

## CHINA IN CENTRAL ASIA

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### *Introduction*

For over a century, or over 130 years to be more exact, Central Asia remained part of the Russian Empire and the Soviet Union which replaced it and was treated by China as such. The sudden disintegration of the Soviet Union into independent states confronted Beijing with the need to deal with several of them in Central Asia, which required a new vector of its foreign policy.

The over 20-year-long history of China's policy in Central Asia can be divided into three periods:

1. 1992-1995.
2. 1996-2001.
3. 2001—the present.

- *At the first stage*, in the early 1990s, Beijing took its time to acquire a clear idea about the

new reality, establish and then develop diplomatic contacts, build up mutual confidence, create a base of treaties and other legal documents, and address the accumulated security-related problems.

- *At the second stage*, the mid- and late 1990s, 2000, and the larger part of 2001 (up to the 9/11 events), Central Asia acquired mechanisms and institutions of multisided cooperation (of which the People's Republic of China was a part); China was expanding its economic presence in the region.
- *At the third stage*, which started on the tragic day of 9/11, China demonstrated inordinate activity and launched an "offensive" along all lines clearly determined to take a tighter grip on the region.

### **The First Stage (1992-1995)**

Early in the 1990s, China had to disentangle itself from a knot of complicated domestic issues and foreign policy problems. The "third generation" of the Chinese leaders headed by Jiang Zemin

worked hard to prevent revision of the country's political system in the extremely adverse international context: the West responded harshly to the Tiananmen events of 1989, which cooled its relations with China; the communist regimes in Eastern Europe collapsed along with the Soviet Union.<sup>1</sup>

Early in the 1990s, Beijing needed as favorable an international context as possible, as well as a "stability belt" along its borders to push forward the social and economic reforms launched at the turn of the 1980s. On the international scene, China demonstrated caution and flexibility very much in line with the 24 Character Strategy of patriarch of the Chinese reforms Deng Xiaoping.<sup>2</sup>

This was a "wait-and-see strategy;" a wise move in a disoriented world (and the post-Soviet turmoil): Beijing gained time and a chance to respond with the least losses to the global and regional changes.

### China's Policy

For over 130 years, China recognized Central Asia as a sphere of Russia's vital interests; it never questioned Russia's hegemony and never tried to challenge it. The Soviet Union's disintegration, the newly independent states next to its borders, and Russia's "withdrawal" (not to say "flight") from Central Asia caught China unawares. From that time on, Beijing needed a Central Asian policy as part of its foreign policy.

For internal and external reasons of a strategic nature and aware of the potentially volatile Central Asian climate, China refrained for a while from an active or even "offensive" foreign policy course. It moved away as far as it could from the region's "domestic squabbles" to deal with the more general issues of its relations with the Central Asian states: diplomatic contacts; security issues addressed together with Russia; and coordinated approaches to Uighur separatism.

This called for a solid legal basis of bilateral treaties and trust between China and the Central Asian states. With this in mind, China was one of the first to recognize the newly independent states; between 2 and 6 January, 1992, it established diplomatic relations with Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan, and Turkmenistan.

### The Institutions

Early in the 1990s, China preferred to deal with the Central Asian countries on a bilateral basis, which laid the foundation for joint activities, created a much better understanding of the situation in each of the countries, and allowed to achieve, at the early stage, good results relating to some of the fundamental problems plaguing the relations between China and the Central Asian states (particularly in the security sphere).

Institutional cooperation was launched in October 1992 in Minsk (Belarus) when a united delegation of Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and China set up a permanent workgroup (the so-

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<sup>1</sup> Since 1949, when the People's Republic of China was established, three generations of leaders have replaced each other at the helm: the first generation is associated with Mao Zedong; the second with Deng Xiaoping; the third with Jiang Zemin. In 2002, the fourth generation of leaders headed by Hu Jintao came to power.

<sup>2</sup> The Strategy rests on the following postulates: observe calmly; secure our positions; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile, and never claim leadership (see: P.B. Kamennov, *Kitai v XXI v. Globalizatsia interesov bezopasnosti*, ed. by G.I. Chufrin, Moscow, 2007, p. 54).

called 4 + 1 formula) to address the entire set of the security issues; this was the first step toward the interstate alliance that appeared in 1996 as the Shanghai Five.

### Security

At the early stage, as soon as China established diplomatic relations with the Central Asian states, it initiated talks on security, which it treated as a crucial issue because of the high level of military presence in the border regions and the mounting Uighur separatism. Kazakhstan and Kyrgyzstan, two countries with the longest stretches of land border with China and the largest Uighur diasporas in their territories, were its primary partners.

In the first half of 1992, Beijing launched bilateral consultations with Almaty and Bishkek on the disputed border stretches; talks on the full range of border issues between China and the joint delegation of Russia, Kazakhstan, Kyrgyzstan and Tajikistan began in the fall of the same year.

China wanted the regional leaders to guarantee their support of its struggle against Uighur separatism which had come to the fore as one of the most serious national security threats after the Soviet Union's disintegration (the Uighur diaspora in the Central Asian states was 300-500 thousand strong).

### The Economy

Early in the 1990s, economic ties were practically non-existent and were limited to small-scale trade operations. In 1992-1995, annual trade turnover was \$350-512 million (see Table 1).

Table 1

**China's Trade with  
the Central Asian Countries  
(1992-1995) (\$m)**

Year	Trade Turnover	Deliveries from China to Central Asia	Deliveries from Central Asia to China
1992	422	276	146
1993	512	244	268
1994	360	235	125
1995	486	285	201

*Note:* The figures are not exact; there is no information on trade turnover between China and Turkmenistan and China and Tajikistan. The general idea, however, is not distorted because the volume of trade between China and the two countries was insignificant.

*Source:* Asian Development Bank with reference to the national statistics boards (*Key Indicators of Developing Asian and Pacific Countries*, Asian Development Bank, 2002).

It should be said that trade (so-called shuttle trade included) was limited to Kazakhstan and Kyrgyzstan, which had reliable transport connections with China. Chinese goods were then re-exported to the other Central Asian countries and Russia.

### ***China's Policy Summed Up***

With no clear idea about its interests in Central Asia, the results of China's efforts to establish relations with the local states in the early 1990s proved contradictory.

On the one hand, Beijing was moving ahead; it laid the foundation for these relations, which had to be started from scratch.

On the other hand, in the first half of the decade China demonstrated a lot of caution; it did not show an interest in institutional and economic cooperation with the newly independent states. The far from simple international context in which China found itself at the time forced it to maintain good relations with Russia, which slowed down its progress in the Central Asian direction.<sup>3</sup>

### ***Central Asian Policy***

Early in the 1990s, the Central Asian states realized that cooperation with China, one of the largest regional (and nuclear) powers, could not be avoided. The People's Republic of China was one of the first to recognize the sovereignty of the Central Asian republics and establish diplomatic relations with them.

At that time, the Central Asian countries, however, did not look at the People's Republic of China as their foreign policy priority for several reasons.

- First, because the process of statehood development and economic transformations turned out to be torturous; the regional states expected support from Russia,<sup>4</sup> the West, and the more developed and culturally close Islamic states. In this company, China did not look like a promising partner; its economy was still weak and its development model far from enticing.
- Second, Beijing's insistent desire to find partners in Central Asia looked too suspicious; the local states feared demographic and territorial expansion; the memory of the far-from-simple relations with this country in the 1960s-1970s was still alive.
- Third, during the period of developing of sovereignties and the "honeymoon" with the West and the Islamic world, the Central Asian countries preferred to get rid of socialist ideology, while in China the Communist Party was still in power.

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<sup>3</sup> In the early post-Soviet years China needed normal relations with Russia to acquire a reliable "strategic rear" and to settle disputed, especially border, issues. Russia, in turn, needed stable and predictable relations with China (their common border is nearly 4,300 km long). In many respects, it was "the sides' constructive determination to cooperate that allowed Beijing and Moscow to settle the most painful issues of bilateral relations at the very beginning of the 1990s" (G.I. Chufirin, *Problemy bezopasnosti vo vneshnei politike Kitaia*, Institute of World Economy and International Relations RAS, Moscow, 2005, pp. 148-149).

<sup>4</sup> It was inertia rather than conscious choice; the situation in Russia was far from favorable.

This explains why in the early 1990s the regional states were engrossed in their domestic problems caused by the Soviet Union's disintegration; they had not yet acquired mechanisms of a conceptual perception of the world outside their borders. China was still not a priority.

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On the whole, in the early 1990s China was moving cautiously toward closer relations with the Central Asian countries which, in turn, were busy, along with Russia, sorting out the problems they inherited from the Soviet Union. This kind of foreign policy proved the most reasonable; China laid the foundations of partnership with Russia and the Central Asian countries and created prerequisites for its broader presence in the post-Soviet expanse.

## The Second Stage (1996-2001)

In the latter half of the 1990s, Beijing, under the pressure of the Taiwan-related aggravations (1995-1996), another bout of Chinese-American confrontation, and the financial crisis in Southeast Asia (1997-1998), had to revise some of the principally important elements of its foreign policy. Probably for the same reason, the Chinese leaders concluded that an important economic breakthrough was impossible without an active or even "offensive" foreign policy; otherwise, the country was running the risk of becoming too vulnerable in the age of globalization and the unipolar world under the American aegis.

In the latter half of the 1990s, therefore, China's main foreign policy priority was to develop and implement new approaches aimed at "acquiring the status of a great power which structuralizes the international system rather than merely responds to the processes underway on the international area."<sup>5</sup>

By the mid- and late 1990s, Beijing was successfully combining domestic and foreign policy tasks. Its foreign policy was expected "not merely to passively preserve external conditions favorable for the reforms but to actively cut short all attempts to interfere in China's development."<sup>6</sup>

This means that China had to find allies and demonstrate more vigor in building up and strengthening international alliances and multisided institutions in which it could claim the leading role.

### China's Policy

In the latter half of the 1990s, China, guided by global and long-term considerations, demonstrated much more activity in Central Asia and abandoned its "wait-and-see" policy for a "strategy of gradual penetration" into the region. Moreover, it was very much concerned about the security, social, and economic developments along its Central Asian border.

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<sup>5</sup> M. Mamonov, "Strategia 'profilaktiki opasnosti' vo vneshney politike KNR," *Mezhdunarodnye protsessy* (Russia), No. 3 (15), September-December 2007, available at [<http://www.intertrends.ru/fifteen/003.htm>].

<sup>6</sup> Ibidem.

The Chinese leaders were fully aware of the fact that their Central Asian neighbors were easy prey for international terrorists, Islamic radicals and extremists, drug traffickers, and other transnational threats. In the latter half of the 1990s, the never-ending turmoil in Afghanistan stirred up religious extremists, terrorists, and nationalists in the Central Asian countries. Beijing was especially concerned about the rising wave of Uighur separatism; extremist groups had developed a taste for terrorism and became much more active on both sides of the border.

The considerable oil and gas resources in Central Asia and the Caspian confirmed in the mid-1990s added to the region's value; China needed energy resources for its growing economy. Its long-term interest in the region and the adjacent areas needed to be defined in clearer terms.

Its geographical proximity to the central and western provinces of the PRC<sup>7</sup> suggested that Central Asia and its resources should be used to realize a program of accelerated development of these parts of China. Beijing counted on the region's resources and raw materials, as well as the Central Asian markets to stir up economic growth of its "national fringes."

### *The Institutions*

In 1996, Beijing relied on the tested 4 + 1 mechanism to initiate, together with Moscow, the Shanghai Five, a new structure of regional cooperation in the security sphere. It included China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan; in 2001, it was transformed into the Shanghai Cooperation Organization (SCO) with Uzbekistan as its sixth member.

### *Security*

The ever-increasing impact of transnational threats forced China to specify its cooperation with the Central Asian countries. By the late 1990s, the special services and law enforcers had already been cooperating; the much more vehement activities of the Uighur separatists in Xinjiang and in some of the Central Asian countries made this cooperation doubly important for China.

The failed attempts of the Islamic Movement of Uzbekistan (IMU) to break through into Uzbekistan and Kyrgyzstan in 1999 and 2000 convinced China to extend its military-technical assistance to the Central Asian states, which soon developed into partnership. This means that by the end of the 1990s, Beijing (very much like Moscow) became a guarantor of sorts of the regional security system taking shape in Central Asia.

### *The Economy*

In the latter half of the 1990s, economic relations between China and Central Asia acquired a fresh impetus; China widened its presence in the Central Asian markets, which is best illustrated by

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<sup>7</sup> By the mid-1980s, it had become obvious that some of the regions were lagging behind in the social, economic, and political respects, which fanned separatism

the large volumes of trade with China's former partners Kazakhstan and Kyrgyzstan and with Uzbekistan.

In 1996-2000, China's trade turnover with the Central Asian countries nearly doubled compared to the first half of the 1990s to reach the \$580-1,050 million (see Table 2).

Table 2

**China's Trade with  
the Central Asian Countries  
(1996-2000) (\$m)**

Year	Trade Turnover	Deliveries from China to Central Asia	Deliveries from Central Asia to China
1996	674*	357*	317*
1997	699*	365*	334*
1998	588	390	198
1999	733	350	383
2000	1,041	611	430

*Note:* The figures marked as (\*) are not exact; there are no information available for trade between China and Turkmenistan and China and Tajikistan in 1996 and 1997, which does not distort the general picture; the figures for these years can be safely ignored as insignificant.

*Source:* Asian Development Bank with reference to the national statistics boards (*Key Indicators of Developing Asian and Pacific Countries*, Asian Development Bank, 2002).

In its trade with the Central Asian countries, China moved rapidly toward the formula "raw materials in exchange for finished products:" the Central Asian states exported their energy resources, chemical and textile raw materials (lint and seed cotton and hides), metals and scrape metal. It should be said that their exports were largely responsible for the economic development of China's central and western provinces.

The Central Asian countries imported consumer goods, which saturated the consumer markets of some of the regional states.

While developing its trade contacts, China revealed, for the first time, its interest in oil production in Kazakhstan and its transportation. In 1996, it contributed to the oil production project in the Aktyubinsk Region (Western Kazakhstan); this can be described as China's first and highly successful attempt at developing relations with Central Asia in the energy sphere.

In 1997, President of Kazakhstan Nursultan Nazarbaev and Premier of PRC Li Peng signed an agreement on the Atasu-Alashankou oil pipeline; the share of the China National Petroleum Corporation (CNPC) in the project was 60 percent.

China began showing a greater interest in transport routes between Xinjiang and Central Asia; highways and the China-Kyrgyzstan-Uzbekistan railway were expected to invigorate the economy of Xinjiang.

### ***China's Policy Summed Up***

In the latter half of the 1990s, China's determined and active policy in Central Asia became much clearer. Aware of its still fairly limited capabilities, China placed the stakes on its cooperation with Russia (which likewise needed strategic cooperation with China); the sides formulated relatively similar approaches to the regional security issues.

Beijing's greater involvement in the region produced dubious results.

On the one hand, it can be described as a breakthrough in practically all the key sectors. On the other, it created a lopsided structure of economic cooperation—raw materials in exchange for finished products—because China preferred to invest and be involved in the raw material sectors and their related transportation infrastructure (“taking away raw materials” and “bringing in finished products”).

In the 1990s, China did not have enough money to develop the XUAR, to say nothing of Central Asia; it was still not ready to become a driving force behind the region's economic development.

### ***Central Asian Policy***

In the latter half of the 1990s, the Central Asian states displayed much more interest in the Chinese vectors of their foreign policy for several reasons.

- First, the mounting negative trends caused by domestic problems and the instability in Afghanistan forced the regional countries to seek a guarantor of their security outside the region. China, which displayed a lot of interest, looked like the best option. Russia was still weak militarily and economically to say nothing of its erratic policies.
- Second, the habitual flow of consumer goods from Russia and other post-Soviet republics had petered out, which meant that Central Asia had to import more and more consumer goods from China; the quality was relative low, but the prices were affordable.

Kazakhstan and Kyrgyzstan were much more interested in trade with China than their Central Asian neighbors. These two countries not merely filled their markets with cheap “made in China” goods, but also earned money by re-exporting them to the rest of the region (mainly to Uzbekistan) and some of the Russian regions. The two republics stimulated imports from China and encouraged “shuttle trade.”

- Third, the Central Asian countries learned to look at China as a promising investor. In 1997, Astana signed a contract with China on an oil pipeline to bring fuel to the XUAR and began designing it in 1998 to attract Chinese money into oil and gas production and transportation projects.

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On the whole, the period between mid-1990s and 2001 marked a turning point in the relations between China and the Central Asian states. Beijing, which had finally identified its regional priorities, showed a lot of determination and consistency when realizing them; it never demonstrated its political ambitions and, on the whole, concentrated on regional security and its own economic interests.



It also stepped up its cooperation with Russia, which was especially obvious in the security sphere; by the late 1990s, however, Beijing no longer accepted Russia's right to domination in Central Asia and treated it as an equal partner.

## The Third Stage (2001—the present)

Early in the 21st century, Beijing responded to the post-9/11 international instability and the mounting military-political and economic impact of the United States and its closest allies with a re-adjusted, much more vigorous, and even offensive foreign policy designed to defend its national interests.

Seen from Beijing, the military operations in Afghanistan and Iraq and America's rapidly expanding presence in direct proximity to China looked like potential mechanisms of military-political pressure on it. In these conditions, China identified the balance of power along its borders and in the zones of its exclusive interests as its main strategic goal.

These changes and the foreign policy readjustments in China the changes invoked coincided with the transfer of political power to a new political elite, the so-called fourth generation of leaders headed by Hu Jintao.<sup>8</sup>

In fact, the new leaders merely adjusted their foreign policy to the much stronger state (in both the military and economic respects) they had inherited from the third generation leadership.

### China's Policy

In the new, post-9/11 world, Central Asia was no longer a periphery, but a strategically important region which China treated as a priority on a par with its other foreign policy efforts on the global scale.

China's rapidly developing economy created an acute need for guaranteed access to the region's raw materials (oil and gas in particular) and its transit potential. In this context, Washington's determination to adjust Central Asia to its political, economic, and military needs was seen as a serious obstacle.

Beijing responded by strengthening the SCO and encouraging bilateral contacts; its growing economy allowed it to pour money into all sorts of projects (economic in particular) and to help the regional social-political systems maintain their stability.

### The Institutions

Beijing, which relied on the SCO to monitor Central Asian developments and prevent the emergence of an anti-Chinese alliance, needed a closely-knit structure with a better international image

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<sup>8</sup> This transfer took several years to be prepared and accomplished. In 1998, Hu Jintao, who was 16 years younger than then leader Jiang Zemin, was moved to the second-important post of Deputy Chairman of the PRC. A year later he added the post of Deputy Chairman of the Central Military Commission of the Central Committee of the Communist Party of China to his previous position; in November 2002, the 16th National Congress of the Communist Party of China elected him General Secretary of the CPC instead of Jiang Zemin.

and a much more attractive economic record. New members were seen as a possible option; together with Russia, China initiated Mongolia's membership (which joined in 2004 as an observer), and a year later Iran, Pakistan, and India joined with the same status.<sup>9</sup>

The widening ranks expanded the sphere of international cooperation. In 2004, the SCO acquired the Regional Anti-Terrorist Structure (RATS) with its Executive Committee in Tashkent; several years later, it acquired a Business Council and the Interbank SCO Council (both dominated by China) expected to coordinate investment and business efforts in all sorts of economic projects.

In 2006 and later, Beijing came forward with an initiative designed to invigorate economic cooperation between the SCO members (a free trade area and a regional transportation infrastructure among other things). It became an active supporter of WTO membership for the SCO members in expectation of seeing a much more active exchange of commodities and services inside the Organization.

### Security

The regional ambiguity created by the American military bases in Central Asia did not discourage China; it insisted on its earlier course of much wider cooperation with the local states in the security sphere inside the SCO and outside it, on a bilateral basis. In 2004, China and the Central Asian states began demonstrating a lot of activity within RATS.

The number of joint projects increased considerably thanks to China's ability to correlate the level, intensity, and scope of cooperation in the security sphere with the large-scale economic projects being implemented in the regional countries.

### The Economy

The Chinese policy of building up its regional presence was manifested in the much higher trade, investment, and borrowing figures.

Between 2001 and 2008, trade turnover between China and Central Asia increased almost 13-14-fold to reach approximately \$20.2 billion; in 2009, however, under the pressure of the world financial and economic crisis, the figures decreased, which was probably a temporary process (see Table 3).

Very much as before, the Central Asian countries continue selling their raw materials to China, while China is consolidating its role of an exporter of finished goods. In 2008, raw materials accounted for 91% in the total volume of Central Asian supplies to China (energy resources accounted for 68% of the total volume of raw materials sold to China); ferrous and non-ferrous metals for about 15%; chemical raw materials for about 6%; and textile raw materials for about 2%.

China has been increasing its investment and lending activities in the most important economic segments. While in the late 1990s, China's financial resources in Central Asia were under \$1 billion and were concentrated in the oil and gas industry of Kazakhstan, in the first eight years of the 21st

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<sup>9</sup> In 2006, Belarus' request for observer status was declined as coming from a non-Asian country. In June 2009, the Ekaterinburg SCO Summit granted, for the first time, a dialog partner status to Sri Lanka and Belarus.

Table 3

**China's Trade with  
the Central Asian Countries  
(2001-2009) (\$m)**

Year	Trade Turnover	Deliveries from China to Central Asia	Deliveries from Central Asia to China
2001	1,478*	856*	622*
2002	2,798*	1,569*	1,229*
2003	3,305 (4,100)	1,911	1,394
2004	4,337 (5,848)	2,545	1,792
2005	6,630 (10,294)	3,982	2,648
2006	10,796 (13,350)	6,338	4,458
2007	16,038 (20,576)	9,571	6,467
2008	20,170 (27,845)	11,553	8,617
2009	17,721 (23,648)	10,878	6,843

*Note:* The figures marked as (\*) are not exact; there are no information available for trade between China and Tajikistan, which does not distort the general picture; the figures for these years can be safely ignored as insignificant.

*Sources:* The figures for 2000-2001, Asian Development Bank with reference to the national statistics boards (*Key Indicators of Developing Asian and Pacific Countries*, Asian Development Bank, 2002); the figures for 2002-2009, The Economist Intelligence Unit with reference to the national statistics boards (*Kazakhstan: Country Report*, The Economist Intelligence Unit, London, June 2003, June 2004, June 2005, June 2006, June 2007, June 2008, March 2009, March 2010; *Kyrgyzstan: Country Report*, The Economist Intelligence Unit, London, June 2003, June 2004, June 2005, June 2006, June 2007, June 2008, March 2009, March 2010; *Tajikistan: Country Report*, The Economist Intelligence Unit, London, June 2003, June 2004, June 2005, June 2006, June 2007, June 2008, March 2009, March 2010; *Turkmenistan: Country Report*, The Economist Intelligence Unit, London, June 2003, June 2004, June 2005, June 2006, June 2007, June 2008, March 2009, March 2010; *Uzbekistan: Country Report*, The Economist Intelligence Unit, London, June 2003, June 2004, June 2005, June 2006, June 2007, June 2008, March 2009, March 2010); the figures in brackets for 2003-2009 were supplied by the Ministry of Commerce of the PRC.

century, they increased over 18-fold to reach approximately \$18 billion (about \$9.6 billion in direct investments, \$2.3 billion in loans, and \$6.3 billion in assets) by the beginning of 2009 (according to our calculations).

Despite the world financial crisis, China has stepped up its financial and economic involvement in Central Asia in the form of loans<sup>10</sup>; it has also been buying up assets in the key economic branches.

### ***China's Policy Summed Up***

Its foreign policy offensive in the wake 9/11 allowed China to fortify its position to a great extent; however in the context of the long-term interests of both sides, the results can still be described as dubious.

On the one hand, the much stronger position of the SCO, which has become a multidimensional institution of inter-state cooperation, can be described as a breakthrough that enabled China to be directly, and most important, legally involved in the Central Asian developments and become one of the main guarantors of the regional security system still in the process of formation.

On the other, the format of economic relations inherited from the 1990s remains the same, i.e. "raw materials in exchange for finished products." Moreover, the Chinese, who are concentrating on the raw material spheres and tend to avoid, on the whole, industrial innovations, perpetuate the present arrangement of regional cooperation.

### ***Central Asian Policy***

Early in the 21st century, all the Central Asian countries concentrated on the Chinese vector of their foreign policies, probably because the SCO had consolidated and developed its influence.

Russia is still the key partner, but cooperation with China has supplied the Central Asian states with a diplomatic leeway when dealing with Moscow and Beijing.

The regional states are especially interested in wider cooperation with China in the economic sphere; Kazakhstan has moved further than its neighbors in this direction. Astana and Beijing agreed on a mechanism for funding several large-scale projects in the oil and gas sphere and, most important, other key segments of the national economy: metallurgy, telecommunication, and information technology.

The leaders of Turkmenistan look at China as their priority economic partner; in December 2009, the first branch of the Turkmenistan-China gas pipeline (across Uzbekistan and Kazakhstan) was completed; in 2010, it started moving natural gas to China.

Economic cooperation between China and Uzbekistan is progressing, particularly in the oil and gas sphere. Tashkent's efforts to tempt Chinese investors with a wide-scale privatization program of large economic facilities have so far failed.

Today, very much as before, Kyrgyzstan is satisfied with the role of a transit country of Chinese commodities.

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<sup>10</sup> In April 2009, the President of Kazakhstan's visit to Beijing produced an agreement on a loan of \$10 billion, \$5 billion of which went to the oil and gas sector of Kazakhstan (to the leading oil and gas corporation KazMunayGaz, to be more exact). In June of the same year, China signed an agreement on an additional targeted loan to Turkmenistan of \$3 billion to develop the country's largest gas field Iuzhny Iolotan. In June 2009, at the Ekaterinburg SCO Summit, Chairman Hu Jintao announced that his country had decided to extend the Central Asian SCO members an unprecedentedly large loan of \$10 billion to support their national economies during the global financial and economic crisis.

Tajikistan regards China as a source of money; its own capabilities are too limited, while its hopes of attracting Russian money on a big scale have so far been deceived.

### *Conclusions*

The People's Republic of China remains determined to become a great power. This means that Chinese diplomacy should work hard to create adequate external conditions, a task in which Central Asia is destined to play an important role.

In the 1990s, Beijing demonstrated a lot of caution on the international arena and coordinated what it was doing with Moscow; on the whole, China preferred to remain within certain limits in the region.

In the first decade of the 21st century, Central Asia moved to the center of China's foreign policy; the events which changed the world made China's regional policy more assertive.

The fourth generation leadership in China made Beijing's Central Asian policy even more vigorous, ambitious, and pragmatic and much more determined to defend national interests. The new Chinese leaders were less inclined to follow Russia's lead when acting in Central Asia; likewise, they could not ignore the mounting influence of the United States and its allies in the region.<sup>11</sup>

At the same time, Chinese policy in Central Asia is not free of certain faults; the Chinese still regard the region as a raw material appendage. China's stepped-up presence in the region is explained by its growing involvement in projects (particularly in the raw material sphere) and investments in pipelines and transportation infrastructure (needed to transport raw materials) and its financial and political cooperation with the same aims in view.

It is hard to say what will come of this activity in the region.

On the one hand, the place and role of the PRC in the world, its considerable economic scope, and the dynamic development of practically every industrial branch suggest that China can serve as a driving force behind the region's economic and innovational development. Central Asia can become an important stretch of Eurasian land transit and an important link of China's geopolitical and geo-economic cooperation with other centers of power and economic blocs.

On the other hand, China's development is not free of considerable problems, which means that another, much more pragmatic, and even egoistical model is also possible. China will be tapping the region's raw material base to the full in order to develop its inland territories (in the west and the center) and maintain economic contacts and transport communications.

The SCO system of relations taking shape is primarily geared toward Chinese interests.

This approach, which is coming to the fore in Beijing's strategies, deprives Central Asia of the hope of restoring its former status of a bridge between Europe and Asia; it dooms inner Eurasia to even greater economic and geographic isolation and persistent lagging behind the developed countries and regions. This scenario threatens the security of Central Asia, China, and Russia. Indeed, destabilization of the local states will create an extremely shaky situation on the borders of Russia and China.

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<sup>11</sup> It seems that the previous generations of Chinese politicians (Deng Xiaoping and Jiang Zemin) were much more attentive to Russia's interests than the fourth generation of leaders. The older generation acquired its political ideas before the 1960s when China and the Soviet Union were still allies. Their country was relatively weaker than the U.S.S.R. in the military and economic respect. The new political elite grew up during the period of cool (not to say antagonistic) relations with the Soviet Union. Their ideas about the world are free of any Russia-centrist component. Today, the Chinese economy is much stronger than the Russian, while in the military respect, China is not weaker than the Russian Federation.

To ensure long-term stability in the region and around it and add consistency to the relations between China and the Central Asian states, Beijing should concentrate on establishing multidimensional and mutually advantageous cooperation with Central Asia and Russia.

China should start with its all-round support of economic reintegration inside the region and/or across the post-Soviet expanse (within the EurAsEC, for example) and gradual integration within the SCO at the later stages.

As the Central Asian leaders, as well as their Chinese and Russian colleagues, become gradually convinced that there is no alternative to cooperation, a new stage of China's regional policy will begin. This will also establish progressive and mutually advantageous cooperation between the sides involved in the heart of Eurasia.

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