar.

*nities*, Peterson Institute for International Economics, Center for Strategic and International Studies, Washington, DC, 2008, p. 9.

<sup>3</sup> See: M. Leonard, *What Does China Think?* Public Affairs, New York, 2008, p. 24.

## China in the Present-Day World

During the past few decades, China has been making phenomenal progress in its economic development and in strengthening its defense potential, while also noticeably fortifying its position in some of the planet's strategically important regions. And this is keeping in mind that the country is not in a very favorable geopolitical location. China is flanked in the east by countries that have close ties with the U.S. They include Japan, with its numerous islands, South Korea, Taiwan, the Philippines, various island states in the Pacific, as well as Malaysia and Indonesia. Its other traditional rivals, India and Vietnam, are located in the south. Recent trends show that Washington intends to use Delhi as a counterbalance to Beijing. China borders on Russia to the north and on Central Asia to the west, whereby there is rather intensive geopolitical rivalry going on among the various power centers in the latter.

According to Chinese analysts, a state's position is determined on the basis of comprehensive national strength.<sup>4</sup> Chinese analysts use this method to measure the following four subsystems of national power:

- (1) material or *hard* power (natural resources, economics, science and technology, and national defense);
- (2) spirit or *soft* power (politics, foreign affairs, culture, and education);
- (3) coordinated power (leadership organization, command, management, and coordination of national development); and
- (4) environmental power (international, natural, and domestic).

The PRC's national development strategy is based on the idea that economic power is the most important component of comprehensive national strength in an era when peace and development are the main global trends and a world war can be avoided. It is no accident that Beijing places top priority on the country's economic development.

<sup>4</sup> See: *Military Power of the People's Republic of China 2000*, Annual Report to Congress, Office of the Secretary of Defense, Washington, 2000, available at [<http://www.defense.gov/news/Jun2000/china06222000.htm>].

The development dynamics of the Chinese economy are simply astounding, its key indices being a graphic manifestation of this, particularly the gross domestic product. China's GDP amounted to 3.34 trillion dollars in 2007,<sup>5</sup> it reached 4.2 trillion dollars in 2008,<sup>6</sup> and in 2009 it increased by another 8.7%.<sup>7</sup> Over 30 years of continuous economic growth, China's economy has undergone an overall 15-fold increase, while its foreign trade turnover has risen more than 100-fold. According to U.N. Under-Secretary-General for Economic and Social Affairs Sha Zukang, these figures demonstrate the fastest economic growth in contemporary history.<sup>8</sup>

## The PRC's Energy Vulnerability

However, despite the truly astounding economic growth and military-building rates, the PRC will very likely soon encounter serious challenges with respect to maintaining the first and most important component of comprehensive national strength—material and hard power. As early as the beginning of the 21st century, PRC Minister of Land and Resources Tian Fengshan said that China's supplies of strategic resources indicate that the country will be unable to maintain its previous rates of rapid economic growth.<sup>9</sup> Energy resources are particularly important in this respect. In an article on the PRC's energy security, then Chinese Prime Minister Li Peng said that China should face up to the fact that its own oil production will not be sufficient to meet the economic development rates.<sup>10</sup>

China became an oil importer in 1993. In 2006, it was the PRC that accounted for 16% of world oil consumption.<sup>11</sup> The International Energy Agency's (IEA) annual report, *World Energy Outlook 2007*, indicates that by 2030 China's energy needs will reach 3.8 billion tons in oil equivalent compared to 2.1 billion in 2002.<sup>12</sup> In keeping with this scenario, by 2030 China will consume more energy than the EU, Russia, and Japan put together and, after surpassing the U.S., will occupy first place in the world with a world energy consumption of 22%.

The situation is aggravated by the fact that to compensate for the shortage of raw hydrocarbons, Beijing is going to have to import these strategically important resources from regions that are one way or another in the sphere of geopolitical influence of China's main potential rival, the U.S. For instance, in 2008 Africa's share in China's oil import amounted to approximately 30%, while the share of the Middle East in this same import constitutes almost 50%,<sup>13</sup> and this index could reach 80% by 2020.<sup>14</sup>

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<sup>5</sup> See: "China's GDP Grows 11.4 Percent in 2007," *Xinhua*, available at [[http://news.xinhuanet.com/english/2008-01/24/content\\_7485388.htm](http://news.xinhuanet.com/english/2008-01/24/content_7485388.htm)], 24 January, 2008.

<sup>6</sup> See: *National Economy: Steady and Fast Growth in 2008*, National Bureau of Statistics of China, available at [[http://www.stats.gov.cn/english/newsandcomingevents/t20090122\\_402534173.htm](http://www.stats.gov.cn/english/newsandcomingevents/t20090122_402534173.htm)], 22 January, 2009.

<sup>7</sup> See: Full Text: "Report on China's National Economic, Social Development Plan," *Xinhua*, available at [[http://news.xinhuanet.com/english2010/china/2010-03/16/c\\_13212790\\_2.htm](http://news.xinhuanet.com/english2010/china/2010-03/16/c_13212790_2.htm)], 16 March, 2010.

<sup>8</sup> See: "Deputy U.N. Chief: China Becoming Engine for World Economy," *Xinhua*, available at [[http://news.xinhuanet.com/english/2008-10/06/content\\_10154226.htm](http://news.xinhuanet.com/english/2008-10/06/content_10154226.htm)], 6 October, 2008.

<sup>9</sup> See: "China Threatened with Resource Deficiency," *Xinhua*, 12 March, 2001.

<sup>10</sup> See: Li Peng, "China's Policy on Energy Resources," *Xinhua*, 28 May, 1997.

<sup>11</sup> F. Bergsten, Ch. Freeman, N. Lardy, and D. Mitchell, op. cit., p. 141.

<sup>12</sup> See the corresponding sections in *IEA World Energy Outlook 2007* and *IEA World Energy Outlook 2002*, OSCE, Paris, 2003.

<sup>13</sup> See: F. Bergsten, Ch. Freeman, N. Lardy, D. Mitchell, op. cit., p.222.

<sup>14</sup> See: F. Fesharaki, K. Wu, *Outlook for Energy Demand, Supply, and Government Policies in China*, East-West Center, Honolulu, 29 July, 1998.

The same applies to natural gas. In accordance with a report on the development of China's energy industry for 2007, by 2020 natural gas consumption could reach 200 bcm, while the country itself produces only 100 bcm.<sup>15</sup>

This situation runs counter to China's guiding principle of relying on its own capabilities (*zili gengsheng*). It stands to reason that the PRC should do all it can to prevent events from developing along these lines. It would put China, a key global geopolitical player, in rather a vulnerable position, particularly since oil imports from the Middle East, Africa, and South America pass through areas of the World Ocean that are controlled by the naval forces of China's potential rivals, particularly the U.S.

## Central Asia: China's Energy Rear

Central Asia is acquiring a key role in this context. This region is rich in natural resources, particularly the raw hydrocarbons that China urgently needs. The Republic of Kazakhstan is one of the richest oil and gas countries of the region. Kazakhstan's natural gas reserves reach 2.35 tcm, 1.9 tcm of which are found in areas where oil is also produced.<sup>16</sup> In terms of oil reserves, the republic occupies first place in Central Asia. Kazakhstan President Nursultan Nazarbaev promised to produce 400 million tons of oil a year by 2015, which is the amount currently produced by Saudi Arabia.<sup>17</sup>

Turkmenistan is the leader in Central Asia in terms of natural gas reserves. The republic also has large oil reserves. In the surveyed part of Turkmenistan alone (and this is only one third of the republic's territory), oil reserves are estimated at 12 billion tons, while natural gas amounts to 23 tcm.<sup>18</sup> Uzbekistan is also rich in raw hydrocarbons. According to Uzbekneftegaz, the country's prospective reserves of natural gas are estimated at 5.429 tcm, a little more than 2 tcm of which have been surveyed.<sup>19</sup> However, the total amount of proven oil reserves in Uzbekistan is estimated at 5.3 billion tons, while condensate reserves amount to 480 million tons.<sup>20</sup>

This is why it is vitally important for Beijing to ensure raw hydrocarbon deliveries from Central Asia. This approach fully coincides with the oil strategy declared by several Chinese experts. In accordance with this strategy's provisions, "unless China invests the capital to control some oil resources, any even insignificant international economic, political, or military conflict could affect supply and demand on the spot market, causing severe interference to our oil imports to seriously undermine China's economic stability and sustained development."<sup>21</sup>

For strategic considerations, it is more beneficial for China to make arrangements for oil and natural gas to be delivered from Central Asia, with which it has a common border, than from more distant regions by sea. Zhang Wenmu, a researcher from the Chinese Institute of Contemporary In-

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<sup>15</sup> See: "Report: China to Import Half of Gas Demand by 2020," *Xinhua*, available at [[http://news.xinhuanet.com/english/2007-04/20/content\\_6003314.htm](http://news.xinhuanet.com/english/2007-04/20/content_6003314.htm)], 20 April, 2007.

<sup>16</sup> See: "Kazakhstan Natural Gas," *Agency France Press* (Atyrau), 10 May, 2000.

<sup>17</sup> See: "Kazakh Oil Output May Rival Saudi Arabia," *Reuters* (Almaty), 27 April, 2000.

<sup>18</sup> See: V. Gavrilenko, "Turkmenistan," *Krasnaia Zvezda*, 6 March, 1999, p. 4.

<sup>19</sup> See: A. Vladimirov, "Stavka na inostrannykh investorov," *Nezavisimaia gazeta*, 17 February, 1999, p. 4.

<sup>20</sup> See: M. Gafarly, "Na poroge neftianogo buma," *Nezavisimaia gazeta*, 11 July, 2000, p. 5.

<sup>21</sup> For more detail, see: Lin Ye, Zhang Zhong, "Models of Development and Trends in Investment for Multinational Oil Companies," *Guojia Maoyi*, 20 August, 1997, pp. 29-36, in: E.S. Downs, *China's Quest for Energy Security*, Rand, 2000, p. 20.

ternational Relations, believes the Central Asian oil market should be oriented toward China. "It is better to place the main stakes on oil and gas transportation by land, since China, which has the advantage of large land forces, is capable of ensuring the security of such deliveries," believes the Chinese researcher.<sup>22</sup> Moreover, arranging for deliveries of natural resources to the PRC will be one of the most effective ways to create interdependence between the PRC and the Central Asian states, which is one of the most important imperatives of the geopolitics of any state. In this sense, Central Asia could be China's energy rear.

So Beijing's main political strategy in the region is primarily aimed at convincing the Central Asian states that their increased cooperation with China will not pose a threat to their security. This is the message China conveys in essentially all the documents it has signed with the Central Asian countries. China's relations with Central Asia are built on the basis of the following principles: peace, cooperation, development, mutual wellbeing, progress, and mutual understanding. In almost all the official documents signed with the region's countries, Beijing invariably declares its adherence to principles of territorial integrity, non-interference in internal affairs, and equality. The PRC has offered the Central Asian countries security guarantees and announced its support of their independence.

But the PRC has not only been trying to unilaterally convince the region's states of its exclusively constructive intentions. The Central Asian countries have also been forthcoming in their support of China. A graphic example of this is the fact that the Central Asian countries condoned to recognize Taiwan as an integral part of China and pledged not to establish any official relations with the runaway province. It is interesting that China nevertheless acknowledged Uzbekistan's right to establish and maintain trade and economic relations with Taiwan at an exclusively nongovernment level.<sup>23</sup> This condition has not been envisaged in a single communiqué on the establishment of diplomatic relations signed with other countries of the region. It is possible that this was Beijing's way of underlining Tashkent's special status in the region.

As already mentioned, Kazakhstan has the largest oil reserves in the region and, in this respect, it stands to reason that Beijing's attention was first attracted by this state's oil fields. As early as the summer 1997, in a competitive struggle with American and Russian companies, the Chinese National Petroleum Corporation (CNPC) acquired 60% of the shares of the Aktiubinsk munaigaz Production Association, which controls three major oil fields in the north of Kazakhstan. The fact that the Chinese company was able to outmaneuver such oil giants as Texaco and Amoco in this bargaining was largely due to the extremely appealing conditions the Chinese offered. The CNPC pledged to invest 4.3 billion dollars over 20 years.<sup>24</sup> It also promised to pay the pensions and utility services of approximately 5,000 workers, service Aktiubinsk munaigaz's \$71 million debt, invest \$80 million in an environmental protection program, and also pay for the right to develop the subsurface.<sup>25</sup> The CNPC agreed to pay the Kazakhstan government dividends totaling \$320 million in advance, as well as carry out research on the possible construction of an oil pipeline costing \$3.5 billion from the field in Aktiubinsk to China.<sup>26</sup>

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<sup>22</sup> For more detail, see: Zhang Wenmu, "Meiguo de shiyou diyuan zhanyue yu Zhongguo Xizang Xinjiang diqu anquan (America's Geopolitical Oil Strategy and Security of China's Tibet and Xinjiang Regions)," *Zhanlueycguanli* (Strategy and Management), No. 2, 1998, pp. 100-104.

<sup>23</sup> For more on this, see: "China and Uzbekistan," Ministry of Foreign Affairs of the People's Republic of China, available at [<http://www.fmprc.gov.cn/eng/4467.html>].

<sup>24</sup> See: "China Takes Control of Kazakhstan's Aktiubinsk," *East European Energy Report*, No. 69, 24 June, 1997, p. 16.

<sup>25</sup> See: Sh. Behn, "CNPC Deal Tops \$4 Billion," *Platt's Oilgram News*, Vol. 75, No. 108, 5 June, 1997, p. 1.

<sup>26</sup> See: A. Davis, "China/Kazakhstan—Strategic Oil Deal Recently Completed," *Jane's Intelligence Review*, Vol. 4, No. 1, 1 December, 1997, p. 9.

In September of the same 1997, the CNPC acquired the right, after fierce bargaining with such well-known oil giants as Petronas, Unocal, and Amoco, to ownership and use of Uzen, one of the largest oil fields in Western Kazakhstan, for twenty years. Just as before, the CNPC offered the Kazakh side conditions which, figuratively speaking, Astana could not refuse. In addition to indirect investments amounting to 400 million dollars, the Chinese side pledged to pay the Kazakhstan government dividends amounting to \$52 million in advance.<sup>27</sup> According to different estimates, the CNPC's total investments amount to between \$1.3 billion and \$4.38 billion.<sup>28</sup> The CNPC also agreed to pay 8% of its net profit to the Kazakhstan government for the right to develop the subsurface, service the enterprise's \$6-million debt, invest \$10 million in specialist training programs, and pay \$27 million to the social services fund.<sup>29</sup> The Chinese also told the Kazakh side that they were willing to build an oil pipeline from the fields in Uzen to Aktiubinsk. Moreover, the CNPC agreed to build a pipeline from Kazakhstan to Turkmenistan. This pipeline could go on to Iran.

As soon as the Chinese began purchasing shares in Aktiubinsk munaigaz, the owner of the third largest field in Kazakhstan in terms of oil deposits, oil from this field started going to the PRC. But it is not exported to China via the oil pipeline. Aktiubinsk oil is pumped by pipeline to the Orsk oil refinery in the Russian Federation. And from there, the ONAKO Company, which owns the Orsk oil refinery, exports its own oil instead, dispatching it from the ports of Novorossiisk and Tuapse. Many believe that the oil pipeline from Kazakhstan to China could become a potential source of oil supply for the Republic of Korea, Japan, and other countries of the Asia Pacific Region. This development of the situation not only promises high dividends for the PRC, but will also significantly fortify Beijing's position in the region. The pipeline from Central Asia through China to the Asia Pacific Region has even been called the Pan-Asian Oil Bridge. In 2006, China was managing approximately 24% of Kazakh oil production.<sup>30</sup> The Chinese are also developing rather isolated fields (such as North Buzachi, North Kumkol, and Karazhanbas), which, since they are close to the Kazakh-Chinese pipeline, are acquiring particular importance.

On the whole, the Chinese strategy is aimed at linking all the fields acquired by the Chinese side to each other, which will result in unification of the fields from the shores of the Caspian Sea to the Kazakh-Chinese border. This process is to be completed by 2011, after which the PRC will be able to import between 5% and 10% of the total amount of oil delivered by Kazakhstan.<sup>31</sup> There are also several other extremely interesting aspects of China's oil strategy in Kazakhstan. Particular mention should be made of the fact that after Chinese government investors acquired several oil companies, they transferred some of these shares to the Kazakh KazMunaiGaz Company. The reasoning behind this is that every such operation guarantees the possibility of the next one. Moreover, it pursues the goal of ensuring that both sides develop on the basis of mutual gain. China would like each side to be able to draw real benefit from this cooperation.<sup>32</sup>

In addition to Kazakhstan, other countries of the region also have oil resources, in particular Uzbekistan and Turkmenistan. The PRC is interested in importing oil from these countries too. But,

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<sup>27</sup> See: A. Davis, *op. cit.*, p. 9.

<sup>28</sup> See: Sh. Behn, "China, Kazakhstan Sign Deal for Huge Uzen Field," *Platt's Oilgram News*, Vol. 75, No. 186, 25 September, 1997, p. 1.

<sup>29</sup> See: A. Rashid, T. Saywell, "Beijing Gusher: China Pays Hugely to Bag Energy Supplies Abroad," *Far Eastern Economic Review*, 26 February, 1998, p. 48.

<sup>30</sup> See: S. Peyrouse, "Sino-Kazakh Relations: A Nascent Strategic Partnership," *The Jamestown Foundation, China Brief*, Vol. 8, Issue 21, available at [[http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews%5Btt\\_news%5D=34142&tx\\_ttnews%5BbackPid%5D=168&no\\_cache=1](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=34142&tx_ttnews%5BbackPid%5D=168&no_cache=1)], 4 November, 2008.

<sup>31</sup> *Ibidem*.

<sup>32</sup> See, for example: "Posol Kitaia v Azerbaidzhane: My gotovy uchastvovat v osvoenii Kaspiia", *RosInvest.com*, available at [<http://www.rosinvest.com/news/526387/>], 9 April, 2009.

as already noted, natural gas is also very important for Beijing. In this respect, Turkmenistan is acquiring particular importance for China. As early as October 2000, during his visit to Ashgabad, then head of the PRC Jiang Zemin said that cooperation between the two countries in the energy industry was vital. The U.S. gave an interesting assessment of China's attempts to step up its energy policy in Turkmenistan. For example, when commenting on Russia's concerns about the Nabucco project, Special Envoy of the United States Secretary of State for Eurasian Energy Richard Morningstar said that Russia should not be so worried about the U.S. supporting the Nabucco project but about the projects being implemented by China in Turkmenistan.<sup>33</sup>

The enormous reserves of hydrocarbons in Central Asia are not the only thing that makes this region important in the PRC's oil and gas policy. It also provides Beijing with access to the oil and gas market of the Southern Caucasus, as well as Iran, which in turn will help to augment China's political influence in the southwest Caspian area. China is already exerting active efforts in this region. For example, in 2002, the CNPC had already acquired a 30% share from the European Bank of Reconstruction and Development to participate in a project to develop the Kiursengli and Karabagly fields in the Azerbaijan Republic.<sup>34</sup> Moreover, according to the reports of the PRC ambassador to Azerbaijan, the CNPC is discussing the possibility of joint development with the State Oil Company of the Republic of Azerbaijan of two land fields, Pirsagat and Muradkhanly.<sup>35</sup> At the end of April 2009, the China National Oil and Gas Exploration and Development Corporation (CNOGEC) signed a contract with the Kazakh State Oil Company, KazMunaiGaz, on purchasing the Mangistaumunaigaz Closed Joint-Stock Company for \$3.3 billion.<sup>36</sup> This company has a license for exploring and developing 15 oil and gas fields in Kazakhstan, particularly in the Caspian Sea region. Mangistaumunaigaz is a relatively large company with an annual oil production volume of 40 million barrels and natural gas reserves of 41.8 bcm.<sup>37</sup> It goes without saying that by finding a niche for itself on the Central Asian coast of the Caspian Sea, the PRC is gradually fortifying its position in the Southern Caucasus too.

Beijing is acquiring direct access through Central Asia to one of the most important and richest raw hydrocarbon states in the Middle East, Iran, a state which is of immense importance in Beijing's foreign policy and with which it intends to establish long-term stable relations.<sup>38</sup> Iran's raw hydrocarbons could be delivered to the PRC through Central Asia, which would increase the PRC's influence in Iran and the Caspian region as a whole even more, as well as make it possible for Beijing to gain access to the Persian Gulf region. Incidentally, China is setting great store by cooperation with Iran in the energy sphere. As of today, Iran is already the third, after Saudi Arabia and Angola, largest oil supplier, exporting up to 300,000 barrels of oil a day.<sup>39</sup> More than 100 Chinese state companies are currently operating in Iran, participating in the building of infrastructure, such as roads, ports, docks, airports, dams, and so on.

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<sup>33</sup> See: "Rossii stoilo by povolnovatsia ne ob amerikanskoi podderzhke 'Nabukko,' a o proektakh Kitaia v Turkmenistan—spetspredstavitel Gosdepartamenta SShA," *Trend News*, available at [<http://news-ru.trend.az/politics/foreign/1493137.html>], 24 June, 2009.

<sup>34</sup> First Baku Radio program in Azerbaijani, 11 January, 2002, 11:00 local time.

<sup>35</sup> Baku Radio, 7 January, 2002, 18:00 local time.

<sup>36</sup> See: "CNPC, KazMunaiGas Purchase Kazakh Oil and Gas Company for \$3.3 bln," *Xinhua*, available at [[http://news.xinhuanet.com/english/2009-04/24/content\\_11251750.htm](http://news.xinhuanet.com/english/2009-04/24/content_11251750.htm)], 24 April, 2009.

<sup>37</sup> *Ibidem*.

<sup>38</sup> BBC, SWB, Third Series, ME/3771, 23 February, 2000.

<sup>39</sup> See: P. Chang, "China's Policy Toward Iran: Arms for Oil?" *The Jamestown Foundation, China Brief*, Vol. 8, Issue 21, available at [[http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews%5Btt\\_news%5D=34141&tx\\_ttnews%5BbackPid%5D=168&no\\_cache=1](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=34141&tx_ttnews%5BbackPid%5D=168&no_cache=1)], 18 November, 2008.

## Hydro Policy

The next main vector of China's policy in the Central Asian region could be hydro policy. The water problem is traditionally one of the most urgent in the region. Andijan, Bukhara, Karakalpakstan, Khavarezm, Namangan, Samarkand, Syr Darya, and Sakhun Darya (all in Uzbekistan), Khatlan (in Tajikistan), and Akhal (in Turkmenistan) suffer from the most serious water problems, while there is not one province in Turkmenistan that has its own water sources.<sup>40</sup> Moreover, 90% of the region's main crops are grown on irrigated land. And water problems will become even more urgent as the region's population grows. For example, between 1959 and 1989, the region's population increased by 140%. It is presumed that by 2020 it will increase by another third<sup>41</sup> and, according to some forecasts, by 2025 will amount to 90.8 million people.<sup>42</sup>

However, even though it is one of Central Asia's most urgent issues, the water problem is also essentially one of the least regulated. In Soviet times, water distribution among the Central Asian republics did not pose any particular problem. Everything was centralized. Kazakhstan and Uzbekistan covered Kyrgyzstan's and Tajikistan's energy needs, receiving the water they needed from the latter in return.

But when the republics gained their independence, the problem of water distribution in the region became aggravated. This was promoted both by revision of the water quota and by the new problem of non-payment for the use of hydro resources. For example, Tajikistan and Kyrgyzstan repeatedly talked about the need to increase water consumption. As early as the mid-1900s, Dushanbe in particular frequently announced its plans to take an additional 600 million cm of water from the Zaravshan River.<sup>43</sup> It goes without saying that Tajikistan's and Kyrgyzstan's intentions did not meet with approval from neighboring countries.

The states capable of having a tangible effect on Central Asia's water resources, particularly those of the Aral Basin, are becoming particularly important at this stage, when the position of the main world power centers in this strategically significant region is largely becoming a derivative of their position in the world breakdown of forces. It appears that water is the most vulnerable component of security in Central Asia, and the situation is aggravated by the fact that a number of states in the region, as well as the administrative units within these states, have to depend on outside supplies of water. For example, 2/3 of the regions in Central Asia receive at least half of the water resources they need from beyond their borders,<sup>44</sup> while in the case of Turkmenistan this index reaches 98%.<sup>45</sup> However, conflicts even arise at the local level when water is supplied from one district to another within the same country, which only goes to show gravity of this problem.<sup>46</sup> The fact that 50% of the region's population lives in the Ferghana Valley where the problem of ethnic relations is customarily rather acute also adds fuel to the flames.

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<sup>40</sup> For more on this, see: D.R. Smith, "Environmental Security and Shared Water Resources in Post-Soviet Central Asia," *Post-Soviet Geography*, Vol. 36, No. 6, 1995, pp. 351-370.

<sup>41</sup> See: Mirzoev's Report, table 1, Tashkent Engineering Institute of Irrigation and Agricultural Mechanization, May 1998.

<sup>42</sup> See: A. Tabyshalieva, "Post-Soviet Central Asia: Sub-Regional Cooperation and Peace," in: *Peace and Security in Central Asia*, Occasional Paper Series, IDSA, New Delhi, September 2000, pp. 78, 94.

<sup>43</sup> See: E. Fomina, "Pit vodu v respublike opasno: potrebuetsia mnogo deneg dlia uluchsheniia situatsii," *Nezavisimaia gazeta*, 23 November, 1994, p. 3.

<sup>44</sup> See: D.R. Smith, op. cit., pp. 361-362.

<sup>45</sup> See: *Ibidem*.

<sup>46</sup> See, for example: Y. Roy, "Central Asia Riots and Disturbances, 1989-1990: Causes and Context," *Central Asian Survey*, Vol. 10, No. 3, 1991, p. 24.



Water is also extremely important for the economy of the region's countries, particularly agriculture. For example, 48% of Turkmenistan's labor resources are engaged in cotton production, while the share of white gold accounts for 76% of the state's revenue in Uzbekistan.<sup>47</sup> On the strength of the above, Kazakhstan President Nursultan Nazarbaev was right when he said that water shortage in Central Asia could become a potential source of tension in the region.<sup>48</sup> So any state that can offer an effective hydro policy will have an advantage in Central Asia in the near future, particularly keeping in mind that Central Asia's water resources, as well as the hydropower energy it produces, will be in increasingly greater demand in the region's neighboring states.

All the above-mentioned aspects naturally make control over Central Asia's water resources one of the most efficient, if not the most efficient, lever for acquiring greater influence in the region. As of today, the PRC has rather effective levers for putting hydro pressure on Kazakhstan. This is because approximately one third of Kazakhstan's water resources come from China, and Beijing intends to use the water resources of more than 30 rivers that run from China to Kazakhstan.<sup>49</sup> But the key elements in the PRC's hydro policy with respect to Kazakhstan will be the Ili and Irtysh rivers, whereby not only will Kazakhstan be affected, but the Russian Federation too.

Features of Beijing's hydro pressure policy are already evident. Chinese project No. 635 envisages building a major canal from the upper reaches of the Irtysh to Lake Uliungur. Then water will be transported along powerful pipelines and used for the needs of the industrial enterprises of the Karaimai oil basin located close to the city of Urumqi, for irrigating 140,000 hectares of farm land, and for other needs of the Xinjiang-Uighur Autonomous Region. The plans to use water from the Irtysh were first voiced at the turn of the 1970s-1980s when the Soviet Union was still in existence. Soviet ecologists immediately expressed their concern that an increase in China's water intake would have a very negative effect on Kazakhstan's environment. At that time, the Soviet Union and the PRC came to terms on drawing up an interstate agreement. But a final solution to the problem was not found due to the sides' different approaches to this matter.

Kazakh and Russian experts still think that if China takes more water from the Irtysh, it will be extremely detrimental to the economy and environment of both Kazakhstan and Russia. Even an annual intake of 485 million cm of water from the Irtysh, that is, approximately 5% of the volume of its average annual drainage (the first stage of project No. 635) threatens Kazakhstan with serious consequences. And if China increases its annual water intake to 1 billion cm and, in the future, to 6 billion cm a year from the Irtysh and Ili rivers (there is information that these are its plans), this could have catastrophic consequences for a vast region.<sup>50</sup> Moreover, the Irtysh is the largest tributary of one of Russia's main rivers, the Ob. It also feeds Lake Zaisan in Kazakhstan. The cities of Ust-Kamenogorsk, Semipalatinsk, and Pavlodar, as well as the Irtysh-Karaganda canal, are also threatened with water shortages. The level of the Irtysh near the city of Omsk could drop by 60 cm.<sup>51</sup>

Almost 2.5 million people live in the basin of the Irtysh River in Kazakhstan. Large industrial centers are located here, Ust-Kamenogorsk, Semipalatinsk, and Pavlodar, not to mention the numerous small towns and villages. Many districts of Central Kazakhstan also consume water from

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<sup>47</sup> See: H. Carlisle, "Forced Student Labor in Central Asia's Cotton Fields," *Surviving Together*, Vol. 14, No. 4, 1996, p. 31.

<sup>48</sup> See: "Kazakhstan. Nazarbaev, Drugs, Terrorism, Water Threaten Central Asia," *Reuters* (Almaty), 25 February, 2000.

<sup>49</sup> See: T. Bakhytzhana, "Water May Cause Conflict Between Kazakhstan and China," *The Times of Central Asia*, Vol. 2, Issue 22 (65), 3 June, 2000.

<sup>50</sup> See: V. Turov, "Kak Rossiia ostavliaiut za 'vodozaborom'," *Nezavisimaya gazeta*, 12 May, 1999, p. 4.

<sup>51</sup> See: *Ibidem*.

the Irtysh. Disruption of the environmental balance could have specific negative consequences: a drop in the level of Lake Zaisan, reduction in fish supplies, problems with supplying water to the lakeside villages and towns, desertification of meadow land, and deterioration of the fodder base for stock breeding.

Beijing's use of water from the Irtysh could also have negative consequences for Kazakhstan's transportation system, particularly if we keep in mind that the average annual drainage of the Irtysh amounts to 9 bcm, while Beijing, as noted above, intends to take larger amounts of water from the river.<sup>52</sup> Due to its geographic location, the Irtysh River has immense transit potential. Before the beginning of the 1970s, shipments were transported via the Irtysh from China to Kazakhstan and on toward the Russian Federation. There was also a reverse cargo flow. At present, efforts are being made to enter an intergovernmental agreement with Russia on the organization and transportation of cargo and passengers by Kazakh and Russian ships via the Irtysh River. The cities of Pavlodar, Semipalatinsk, and Ust-Kamenogorsk have river ports. The size of the fleet on this river amounts to around 540 sailing vessels, and in 2000, the amount of cargo transported reached 263,000 tons, which is twice as high as the volume of shipments in 1999.<sup>53</sup>

The PRC's use of water from the Ili River could also have just as serious consequences for Kazakhstan and the region as a whole. The sources of 80% of its water originate in China.<sup>54</sup> It feeds Kazakhstan's largest lake, Balkhash, which is one of the largest sources of drinking water and also supplies water for the metallurgical and energy industry. Use of the river's water could lead to Lake Balkhash drying up and cause a serious environmental disaster equivalent to the one that befell Aral.

Recognizing all of this, the Kazakhstan authorities are actively trying to find compromises with the Chinese. The main shift in Kazakh-Chinese water relations can be considered the fact that Beijing has said it will not adhere to national egoism in the water issue. According to the Ministry of Foreign Affairs of Kazakhstan, the Chinese side has confirmed that use of transborder rivers in the territory of one of the sides should not cause damage to the other side. Chinese Ambassador to the Republic of Kazakhstan Li Huei commented on the situation that has developed regarding this matter and said that China is taking Kazakhstan's interests into account and has no intention of doing anything that will be detrimental to its neighbor's environment. This position was also confirmed by a high-ranking employee of the Chinese Ministry of Foreign Affairs.<sup>55</sup>

During the first decade of the 21st century, Beijing's policy has not undergone any significant changes. In January 2010, representative of the Chinese Ministry of Foreign Affairs Ma Zhaoxu said at a press conference that China is treating rational use and protection of the water resources of Chinese-Kazakh transborder rivers seriously. The Chinese diplomat noted that the Chinese side is paying great attention to the development of strategic partnership relations with Kazakhstan. The sides are maintaining favorable contacts and have established cooperation in the development of transborder rivers.<sup>56</sup> China is invariably upholding the principle of ensuring progressive development in this matter

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<sup>52</sup> See: T. Bakhytzhan, *op. cit.*

<sup>53</sup> See: *Finansovyy rynek Respubliki Kazakhstan*, Analysis of Government Resolution No. 566 of 27 April, 2001 on the Development Concept of International Transport Corridors of the Republic of Kazakhstan, available at [[http://www.pavlodar.com/zakon/nzak\\_right.htm?dok=00880&uro=06002](http://www.pavlodar.com/zakon/nzak_right.htm?dok=00880&uro=06002)].

<sup>54</sup> See: B. Pannier, E. Magauin, "Kazakhstan: China Discusses Future of Irtysh River," *RFE/RL Weekly Magazine*, 28 May, 1999.

<sup>55</sup> See: A. Mukhambediartova, "Kazakhstan—Kitai: reshenie vodnoi problemy opiat' otkladyvaetsia," *Political Research Agency*, available at [<http://www.caapr.kz/show.php?kza1104-01.htm>], 10 April, 2001.

<sup>56</sup> See: "MID KNR: Kitai pridaet seryoznoe znachenie ratsionalnomu ispolzovaniyu i okhrane vodnykh resursov kitaisko-kazakhstanskikh transgranichnykh rek," *China.org*, available at [[http://russian.china.org.cn/government/txt/2010-01/29/content\\_19328048.htm](http://russian.china.org.cn/government/txt/2010-01/29/content_19328048.htm)], 29 January, 2010.

and is taking full account of the interests and concerns of the sides involved, particularly neighboring countries, said Ma Zhaoxu.

But all the same, despite a certain amount of progress in Chinese-Kazakh relations regarding water resources, Beijing is showing Astana in no uncertain terms that it has a powerful lever up its sleeve, which it will use if necessary to create a situation of intervulnerability with this Central Asian state, particularly since Beijing is not violating international regulations in this respect. Yes, Beijing did say that it would not uphold a position of national egoism. But if the country's national interests are threatened, it might resort to its hydro policy in order to defend them. Moreover, there are no clear international standards or criteria to date regarding the use of the hydro resources of transborder rivers. Bilateral agreements are used as the main legal base in this matter. This applies to the above-mentioned Irtysh and Ili rivers, as well as to another 23 rivers.

To some extent, developing Kazakh-Chinese relations regarding the use of transborder rivers is also hindered by the fact that Kazakhstan is placing the main emphasis in resolving problems involving transborder rivers, particularly with respect to the resources of the River Irtysh basin, on reaching a corresponding agreement in the trilateral, Kazakh-Russian-Chinese, format. Astana's approach is relatively understandable. The Irtysh is of course a river that China, Kazakhstan, and Russia share, so it is very logical that all three countries should come to terms in order to ensure efficient resolution of the issues concerning this river's water resources. Moreover, by entering an agreement in this trilateral format, Astana will be insuring itself against any hydro policy launched by Beijing, since Russia might also be affected, which will greatly limit China's maneuverability. This is mainly why the PRC is trying its best to avoid signing an agreement on political aspects, particularly in the trilateral format.

Nevertheless, with such effective hydro levers as the Irtysh and Ili rivers at its disposal, the PRC will only be in a position to put pressure on Kazakhstan. China does not have this lever of pressure on the rest of Central Asia. So in the context of hydro policy in Central Asia, Tajikistan and Kyrgyzstan are playing a key role. These two states are hydro donors of sorts for the entire Central Asian region. Tajikistan and Kyrgyzstan account for 55% and 25.3% of all the water resources of the Aral basin, respectively, which supplies 75% of the Central Asian population with water.<sup>57</sup> Tajikistan's hydropower resources alone, which are estimated at 527 billion kW/h a year, are three-fold higher than the current electricity needs of all the region's countries.<sup>58</sup> These two states can be said to be the key to Central Asia, and in order to create a situation of interdependence with the region as a whole, Beijing must direct its efforts toward fortifying its position in Tajikistan and Kyrgyzstan in particular.

The importance of Kyrgyzstan and Tajikistan is increasing even more due to the fact that the possible effect of China's hydro policy with respect to Central Asia and particularly Kazakhstan might be significantly undermined if water is delivered to the Central Asian region in the future from the Russian Federation. Plans to reroute the Siberian rivers toward the arid areas of Central Asia appeared as early as the beginning of the 20th century. These plans gave rise particularly lively discussions in the 1970s-1980s. However, none of these projects were carried out, mainly for environmental considerations. All the same, the projects to deliver water from Siberia to Central Asia could be carried out at some point. In this respect, the proposal made by former Moscow Mayor Yuri Luzhkov is particularly interesting. The gist of this proposal is to build a reservoir on Russian territory at the natural watershed located between the Omsk Region of the Russian Federation and

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<sup>57</sup> See: P. Micklin, "Managing Water in Central Asia," *CACP Key Paper*, RIIA, London, 2000, p. 37.

<sup>58</sup> See: Speech by President of the Republic of Tajikistan Emomali Rakhmon at the World Water Forum, Istanbul, 16 March, 2009.

Kazakhstan between the rivers Irtysh and Ob, which will be filled from the upper reaches of the River Ob and other rivers.<sup>59</sup> Water will then go on from there to Central Asia. According to some estimates, up to 6 cubic km of water a year can be taken without causing damage to the environment. This could essentially take the wind out of the sails of Beijing's possible hydro policy regarding Kazakhstan.

So how is Beijing to fortify its position in Tajikistan and Kyrgyzstan? Its main efforts should be directed toward intensifying economic ties, in which it is already actively engaged. The Chinese are participating actively in developing raw hydrocarbon fields in Kyrgyzstan. This is a very promising vector for strengthening economic ties. Kyrgyzstan and Tajikistan are not capable of fully meeting their energy resource needs by means of their own sources of raw hydrocarbons. This is where Beijing could offer an alternative. Xinjiang, which borders on Central Asia, has sufficiently large reserves of raw hydrocarbons. The proven reserves of natural gas in the Tarim basin amount to 419 bcm, and it is expected that in the next 5-10 years they will reach 1 trillion cm.<sup>60</sup> The Xinjiang-Uighur Autonomous Region also has huge coal supplies. Coal reserves in the XUAR amount to 2,190 billion tons, or 40.6% of all of China's reserves.<sup>61</sup> Xinjiang also has large oil reserves. Beijing can arrange for oil, natural gas, and coal to be delivered to Tajikistan and Kyrgyzstan, particularly since these deliveries will constitute a very small part of the PRC's energy balance. This alternative will be extremely advantageous for Tajikistan and Kyrgyzstan, and it could even become a way to make these republics less dependent on neighboring states, particularly since there are indeed good reasons for this.

### *In Lieu of a Conclusion*

Central Asia is becoming one of the most attractive regions for many of the world's contemporary states, one of which is the PRC. Central Asia's energy resources are among the most important factors prompting China's regional activity, since access to them is becoming increasingly urgent for China's rapidly growing economy.

The PRC's hydro policy is an extremely effective lever of influence on the Central Asian countries. But it will only be applied as an extreme measure in the event that the geopolitical situation in the region takes an abrupt turn that is unfavorable to China.

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<sup>59</sup> For more on this matter, see: D. Pisarenko, A. Uglanov, "Sredniuiu Aziuu spaset Luzhkov?" *Argumenty i fakty*, No. 51, 2002, p. 20.

<sup>60</sup> See: "China Informally Approves 4,200-km Gas Pipeline," *Reuters* (Beijing), 29 February, 2000.

<sup>61</sup> See: I. Amanzholov, "Konfliktnye istoki transgranichnykh rek," *APR Political Research Agency*, available at [<http://www.caapr.kz/show.php?kza0502-02.htm>], 5 February, 2002.