

## CHINA'S PRESENCE IN KAZAKHSTAN: MYTHS AND REALITY

Konstantin SYROEZHKIN

*D.Sc. (Political Science),  
Professor, Chief Researcher at the Kazakhstan Institute  
for Strategic Studies under  
the President of the Republic of Kazakhstan  
(Almaty, Kazakhstan)*

### *Introduction*

Evaluating the level of China's presence in Kazakhstan and, most important, the attitude of the government and society toward this phenomenon is a thankless task, although both interesting and necessary from the viewpoint of national security. This evaluation is not only complicated by the numerous myths surrounding this topic, but also by the unavailability of some of the information, the reason for which is not entirely clear. And it is this "secrecy" that often gives rise to the myths about Kazakh-Chinese relations, as well as the phobias about China itself.

Information about major Kazakh-Chinese projects is even harder to come by. It is entirely out of bounds, while the facts that reach the pages of the Kazakh and foreign press give rise to many questions, to put it mildly. This is particularly true regarding the details of project funding, the participation of the sides in the implementation and further operation of a project, its recoupment, its economic and geopolitical importance for Kazakhstan and China, and so on. What is there to hide? Openly publicizing a bilateral document is always better than rumors and conjectures about it. Government officials look very untrustworthy when they begin trying to find justification for what could have been said openly.

The same goes for Chinese labor migration. There are more than enough myths and phobias

surrounding this problem, but hardly any serious studies, although this absence can be explained. The official statistics provided by the internal affairs structures give no cause for concern, but a visit to any Kazakh market tells a different story. The albeit fragmentary, but very convincing statistics regarding the enterprises with Chinese investments registered by the judicial authorities also tell a different story. Any ordinary citizen who familiarizes himself with these statistics gets the impression that China is "marking out its territory," and this conclusion is what feeds the "Chinese expansion" theory.

The geopolitical arguments of some authors about China's presence in Central Asia and Kazakhstan give rise to many questions. It is blatantly clear that China is fortifying its position in the Central Asian region and particularly in Kazakhstan, but this fact can in no way justify the conclusion that "China will begin its advance on the former Soviet Union from Kazakhstan."<sup>1</sup> Even more far-fetched is the conclusion other "experts" come to when analyzing the changing geopolitical situation in Central Asia and the active changes going on in Kazakhstan: "The main question today is where the demarcation

<sup>1</sup> D. Aslamova, "Kitai nachnet pogloshchat byvshiy SSSR s Kazakhstana," *Komsolmolskaia pravda*, 17-18 November, 2009.

line will fall when Russia and China divide up Kazakhstan.”<sup>2</sup>

I do not think the situation is that serious. There are of course problems, but this does not mean that China has laid claim to the region and begun making inroads into it. It is certainly making some acquisitions, but it is doing this by buying companies from other foreign investors. This is normal practice, whereby not only for China and not only in the region under discussion. If you have money, you should spend it. China has a lot of money; more than two trillion in international reserves alone, a state investment fund of \$200 billion, and a multitude of private investment funds with appreciable possibilities. So China is spending its money. And rightly so, because today problem companies and raw material resources can be bought up cheaply. Any country, if it had the opportunity, would do the same thing.

Let Russian journalists broadcast their apocalyptic forecasts at their own peril. Although the answer to why they have this view of geopolitical reality can be found precisely in what they write: “Russia is losing its monopoly on oil and gas transit from the countries of the Caspian region, and Russia could be cut off not only from Kazakhstan’s hydrocarbons, but also from Turk-

<sup>2</sup> O. Maslov, A. Prudnik, “Kazakhstan nachala XXI veka kak Polsha pered 1939 godom,” *Ezhenedelnoe nezavisimoe analiticheskoe obozrenie*, 30 January, 2007, available at [http://www.polit.nnov.ru/].

menistan’s energy resources.”<sup>3</sup> I do not think this poses such a terrible threat to Russia. On the contrary, a competitive environment can help Russian oil and gas companies to function more efficiently, rather than simply sitting back on their laurels.

I think the problem lies in something else. We are living in an era of economic globalization and China, unlike its strategic partners, Russia and Kazakhstan, has already become incorporated into it. This, in any case, is the gist of the concept “going global,” which China has been following since 2003. And everything it is doing both in Kazakhstan and Russia is being carried out within the rules of the game dictated by the globalizing world. On the other hand, the phobias about China (and sometimes about Russia) are based on two things. First, they belong to the category of psychological fears. Second, they are dictated by the fact that we are neighbors—even the best of neighbors can come under fire, and if this neighbor is successful as well, negative feelings toward it become even more intense.

There is nothing very positive about phobias, primarily because they lead to the formation of stereotypes and prevent people from seeing the real threats and challenges. But if a certain phobia does arise, it means there must be some reason for it. I will try, as far as the available information allows, to gauge the severity of the problems associated with China’s presence in Kazakhstan.

<sup>3</sup> Ibidem.

## Myths and Phobias

The myths and phobias associated with China’s presence in Kazakhstan can be arranged into several hypotheses.

- First, during state demarcation, Kazakhstan yielded a significant part of its territory to China, and the main objective of the latter’s foreign policy “to move north” is dictated by its interest in Central Asia’s mineral resources, whereby Siberia, the Far East, as well as Kazakhstan fall into the zone of Chinese expansion.<sup>4</sup>

<sup>4</sup> See: M. Adilov, “V politike ne byvaet druzei i vragov, a est tolko interesy,” *Respublika—Delovoe obozrenie*, 3 November, 2006; N. Amrekulov, “Damoklov mech kitaiskogo drakona,” *Svoboda slova*, 8 February, 2006; A. Beibarsov, “Kazakhstan-Kitai: vmeste, riadom ili vnutri?” *Respublika—Delovoe obozrenie*, 16 September, 2005; M. Safin, “Poglotit li Kitai iugo-vostochnuiu chast Kazakhstana?!” Internet newspaper *Zonakz*, 23 July, 2008, available at [http://www.zonakz.net/].

- Second, there is a hypothesis that a springboard is being prepared in Xinjiang for launching the next advance into Central Asia and Kazakhstan.<sup>5</sup> And to take this idea even further—China and Russia are hatching plans to divide up Kazakhstan between them.<sup>6</sup> To the credit of Kazakh authors, they have not yet begun entertaining this last idea.
- Third, there is the threat of China swallowing Kazakhstan demographically.<sup>7</sup> There are several aspects to this. The first is based on the demographic growth in the regions of China bordering on Kazakhstan (primarily in XUAR), the surplus workforce this is generating, and, consequently, its migration to Kazakhstan. The second is planned resettlement of Hans from the interior regions of China in XUAR, and, as a result, aggravation of ethnic competition and expulsion of the Kazakhs and Uighurs who live in the region. The third aspect relates to Kazakhstan becoming overrun with Hans within the framework of legal and illegal labor migration. The conclusion of the authors sounds really threatening: “Where will the cataclysms and demographic pressure send the floods of Chinese migrants? To those places where there is arable land (that is, Zhetysu) and plenty of minerals (that is, in our direction). And we are already seeing how XUAR is being settled by Hans, thus wiping away the buffer (Turkic) zone between Kazakhstan and the PRC.”<sup>8</sup>
- Fourth, China’s economic expansion.<sup>9</sup> As in the previous case, this hypothesis is also comprised of several components. First—domination of Chinese goods on the Kazakh market. Second—export to China of strategic raw resources and currency. Third—lack of competitiveness and degradation of domestic industry and agriculture as a result of China’s economic expansion.
- Fifth, an increase in China’s share in the oil and gas sector of Kazakhstan and the threat to Kazakhstan’s national interests this poses.<sup>10</sup> The main conclusion of the authors of such statements boils down to the following thesis: “We must re-examine our development strategy and stop Kazakhstan from turning into China’s (and not only China’s) raw material appendage. If we are unable to do this, we should at least implement these projects ourselves without allowing the representatives of a one-and-a-half-billion nation into our territory!”<sup>11</sup>
- Sixth, the environmental disaster threatening Kazakhstan as a result of the irrigation projects being implemented in China (XUAR).<sup>12</sup>

<sup>5</sup> See: M. Auezov, “Nachalos velikoe pereselenie!” *Respublika—Delovoe obozrenie*, 11 November, 2004; K. Daniyarov, *O novoi istorii Kazakhstana*, Almaty, 2004.

<sup>6</sup> See: O. Maslov, A. Prudnik, op. cit.

<sup>7</sup> See: K. Daniyarov, op. cit.; Zh. Morzabaeva, “Kazakhstanu grozit ‘kitaiizatsiia?’” *Respublika—Delovoe obozrenie*, 3 November, 2006.

<sup>8</sup> N. Amrekulov, op. cit.

<sup>9</sup> See: “Vostok aleet vse silnee,” *Epokha*, 24 February, 2006; K. Daniyarov, op. cit.; O. Makushina, “Kitaiskiy faktor: mify i realnost,” *Respublika—Delovoe obozrenie*, 10 November, 2006.

<sup>10</sup> See: M. Adilov, op. cit.; Sh. Kaigy, “Nastalo vremia vozvrashchat,” Parts 1-2, Internet newspaper *Zonakz*, 12, 14 September, 2005; Idem, “Kitaiskaia ekspansiia prodolzhaetsia,” Parts 1-2, Internet newspaper *Zonakz*, 19-20 September, 2005; Idem, “Do vykupa kitaisami aktsiy ‘PetroKazakhstan’ ostalos dve nedeli...,” Parts 1-2, Internet newspaper *Zonakz*, 3-4 October, 2005; “Kitai prodolzhaet ekspansiiu. Pogranichny dozor,” Internet newspaper *Zonakz*, 2 February, 2006; “Prisutstvie Kitaia v Kazakhstane: ‘dostizheniia’ i ‘perspektivy.’ Pogranichny dozor,” Internet newspaper *Zonakz*, 10 February, 2006; “I eshche o Kitae v Kazakhstane... Pogranichny dozor,” Internet newspaper *Zonakz*, 13 February, 2006.

<sup>11</sup> “Prisutstvie Kitaia v Kazakhstane: ‘dostizheniia’ i ‘perspektivy.’ Pogranichny dozor.”

<sup>12</sup> See: N. Aidarov, “O kazakhstano-kitaiskom peregovornom protsesse po transgranichnym rekam,” *Diplomaticeskii kurier*, No. 2, 2002, pp. 102-104; M. Auezov, “Tsena pogranichnogo spora: Kitai-Kazakhstan,” *XXI vek*, 6 May, 1999; A. Baliev, A. Medvedev, “Reki sami ne umiraiut. Ikh ubivaiut,” *Rossiiskaia gazeta*, 12 February, 1999; G. Zholamanova, “Rol Shankhaiskoy organizatsii sotrudnichestva v uregulirovanii problemy transgranichnykh rek mezhdru Kazakhstanom i Kitaem,” *Analytic*, No. 1, 2007, pp. 34-42; D. Rakhmetov, “Besprosvetny vodozabor,” *V[o]x Populi*, No. 9, 1-15 April, 2009, pp. 41-43.

- Finally, the pro-Chinese lobby in the Kazakh government that supports China and protects its interests.<sup>13</sup>

The list could go on, but I think the above-mentioned points are sufficient. Now let's ask two questions:

- 1) what is myth, and what might be true;
- 2) what is political and socioeconomic reality, and what potential threats are posed by China's presence in Kazakhstan?

## Mythology and Reality

The first two hypotheses are undoubtedly myths. China has no intention of attacking anyone in the near future. And there is no need for this. In present-day economic globalization, it is much more efficient not to conquer and claim territory, but rather use its potential in one's own interests. This is what China is doing. The concept of "going global" (*zou chuqu*), which China has been following since 2003, makes it possible to solve these tasks fairly effectively without using armed forces.

As for Central Asia, China is interested in the region as a resource base, a sales market for Chinese products, and a transit territory. China has not shown any interest in making claims to this region and developing it on its own. All the talk about how "tomorrow millions of Chinese peasants will come to claim Kazakhstan's land" is another scare tactic conceived by the opposition and cannot be underpinned by real facts. Real facts, on the other hand, show that efforts are being made to step up cooperation between Kazakhstan and China in agriculture and establish joint agroindustrial enterprises. I do not see this as threatening Kazakhstan's national interests in any way. On the contrary, I think that creating joint agroindustrial complexes is the most promising sphere of Kazakh-Chinese economic cooperation. We have laid significant groundwork and gained experience in this area, and this is where we can compete with China. It is also important that these enterprises will not only manufacture competitive commodities, but also have a guaranteed consumer of their products.

The Kazakh-Chinese border has been delimited and demarcated. So this problem, which, like history, can have no "ifs and buts," has become a thing of the past. Moreover, it should be stressed that if the current dynamics of relations in the China-Kazakhstan-Russia triangle and the continuity of Chinese foreign policy are retained, this kind of problem will not feature in bilateral and multilateral relations. Delimitation of the border was carried out by clarifying the border line envisaged by the Russian-Sino agreements of the 19th century. This means that although China regards some of these agreements as unequal and this topic is still discussed in historical studies, at the political level China and its neighbors have *de facto* and *de jure* recognized the status quo that existed at that time.

There are, admittedly, several problems in Kazakh-Chinese relations that dampen my optimism somewhat and make it difficult to answer the question of how Kazakh-Chinese relations will develop in the midterm and what factors will have a primary impact on them, but we will talk about that later.

As for Xinjiang being viewed as a springboard for launching a Chinese offensive on Central Asia, let us take a closer look at this problem. If we accept the fact that everything China does is aimed only

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<sup>13</sup> See: N. Amrekulov, *op. cit.*; "Vostok aleet vse silnee"; "Kitai prodolzhaet ekspansiiu."

at meeting its own interests and satisfying its global ambitions, the authors of these alarmist statements will largely be right. There can be no doubt that Xinjiang has made qualitative leaps in the past 20 years, and the development of its infrastructure can also be viewed from the military perspective as preparing a springboard for "China's future wars."

If, however, we take a calmer look at the problem, first, the whole of China has made qualitative leaps, and, as already mentioned, has no intention today of conquering neighboring territories. There is no need for this when the territory in question is working in your interests anyway. Second, Xinjiang's rapid development is an objective need called upon not only to resolve the economic problems in this region of China, but to some extent also the problem of ethnic separatism in the PRC. Third, the building of highways and railways leading to the Kazakh-Chinese border can be viewed not only in the context of "preparing a springboard for aggression," but also as a necessary measure for practical implementation of the "going global" concept and extending Chinese trade expansion.

Incidentally, China's participation in large-scale infrastructure projects in Central Asia can also be viewed from this perspective. There is no altruism here on its part. The undeveloped infrastructure and weak economy of the region's states is slowing down the development of China's northwest regions. China is well aware of this and so is investing in the development of those economic branches of the region's states that are directly related to solving the major task of turning Xinjiang into the economic and financial center of the entire region. And in this sense, China's economic cooperation with the Central Asian states and Kazakhstan is indeed based on the need to develop the Chinese economy.

Is China to blame for this? Hardly. It is simply doing what it has to do. So it is ridiculous to cast aspersions on the achievements made in the economic development of XUAR or on its fortifying its economic position in the Central Asian region. The main economic trends in the region have already been defined and they clearly demonstrate that, in contrast to China, other states of the region have lost precious time.

If we keep in mind the current opportunities and prospects for implementing the concept of "extensive development of the west" and compare the development dynamics of Xinjiang and the neighboring Central Asian states, it becomes entirely clear that the balance will not be in our favor. And Russian researchers are largely right who, when analyzing the trends in XUAR's current development, are concluding: "In the event of the continuing accelerated growth of the western provinces of China, Xinjiang has every chance of becoming a leading financial and economic center of Central Asia and the contiguous and near-lying Russian regions, in other words of fortifying its position as an economic center of Greater Central Asia that is emerging."<sup>14</sup>

It is difficult to say with any certainty whether this is posing a threat to the national security of the region's states or providing them with a new opportunity. But it is very evident that China will not be able to secure full domination in Central Asia, not only due to the growing competition in the region on the part of Western countries and Russia, but also due to its many serious internal problems, which will sooner or later make themselves known.

Things are more complicated with the third and fourth groups of myths and phobias, since they consist both of obvious mythology and entirely reasonable fears based on Chinese and Kazakh reality.

The population of Xinjiang is steadily increasing. As of the end of 2008, it exceeded 21.3 million people, its ranks swelling by almost 5 million people compared with 1990.<sup>15</sup> Whereby, no matter

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<sup>14</sup> S. Zhukov, O. Reznikova, *Tsentrāl'naia Azia i Kitai: ekonomicheskoe vzaimodeistvie v usloviakh globalizatsii*, Institute of World Economy and International Relations, RAS, Moscow, 2009, p. 164.

<sup>15</sup> See: *Xinjiang tongji nianjian, 2009* (Statistical Yearbook on Xinjiang for 2009), Beijing, 2009, pp. 69, 84.

what Chinese propaganda has been claiming, it is entirely evident that Hans are indeed migrating from the interior regions to XUAR. It stands to reason that this is having an impact on ethnic competition and causing “surplus workforce.” Consequently, conditions are potentially being created for external labor migration and, if the situation in the autonomous region becomes aggravated, for the problem of refugees from XUAR.

Nevertheless, I do not see any reason for alarmist conclusions. First, the prospect of a flow of refugees from XUAR is a hypothetical threat. Second, the thesis that “Hans have flooded Kazakhstan” is another myth. Neither the official figures, nor the polls conducted by Kazakh researchers among Hans working in Kazakhstan give any grounds for such conclusions.

As for the official statistics regarding PRC citizens who are temporarily living in Kazakhstan (that is, those who have come on official or private business, as well as those in transit), they assure us that their numbers are not critical, although they have significantly risen compared to the end of the 1990s (see Table 1).

Table 1

**Number of PRC Citizens Temporarily Living  
in Kazakhstan between 2000 and 2009  
(persons)**

Year	Registered	On official Business	To Work	On Private Business	Tourism	Brought to Administrative Account	Deported
2000	13,328	11,233	131	1,305	659	5,221	430
2001	13,415	9,064	1,224	2,476	651	1,198	203
2002	20,243	13,945	984	4,344	970	661	159
2003	16,974	9,772	916	6,016	270	363	151
2004	28,558	16,179	890	10,860	629	1,429	191
2005	34,108	12,755	2,604	17,108	1,641	3,881	531
2005	34,108	12,755	2,604	17,108	1,641	3881	531
2006	29,183	70,56	2,513	19,168	446	3,587	866
2007	45,570	11,249	4,720	29,246	355	4,715	553
2008	46,370	14,005	5,593	26,235	474	5,998	666
2009*	23,725	6,442	3,357	13,673	253	3,286	151

\* January-June.

The statistics showing how many PRC citizens have settled in Kazakhstan are just as eloquent (see Table 2). Judging from these data, representatives of the Kazakh ethnic community mainly settle in Kazakhstan.



Table 2

Migration between Kazakhstan and  
the PRC in 1999-2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Total arrivals in Kazakhstan</b>	41,320	47,442	53,548	58,211	65,584	68,319	74,807	66,731	53,397	22,682
<b>Arrived from China</b>	145	189	655	1,059	2,080	3,463	4,562	5,003	5,829	6,328
<i>number of Kazakhs among them</i>	N/A	N/A	N/A	N/A	1,865	3,268	4,460	4,813	5,771	6,279
<b>Total departures from Kazakhstan</b>	164,947	155,749	141,710	120,223	73,890	65,530	52,139	33,690	42,435	8,149
<b>Departed for China</b>	5	1	11	159	407	121	108	90	50	48
<i>number of Kazakhs among them</i>	N/A	N/A	N/A	N/A	281	86	91	84	47	46
<b>Balance for China</b>	140	188	644	900	1,673	3,342	4,454	4,913	5,779	6,280

The only thing that concerns me is the unavailability of information on numbers, on where migrants are settling, on the structure of labor migrants from the PRC, and on their problems, on the one hand, and the lack of reaction of the Kazakhstan authorities and official representatives of China to the information that has recently appeared in the Chinese press stating that there are 300,000-500,000 Chinese citizens living in Kazakhstan, on the other.<sup>16</sup>

But two things must be kept in mind. First, Kazakhstan's desire to join WTO. Second, the designated shortage of labor resources in Kazakhstan. It hardly makes sense to raise the question of the "inevitability of Chinese labor migration," as some authors in Russia are doing, but we will have to reckon with the reality of labor migration from China, and we will have to learn, when engaging in any kind of cooperation, to consistently protect the interests of our own citizens. The Chinese are doing this very strictly and skillfully in their own country.

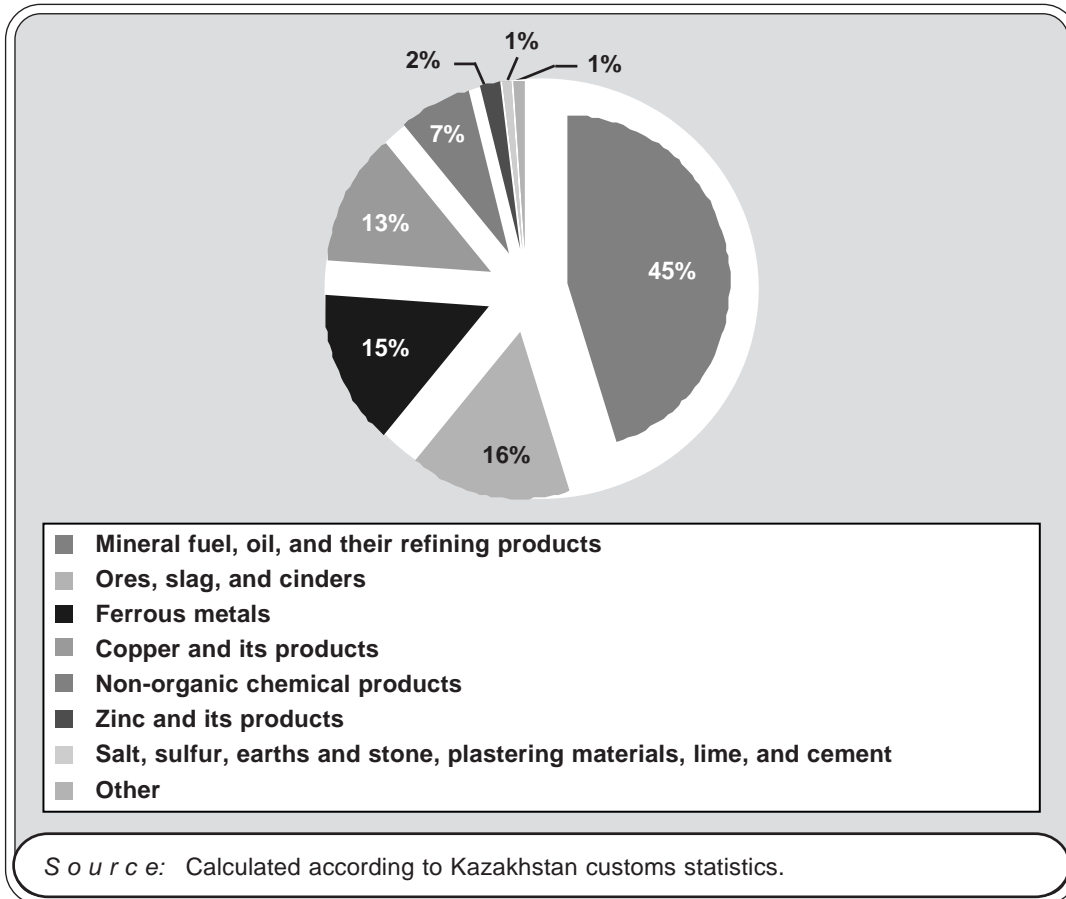
As for "China's economic expansion," there can be no arguing with the figures, both the increase in goods turnover between Kazakhstan and China, and the increase in China's presence in several branches of Kazakhstan's economy are obvious. But China is only one of many countries with which Kazakhstan is maintaining foreign economic contacts. And if we take a purely formal approach, according to official Kazakhstan statistics, China did not become a leader among Kazakhstan's foreign economic partners until recently, and did not occupy third position until 2008, lagging behind Russia and Italy.

<sup>16</sup> See: "V Kazakhstane proshla gosregistratsiia gazeta *Hasakexietan huaqiao bao*, orientirovannaia na prozhivaiushchikh v strane kitaitsev," Kazakhstan Segodnia Agency, 22 April, 2009, available at [<http://www.kt.kz/>]; Open letter of the Kazakh youth of the city of Urumqi of the People's Republic of China, Internet newspaper *Zonakz*, 24 June, 2009.

Only the goods inventory of export-import transactions between Kazakhstan and China can arouse serious concern (see Figs. 1 and 2), which confirms the conclusion of Russian and Kazakh experts that Kazakhstan has already become a raw material appendage of the Chinese economy.

Figure 1

Kazakhstan's Export to the PRC in 2009



As for foreign direct investments in Kazakhstan's economy, they do not constitute a large percentage of the total volume and between 1993 and September 2009 amounted to \$3.6 billion (see Fig. 3). In terms of this index, until 2009 China lagged significantly behind the U.S. and European countries, and so it is not entirely correct to talk about "China's economic expansion" (see Fig. 4).

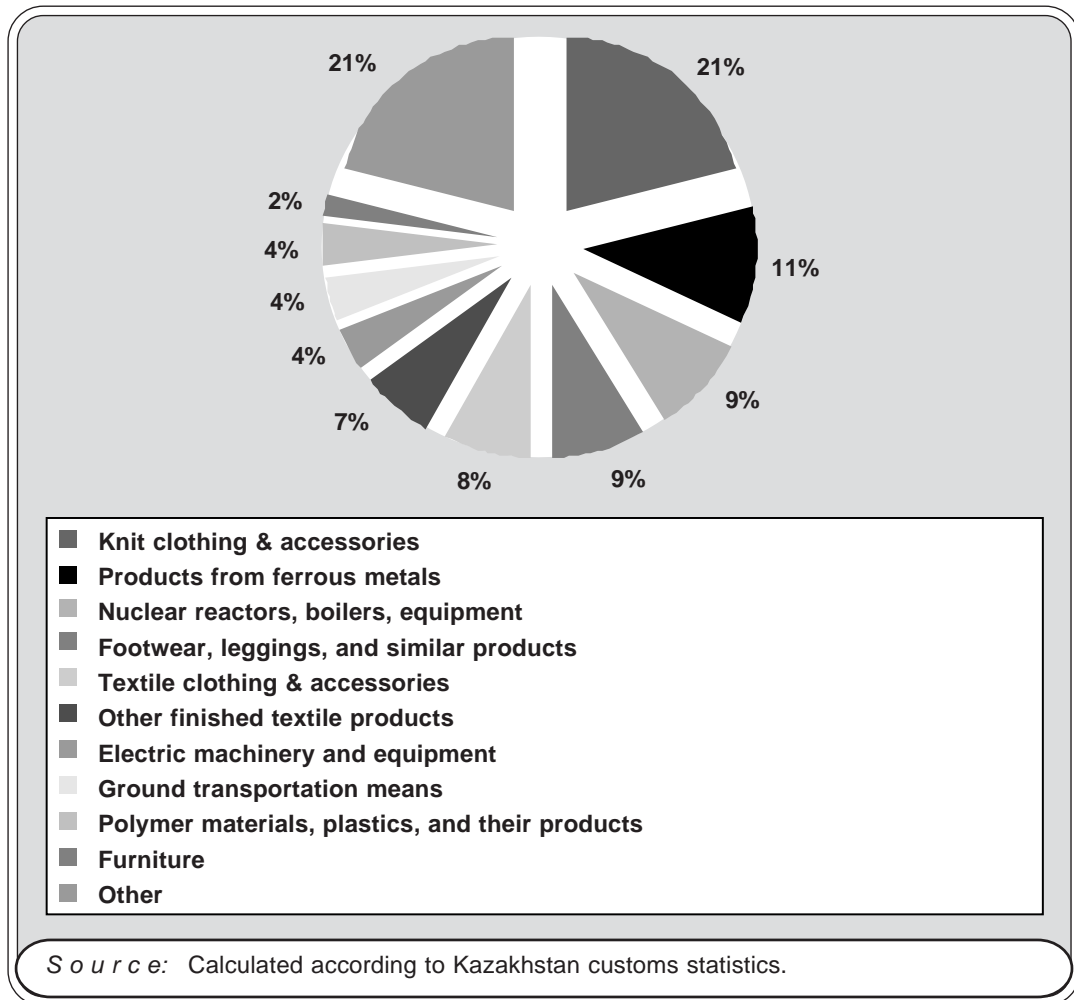
Another important fact is that there is no substitute for Chinese goods on the Kazakh market today and we, like our regional neighbors and, on the whole, the entire world, have to face the inevitable fact of Chinese goods expansion in the near future. China has already become the "world's factory," and there is nothing we can do to change this.

On the contrary, with each passing year, we are importing more and more commodities bearing the label "made in China." The reason is simple: there are not enough domestic goods in the necessary quantity and quality, on the one hand, and it is much cheaper to import Chinese consumer goods even



Figure 2

## Kazakhstan's Import from the PRC in 2009



keeping in mind the official customs duties and unofficial payments, on the other. And this cannot be avoided; the market dictates its conditions, and this is probably not a bad thing.

As for the fears relating to Chinese loans, they are only partially substantiated, in the sense that sooner or later they will have to be paid back. But, first, compared with the debts we have accumulated in the West, what we owe China is a drop in the bucket. Second, it is not China imposing these loans on us, we are asking for the money ourselves. Third, foreign loans are not objectionable in and of themselves, the problem is using them efficiently. If a loan is used efficiently and not pilfered, it can be paid back with no problem. Finally, when the state borrows large amounts of money, it would be a good idea to let the people know the terms on which these loans are issued. Governments come and go, but debts have to be paid back by future generations, and it would be best to know precisely what you are in for.

On the whole, expanding spheres of activity is a normal phenomenon in bilateral economic relations. I personally welcome this, particularly today when China is beginning to join projects in the

Figure 3

Gross Inflow of Chinese Direct Investments into Kazakhstan (million dollars)

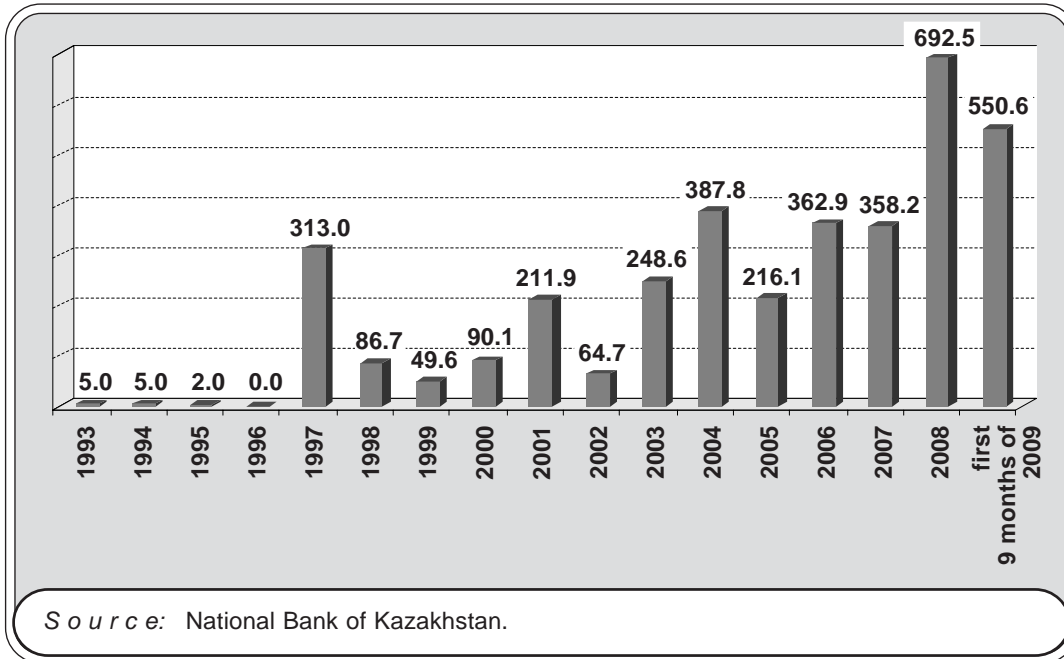
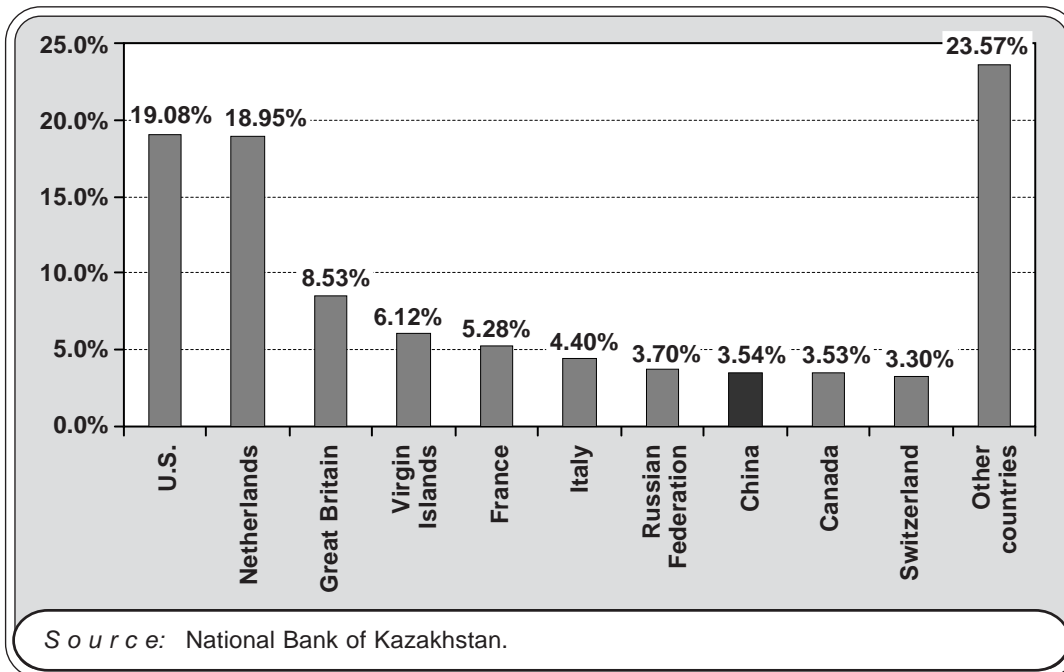


Figure 4

Gross Inflow of Direct Investments between 1993 and September 2009



real sector of the economy, and not only in branches relating to the production and transportation of energy resources. We have signed documents with China that regulate our strategic partnership and many areas can be found in them that envisage this kind of partnership. And there is nothing wrong with this, and it is certainly not related to “Chinese expansion.” The main thing is honoring national interests.

This is precisely where the problem lies. And here I am in absolute agreement with the conclusion of Kazakhstan political scientist Dosym Satpaev, who thinks that “it is not China’s economic expansion that is posing a threat, but the corruption of our officials, which is permitting the country to enter detrimental contracts and dealing a blow to Kazakhstan’s economic security. In the final analysis, any investor plays by those game rules the government sets for him. If these rules are not in Kazakhstan’s favor, it is the government’s fault and not the investor’s.”<sup>17</sup>

As for Chinese companies violating Kazakhstan’s tax and labor laws, which the Kazakh press sometimes point to, Chinese companies are unfortunately no exception here. This is true of almost all foreign companies operating in Kazakhstan. Most of them try to evade tax payment, and some even do this with the blessing of the Kazakhstan authorities. In essentially all foreign companies operating in our country, the salaries of foreign specialists are higher than for Kazakhstan employees. As for working conditions, I cannot judge since I do not know, although I am aware that there are conflicts. But this is our problem. The government is always at liberty to put any foreign investor in his place. And only the government can say why it does not do this.

As for giving preference to Chinese citizens when filling job vacancies, first, this again is normal practice for foreign investors in Kazakhstan. Second, compared with other “foreigners,” the number of Kazakhstan employees in a joint venture with Chinese investments is usually quite high. For example, according to the data of the Ministry of Oil and Gas of the Republic of Kazakhstan, as of 1 January, 2010, the number of workers hired on contract to work in enterprises with Chinese participation amounted to 17,733 people, the number of Kazakhstan employees among them amounting to 17,519 people, or 98.8%.<sup>18</sup>

The most discussed and sensitive topic is China’s presence in Kazakhstan’s oil and gas sector. We could agree with these concerns if it were not obvious that they are politically dictated. When talk turns to the national security threat posed by the foreign presence in Kazakhstan’s oil and gas sector, the finger is always pointed at China for some reason, while it would be worth calculating the percentage ratio of all “foreigners” present in Kazakhstan.

China occupies far from the leading position on this list. According to my estimates, in 2008, China’s share in the total volumes in Kazakhstan amounted to 20.05% in oil production and to 11.60% in gas production. If China’s share in Mangistaumunaigaz Joint-Stock Company and KazMunaiGaz Survey and Production Joint-Stock Company acquired at the end of 2009 is added to these estimate figures, it can be approximately forecast that China’s share in oil production in Kazakhstan will grow to 25-26% and in gas production to 13-14%. This, of course, is not that small. But, for example, the share of the two largest gas- and oil-producing companies in Kazakhstan alone, which mainly belong to Western investors—Tengizchevroil and Karachaganak Petroleum Operating B.V.—amounts to 40.90% in oil production and 71.61% in gas production.

The answer to other questions is also extremely important: what companies did Chinese investors acquire (anticipated and recoverable reserves, as well as the beginning of field operation); how and on what terms were they acquired; how do these companies function with the new investor; and, finally, what was Kazakhstan’s interest?

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<sup>17</sup> Quoted from: O. Makushina, *op. cit.*

<sup>18</sup> See: Expert Report of the Ministry of Oil and Gas of the Republic of Kazakhstan upon the request of Majilis Deputies of the Kazakhstan Parliament, 14 October, 2010, available at [[www.kazenergy.com](http://www.kazenergy.com)].

I am not trying to defend China, but facts are facts.

- First, China acquired private companies registered offshore belonging to other foreign investors that became established in Kazakhstan in the mid-1990s. It acquired them at open tenders and on rather advantageous terms for their owners. So those worried about China’s presence in Kazakhstan’s oil and gas sector should be primarily demanding explanations of how, why, and on what terms these shares ended up in private hands, whereby at times in the hands of “foreigners” of very dubious reputation.
- Second, essentially all the oil fields acquired by China in Kazakhstan have low in place and recoverable reserves. Moreover, most of them have been under development since the end of the 1980s-beginning of the 1990s. And if we rely on the forecasts of the Ministry of Oil and Gas of the Republic of Kazakhstan, in the next decade, the share of Chinese companies in oil and gas production in Kazakhstan will not only fail to grow, it will even decrease somewhat (see Figs. 5 and 6).
- Third, we ourselves are saying we want to diversify the transportation routes of our hydrocarbons, as well as the list of foreign investors. In this sense, China, as Kazakhstan’s neighbor,

Figure 5

China’s Share in Oil Production in Kazakhstan in 2010-2020 (million tons)

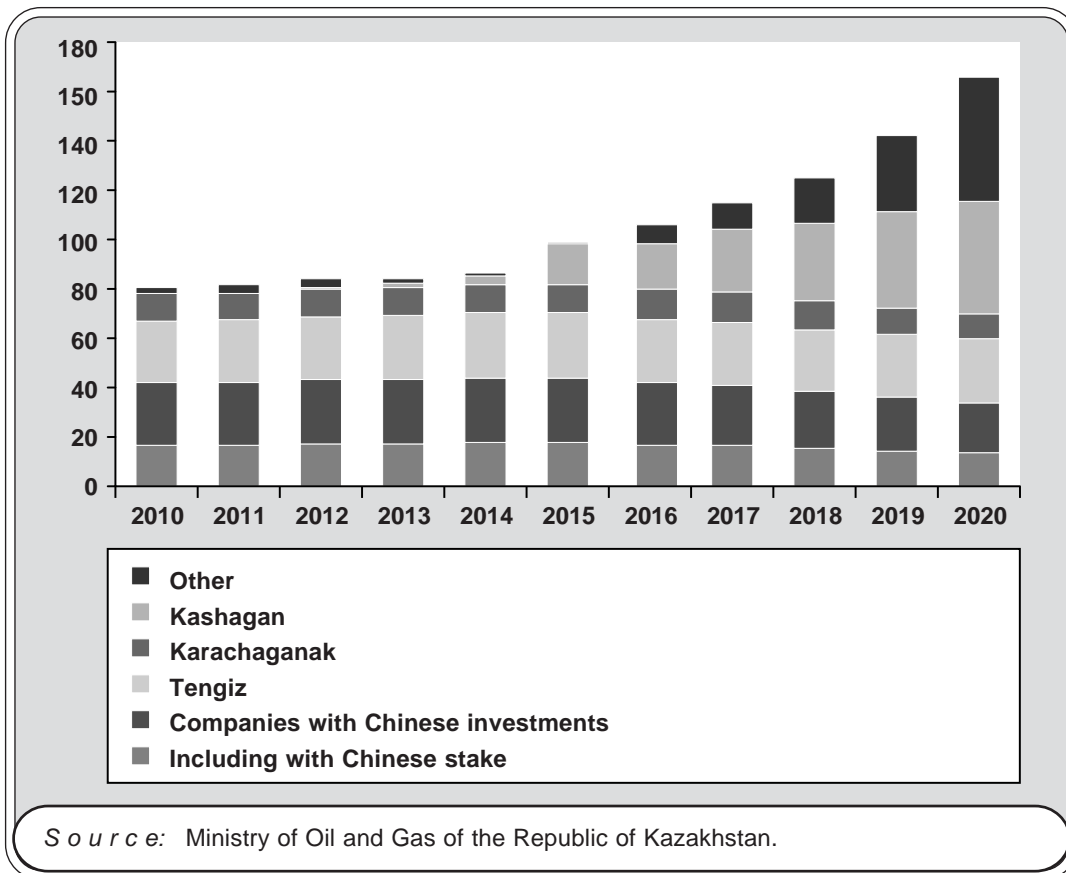
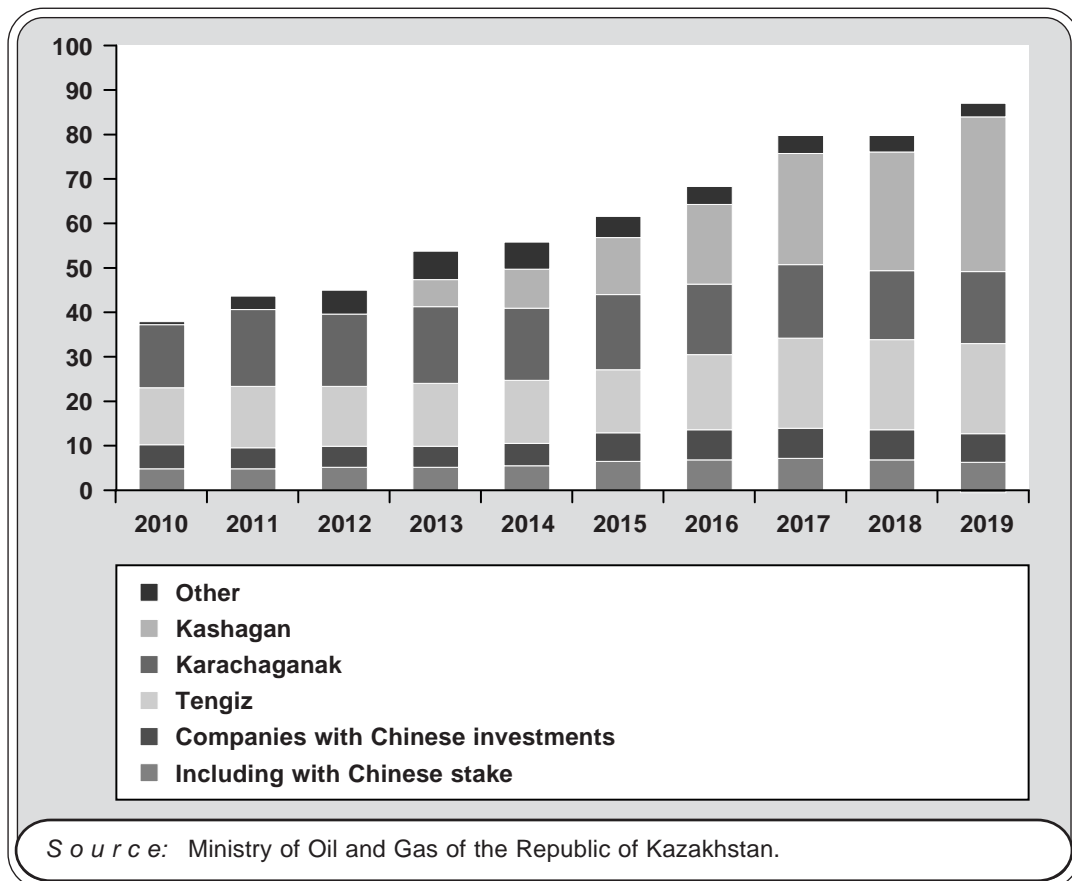


Figure 6

China's Share in Gas Production  
in Kazakhstan in 2010-2020 (bcm)



looks rather inviting as the most promising market of hydrocarbon deliveries and a very solvent state.

- Fourth, contracts on subsurface use signed with the Chinese side are preferable to those signed with Western companies. Moreover, unlike Western companies working under Production Sharing Agreements, all Chinese companies are functioning in compliance with current tax legislation.
- Finally, we cannot ignore the fact that in contrast to other foreign investors, Kazakh-Chinese joint ventures will be created in future on the basis of enterprises acquired by the PRC. This is a big plus for Kazakhstan's economy, if, of course, these joint ventures are used judiciously.

### *In Lieu of a Conclusion*

The myths about the Chinese threat in Kazakhstan are largely aimed at drawing the public's attention away from the true culprits of the problems existing in the republic. In this context, I would

like to quote one of Confucius' sayings: "Don't complain about the snow on your neighbor's roof when your own doorstep is unclean." This is to say that we are to blame for many of our hardships, not China. I think there are more than enough examples of this and everyone is aware of them.

The real threat comes from the rapidly escalating incompetence and corruption of officials who allow detrimental contracts to be signed and deal a blow to Kazakhstan's economic security. And although I do not really believe there is a pro-Chinese lobby in the Kazakhstan parliament, it is just another myth, the high corruption component of Kazakh-Chinese relations cannot be denied. If a job is worth doing it is worth doing well. And in this context, we are bound to come across real and hypothetical threats and challenges in Kazakh-Chinese relations. But this is a topic for another article.

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