Chapter - 5

CENTRAL ASIAN GEO-ECONOMICS
AND CHINA’S ASPIRATIONS
5.1 Introduction

The geopolitical linkages between Central Asia region and China have an economic angle also. When ancient Silk Road existed, the whole region of present day Central Asia and the Chinese province of Xinjiang was economically and culturally interlinked. It was the period of Soviet rule in Central Asian region when the interaction between the Soviet Central Asia and China was restricted. During Soviet rule trade between the two regions existed in informal way. But, after the independence gained by the Central Asian states, new trade land-ports were established on both sides of the border. The greater momentum of the economic ties between the two parties also lies in the fact that the present Central Asian states are rich in energy resources that can fulfil the energy hunger Chinese counterpart. Also in the era of globalisation where economic issues matter along with security issues on deciding the strength of a nation in world arena, the Central Asian states and China want to enhance their complementary nature of economise by forging strong economic linkages. This chapter is divided into two part; Part A and Part B. Part A deals with the oil and gas issues and Part B deals with the trade issues between Central Asian region and China.

5.2 Part A - Energy

The geopolitical importance of the Central Asia region is acknowledged by China for the presence of vast amount of oil and natural gas resources. In the beginning phase of independence, various speculations has been made about the amount of the oil and natural gas resources present in the Central Asian region, but the truth is that it has proven in due course of time. Today, it doesn’t seems much viable to explore the oil resources of the region but as the other sources get exhausted in near future the importance of the region will be realised. The energy resources present in the region are vast but the region is landlocked. To carry out these energy resources to world market and to the refineries, the erstwhile Soviets power constructed the largest integrated pipeline networks in the world. After the dissolution of the Soviet Union, new competing national interests are struggling to control over these energy resources and transmission corridors.

In Central Asia region, Turkmenistan, Kazakhstan and Uzbekistan produce significant amounts of hydrocarbons and export their oil and gas to or through Russian territory.
Russian government policy aims to continue exercising political control over these resources and to maximize its share of profits from their export. This section examines oil and gas transmission issues in Central Asian region, against a backdrop of emerging new strategic competition between Russia, US and West, Iran and China. In addition, Iran's potentially key geographic position for channelling Caspian energy supplies towards the Persian Gulf is taken into account. There is strategic competition between the major regional and global powers because the region is landlocked. Every concerned state desires to control the transmission of energy resources. Therefore, these states advocate the route, which passes through their influence area. For example, the US heavily backed BTC pipeline because it passes through its ally Turkey. On the other hand, Russia wants to continue the old pipelines, which passes through its own territory to make its own leverage in the region.

China has successfully built pipeline from Kazakhstan to its Xinjiang area. Also, on December 14, 2009, a new gas pipeline connecting Turkmenistan-China was inaugurated. The massive Turkmenistan-China pipeline will carry natural gas from eastern Turkmenistan through Uzbekistan and Kazakhstan into China's north-western Xinjiang region. Jennifer DeLay, editor of "FSU Oil And Gas Monitor," says the significance of the new route rests primarily in the fact that it is the first high-volume export route opening up for Turkmenistan that does not go through Russia (Pannier 2009). Highlighting the importance for China, Delay added, "One of the big attractions of the pipeline from Central Asia is that it's an overland route. A good amount of the gas that China has started buying lately has come from overseas in the form of LNG [liquefied natural gas], which has to be brought in by tankers." The sea route is not that much safe for China in comparison to overland route. Commenting on the insecurity of the sea route Pannier (2009) argues, "Sea transport has its own pitfalls; a lot of it has to go through the Straits of Malacca, which is infested with pirates, and there are some other security concerns. The pipeline from Turkmenistan, by contrast, is going overland and is a little bit easier to predict and protect." This highlights the importance of this pipeline for both Turkmenistan and China. The Turkmenistan-China pipeline is also due to take some gas from Uzbekistan and Kazakhstan to China. Uzbekistan has already said it is contracted to provide 10 billion cubic metres (bcm) to the project. A second section of the pipeline that will extend through Kazakhstan from north of the Aral Sea to China - the Beyneu-Bozoy-
Kzylorda-Shymkent pipeline - will provide 10 bcm of Kazakh gas (Pannier 2009).

5.2.1 Central Asian Oil and Gas Resources

Energy is the most abundant and valuable natural resource in Central Asian region. It is mainly concentrated in Kazakhstan, Turkmenistan and Uzbekistan. These energy reserves form a basis for economic growth and development, by exporting energy and generating foreign exchange revenues. The approximate amount of the oil and gas present in the Central Asian region are given in the following tables: Table No. 5.1 presents the picture of crude oil and Table No. 5.2 presents the picture of Natural gas in the Central Asian region.

**Table No. 5.1**

**Crude Oil: Reserve, Production and Export in Central Asian Region**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Kazakhstan</td>
<td>30.000</td>
<td>1455.15096</td>
<td>1178</td>
</tr>
<tr>
<td>2</td>
<td>Kyrgyzstan</td>
<td>0.040</td>
<td>0.0010000</td>
<td>0000</td>
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<tr>
<td>3</td>
<td>Tajikistan</td>
<td>0.012</td>
<td>0.00021799</td>
<td>0000</td>
</tr>
<tr>
<td>4</td>
<td>Turkmenistan</td>
<td>0.600</td>
<td>0.17626301</td>
<td>0033</td>
</tr>
<tr>
<td>5</td>
<td>Uzbekistan</td>
<td>0.594</td>
<td>0.4345334</td>
<td>0000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>31.246</strong></td>
<td><strong>1676.08530</strong></td>
<td><strong>1211</strong></td>
</tr>
</tbody>
</table>


In the terms of export of oil, the Central Asian region markets 1211 thousand barrels per day (bbl/day). Kazakhstan is the leading and significant exporter of oil with 1185 thousand barrels per day and rank 13th among the world net oil exporter in 2008 (EIA
2008c). According to the EIA, International Energy Statics data, Central Asian region reserves currently (in 2009) account for 2.32% of the total worldwide reserves and 2.31% of the global crude oil production. Overall, crude oil reserve and production in Central Asian region are not very significant in comparison to Gulf countries having 54.76% of worldwide oil reserve and 28.23% of the global crude oil production (IEA 2008a) and therefore do not play a pivotal role in international energy markets. However, crude oil reserve does have a significant geo-strategic value because of the following reasons;

- Because of their location close to centres of consumption such as Europe, China and India.
- Because of their nearness with Russia and Iran, countries that contain vast reserves and are leading exporter of hydrocarbon and seeking to underpin their regional and international position in Central Asia and keeping competing power out of the region.
- Because of the possibility for companies to position themselves in region where there are supposed to be large undiscovered reserves.
- As a supplementary source of crude oil in addition to other traditional areas, such as the Persian Gulf, which would help to diversify supply sources (energy security) in consumer countries (Perez-Martian 2009: 11).

Kazakhstan is also the major oil producing countries in the Central Asian region. The seven largest currently producing oil fields are all located onshore in the western part of the country, except for the Kumkol fields, which are in the south central area. These seven fields account for 1.1 million bbl/d (close to 80 percent) of liquids production in the country. They are: The Tengiz field is located along the northeast shore of the Caspian Sea and is the largest source of oil production in the country. Recoverable crude oil reserves have been estimated at 6-9 billion barrels. The Karachaganak field is located close to the Russian border. The field holds reserves of around 8-9 billion barrels of oil and gas condensate and 47 trillion cubic feet of natural gas. The Uzen field and development of the adjacent Karamandybas field is aimed at increasing production. The Aktobe field produced 117,000 bbl/d in 2008.
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China National Petroleum Corporation (CNPC) acquired a 60.3% stake in 1997 and another 25.12% share in 2003. Mangistau field produced 113,000 bbl/d in 2008 and is operated jointly by Kazmunaigaz and CNPC (EIA 2009a).

North and South Kumkol fields are located in south central Kazakhstan. North and South Kumkol each produce about 65,000 bbl/d. The south Kumkol fields are shared by CNPC (66.7%) and Kazmunaigaz (33.3%). The north Kumkol field is shared by Lukoil and CNPC (EIA 2009a). Besides, there are certain fields which are in the process of development, they are: The Kashagan field, located in the northern shore of the Caspian Sea, near the city of Atyrau. The Kurmangazy field, located in the Caspian Sea between Russia and Kazakhstan, is the least developed of Kazakhstan’s upcoming oil field projects (EIA 2009a).

Table No. 5.2
Natural Gas: Reserve, Production and Export in Central Asian Region

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kazakhstan</td>
<td>85.000</td>
<td>0.3981.0600</td>
<td>0.3256.396</td>
</tr>
<tr>
<td>2</td>
<td>Kyrgyzstan</td>
<td>0.200</td>
<td>0.0010.5945</td>
<td>0.0000.000</td>
</tr>
<tr>
<td>3</td>
<td>Tajikistan</td>
<td>0.200</td>
<td>0.0000.54023</td>
<td>0.0000.000</td>
</tr>
<tr>
<td>4</td>
<td>Turkmenistan</td>
<td>94.000</td>
<td>2.4897.0800</td>
<td>1.7127.780</td>
</tr>
<tr>
<td>5</td>
<td>Uzbekistan</td>
<td>65.000</td>
<td>2.3872.9400</td>
<td>0.5297.250</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>244.400</td>
<td>5.2767.0768</td>
<td>2.5681.426</td>
</tr>
</tbody>
</table>

Turkmenistan has huge amount of Proved Natural Gas Reserves with 94 billion cubic feet (Bcf) in 2009. Kazakhstan and Uzbekistan comes next in terms of Proved Natural Gas Reserves. According to the EIA (2008a), Central Asian region reserves currently (in 2009) account for 3.9% of the total worldwide reserves and 4.8% of the global natural gas production. It is clear from the above table that Central Asian region possess a huge amount of surplus of gas to export.

The major gas reserve in the Central Asian region is located in Turkmenistan. The largest natural gas fields are in the Amu-Darya basin, with perhaps half of the country's natural gas reserves located in the giant Dauletbad-Donmez field. In addition to Amu-Darya, Turkmenistan contains large natural gas reserves in the Murgab basin, particularly the giant Yashlar deposit. The major gas fields are; Mayskoye field in the Murgab gas region in the south; Shatlyk gas field in the Amu-Daria basin; Samantepe field on the right bank of the Amu Dar’ya in eastern Turkmenistan; Krichen or Korpedzhe gas deposit; Gagarinskoye deposit in Zaunguz Karakum; Dauletbad-Donmez/Sovetabad field, located near Seraks on the border with Iran; Darganata field in northeastern Turkmenistan (Olcott 2004: 34-36). During the last 10 years, Turkmenistan also has discovered 17 new natural gas deposits in the Lebansky, Maryinsky, and Deashoguzsky regions of the country. Also, significant amount of gas are present in Uzbekistan and Kazakhstan.

From the above discussion two points have emerged clearly that Central Asian region possess surplus amount of oil and gas for export and it has strategic value because of its location.

5.2.2 China’s Oil and Gas Resources
China’s largest and oldest oil fields are located in the northeast region of the country. The main oil fields in the northeastern region are CNPC’s Daqing field and Sinopec’s Shengli oil field. The Daqing, Shengli and other ageing fields have been heavily taped since the 1960s, and are expected to decline significantly in output in the coming years. Recent exploration and production activity has focused on the offshore areas of Bohai Bay and the South China Sea as well as onshore oil and natural gas fields in western interior provinces such as Xinjiang, Sichuan, Gansu, and Inner Mongolia. Recently, in the Tarim basin of XUAR large deposits of oil and gas has been
discovered. Offshore exploration and production activities have focused on the Bohai Bay region, Pearl River Delta, South China Sea, and, to a lesser extent, the East China Sea (EIA 2009b).

Different from Central Asian region the Chinese situation is just opposite in terms of energy field. Central Asian states has surplus amount of energy for export while China is energy deficit state. As the world witness China’s economy growth around double digit, in the coming future China needs large amounts of oil and gas to sustain its economic growth. Energy is engine of economy growth and any country cannot ignore to gain energy security issues. Since, China’s domestic production of oil and gas is not able to fulfil the demands; China will depend heavily on import of these energy resources. The increasing amount of gas and oil import year by year is visible in the Table No. 5.3.

Table No. 5.3

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports of Crude Oil including Lease Condensate (Thousand Barrels Per Day)</th>
<th>Imports of Dry Natural Gas (Billion Cubic Feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1353.28</td>
<td>000.00000</td>
</tr>
<tr>
<td>2002</td>
<td>1394.78</td>
<td>000.00000</td>
</tr>
<tr>
<td>2003</td>
<td>1805.80</td>
<td>000.00000</td>
</tr>
<tr>
<td>2004</td>
<td>2448.90</td>
<td>000.00000</td>
</tr>
<tr>
<td>2005</td>
<td>2598.90</td>
<td>000.00000</td>
</tr>
<tr>
<td>2006</td>
<td>2904.70</td>
<td>032.77232</td>
</tr>
<tr>
<td>2007</td>
<td>3264.00</td>
<td>138.43480</td>
</tr>
<tr>
<td>2008</td>
<td>3568.00</td>
<td>158.91750</td>
</tr>
</tbody>
</table>

China posted economic growth of 8.7% in 2009 year. And with that economic growth, oil consumption increased, going from 7.83 million barrels per day in 2008 to almost 8 million barrels per day in 2009 (Economides and Xie 2010). According to China Social Science Academy, China’s oil consumption could reach 10.6 million barrels
per day by 2015 (Economides and Xie 2010). The significant part of this trend is that crude oil imports in 2009 reached 4.1 million barrels per day. China’s oil production was 1.38 billion barrels and net imports were 1.49 billion barrels in 2009. This means that for the first time in the country’s history, more than half (51.8%), of China’s oil needs came from foreign sources. Further, Chinese officials are projecting the oil import amount will increase 10% in 2010 than in 2009 (Economides and Xie 2010). It is hereby important to note that China became a net oil importer in 1993, and the amount of oil from overseas increased from 6 percent to over 50% in merely 16 years (Economides and Xie 2010). The psychological 50% threshold of oil import made “energy security” an inevitable issue in China. Therefore, China is making all its efforts to diversify its source of energy imports and enhance its ‘energy security’.

On the other side natural gas has not been a major energy source in China historically, but its share in the country’s consumption mix is slowly increasing. It only comprised 3% of the country’s total energy consumption in 2006. The Chinese government anticipates boosting the share of natural gas as part of total energy consumption to 10% by 2020 to alleviate high pollution from the country’s heavy coal use (EIA 2009b). EIA (2009b) projects gas demand to nearly triple by 2030, growing about 4.5 percent per year according to the International Energy Outlook 2009. To meet this demand, China’s gas import pipelines from neighbouring Central Asian countries play a significant role. According EIA data China had 80 trillion cubic feet (Tcf) of proven natural gas reserves, having risen significantly since 2006. In 2006 it was 53.325 (Tcf). While proven reserves have increased, China’s production and demand of natural gas has also risen substantially. China becomes net importer of natural gas in 2007. In 2008 China has imported 158.91750 Bcf of Natural Gas (EIA 2009b).

Central Asian region with vast amount of oil and gas resources and its strategic location may helpful for China to gain ‘energy security’. China has to compete with other states which are also focusing on the Central Asian energy resources. In the above, the Central Asian surplus energy resources and China’s deficit energy conditions are discussed for better understanding of subject and subsequently making complementary geopolitical linkages between them. But, before it the existing and proposed pipelines and the politics behind them need to be discussed.
5.2.3 Existing and Proposed Pipelines to Export Central Asian Oil and Gas Resources

The main existing and proposed pipelines to export the Central Asian energy resources are mentioned below. The map showing the major oil pipelines route in the Central Asian region is given in Map No. 5.1 and the major gas pipelines are given in Map No. 5.2.

5.2.3.1 Atyrau-Samara Pipeline

Kazakhstan's major oil export pipeline, from Atyrau (Kazakhstan) to Samara (Samara), is a northbound link to the Russian distribution system. The line was recently upgraded and has a capacity of approximately 600,000 bbl/d. Before the completion of the CPC (Caspian Pipeline Consortium) pipeline, Kazakhstan exported almost all of its oil through this system (EIA 2009a: 4).

5.2.3.2 Caspian Pipeline Consortium (CPC)

The Caspian Pipeline Consortium (CPC) oil pipeline was commissioned in 2001 and runs 980 miles from the Tengiz oil field of Kazakhstan to the Russian Black Sea port of Novorossiysk. It has a capacity of 700,000 bbl/d and reportedly transported an average of 675,000 bbl/d of crude in 2008, which included 557,000 of Kazakh oil, mainly from the Tengiz and Karachaganak fields, and 118,000 of Russian oil. In 2008 Russia and Kazakhstan agreed to expand the CPC pipeline capacity to 1.5 million bbl/d by 2014. (EIA 2009a: 4).

5.2.3.3 Central Asia Centre (CAC) Pipeline

Kazakhstan currently serves as a transit state for natural gas exports from Uzbekistan and Turkmenistan to Russia and onward. The two branches of the Central Asia Centre (CAC) gas pipeline, controlled by Gazprom, meet in the southwestern Kazakh city of Beyneu before crossing into Russia at Alexandrov Gay and feeding into the Russian pipeline system. Almost all Uzbek and Turkmen natural gas is exported through this pipeline plus some Kazakh gas produced from Karachaganak and Tengiz. Several new natural gas export pipelines from the Caspian Sea region are also in development or under consideration, potentially opening up new markets for Kazakh natural gas. In December 2007, Russia, Kazakhstan and Turkmenistan announced signing an
Map. No. 5.1 The Oil Pipelines in Central Asia

Map. No. 5.2 The Gas Pipelines in Central Asia

agreement to renovate and expand the western branch of the CAC pipeline and to construct a new pipeline paralleling the western branch (*EIA* 2009: 4).

### 5.2.3.4 Baku-Tbilisi-Ceyhan (BTC) Pipeline
The BTC is a crude oil pipeline that has a length of 1,768 kilometers connecting Baku, the capital of Azerbaijan, Tbilisi, the capital of Georgia and Ceyhan, a port on the southeastern Mediterranean coast of Turkey. The oil pipeline has a total annual capacity of 50 million tonnes (1 million barrels per day) (*Yenikeyeff* 2008: 14). The first oil that was pumped from the Baku end of the pipeline on May 10, 2005 reached Ceyhan on May 28, 2006. Then it is sailed to European Market. In June 2006, Kazakhstan announced its decision to join the BTC project and to supply around 7.5 million tonnes of oil a year. This figure could subsequently increase to 25 million tonnes (*Yenikeyeff* 2008:14). Afterwards, Kazakhstan contracted with Azerbaijan and the BTC Pipeline Company to supply up to 500,000 bbl/d of oil via the pipeline and Kazakh oil supplies were loaded into the BTC for re-export for the first time in October 2008 (*EIA* 2009a). Oil supplies are currently delivered by tanker across the Caspian to Baku. Russia opposed the construction of BTC pipeline where as USA lobbied for it. It represents the second alternative route for export of Kazakhstan oil.

### 5.2.3.5 Trans-Caspian Pipeline (TCP)
Trans-Caspian Pipeline (TCP) will be built under the Caspian Sea which will link the oil and gas fields of Turkmenistan and Kazakhstan to Baku. It will avoid Russian and Iranian route and provide a direct access to Central Asian energy resources to interested state. But, the construction cost is very high and it takes large initial investments. The EU is working with Azerbaijan and the Central Asian countries to set up a Caspian Development Corporation (CDC) possibly to built a pipeline across the Caspian Sea (*Ahto* 2009).

### 5.2.3.6 The 3,300-kilometer Nabucco Pipeline
The ‘Nabucco’ project represents a new gas pipeline connecting the Caspian region, Middle East and Egypt via Turkey, Bulgaria, Romania, Hungary with Austria and further on with the Central and Western European gas markets. The pipeline length is approximately 3,300 km, starting at the Georgian/Turkish and/or Iranian/Turkish border respectively, leading to Baumgarten in Austria. The pipeline has maximum
capacity of 31 bcm annually (Nabucco Gas Pipeline Project 2010). Turkmenistan has large reserves and European Union (EU) has also contacted Kazakhstan and with Uzbekistan as possible future suppliers.

5.2.3.7 First, Turkmenistan-Iran Pipeline
The Korpeje-Kordkuy gas pipeline is 200 km long, of which 135 km passes through Turkmenistan territory. It links the gas field of Korpeje, north of the city of Okarem in the west of Turkmenistan with the Iranian city of Kordkuy. This gas pipeline started on 29 December 1997. It has a capacity to export 8 bcm of Turkmenistan’s gas annually (Francois 2010: 1-2).

5.2.3.8 Second, Turkmenistan-Iran Pipeline
The new Dauletabad-Sarakhs-Khangiran gas pipeline was started on January 6th, 2010. It has an annual capacity of 12 bcm and will now be used to supply the northern regions of Iran. In 2010 about 6 bcm of Turkmen gas will exported through this pipeline. It will reach its full capacity in 2011. Together with the Korpeje - Kordkuy gas pipeline, Iran will import a total of 20 bcm of Turkmen gas by 2011 (Francois 2010: 1-2).

5.2.3.9 Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline
The TAPI project has been documented at major conferences on Afghanistan. In April 25, 2008 “A Gas Pipeline Framework Agreement” was signed by the representatives of the four participating nations in Islamabad. It envisaged construction of the pipeline to be start in 2010 and supplying gas by 2015 (foster 2010). The 1600 km long route is extending from the Dauletabad gas field in Turkmenistan along the highway through Herat, Helmand and Kandahar in Afghanistan, to Quetta and Multan in Pakistan, and on to Fazilka in India. At present the construction of this pipeline has cloudy pictures as the security situation in Afghanistan and NWFP of Pakistan is not favourable.

5.2.3.10 Kazakhstan-China Oil Pipeline
The Kazakhstan-China pipeline with a length of 2,228 kilometres runs from Atyrau port in north-western Kazakhstan to Alashankou in China’s northwest Xinjiang region. This pipeline was constructed in several phases. Phase 1, the Kenkiyak -
Atyrau pipeline having a length of 448 km, was completed in 2003 and currently links the oil fields in western Kazakhstan with the CPC pipeline. This line is to be tied into the Kazakhstan-China pipeline. After completion of the Kenkiyak-Kumkol its direction of flow will be reversed, running from the Caspian fields of Atyrau to Kenkiyak. The Kenkiyak-Atyrau section had the capacity to transport 6 million tonnes each year, but a new phase completed in 2006 has increased this to 14 million (Peyrouse 2007: 57-58). Phase 2, the Atasu-Alashanku which has a capacity of 200,000 bbl/d was inaugurated in December 2005, and has been operational since May 2006. It is expanded in 988 km. On October 14, 2009, CNPC (China National Petroleum Corporation) and KMG (KazMunayGas) Kazakh oil company signed a framework agreement to expand the pipeline capacity to 400,000 bbl/d under second phase of development (EIA 2009a: 4). The pipeline is currently supplied from the Aktobe and Kumkol fields. Upon future expansion, it will also carry oil from the Tenghiz and Kashagan. Atasu has the advantage of being en route to the Omsk-Pavlodar-Chymkent pipeline, making possible a connection to Russian oil also. Phase 3, the Kenkiyak-Kumkol oil pipeline having a length 750 km started commercial operations on October 6, 2009 (EIA, 2009b). The Kenkiyak-Kumkol segment connects oil fields in the Aktobe region to the Atasu-Alashankou pipeline fields. The last part of the pipeline, between Kumkol and Atasu, has existed since the Soviet period. Thus, China has a direct link with the Caspian Sea at its disposal (Peyrouse 200: 57-58).

5.2.3.11 Turkmenistan- China Gas Pipeline

The huge 1833 km Turkmenistan-China pipeline, which will carry natural gas from eastern Turkmenistan through Uzbekistan and Kazakhstan into China's northwestern Xinjiang region, was opened in December 14th, 2009 (CNPC 2009). The pipeline starts at Gedaim on the border of Turkmenistan and Uzbekistan, running through central Uzbekistan and southern Kazakhstan, and ends at Horgos in China's Xinjiang Uighur Autonomous Region, where it will be connected to the Second West-East Gas Pipeline. It has a maximum capacity of carrying 30 bcm gas annually (CNPC 2009). The Turkmenistan-China pipeline is also due to take some gas from Uzbekistan and Kazakhstan to China. Uzbekistan has already said it is contracted to provide 10 bcm to the project. A second section of the pipeline that will extend through Kazakhstan from north of the Aral Sea to China - the Beyneu-Bozoy-
Kzylorda-Shymkent pipeline - will provide 10 bcm of Kazakh gas (Pannier 2009). The pipeline completely bypasses Russia.

5.2.4 The Geopolitics of the Pipelines in Central Asian Region

In the above section we have seen the different pipeline alternatives - existing and proposed - to export the oil and gas available in the Central Asian region. But, our research proposal is not limited to this extend of simply mentioning the brief information about the pipelines. We have to explore the geopolitical motives behind these pipeline politics. At the same time how the Chinese route is emerging as a promising alternative for the export of energy resources.

Since the Central Asian region is landlocked, to export oil they have to come across at least one state to reach the seaport. Another way is to build pipeline across these state. So, different states are pulling these states to their direction. Earlier, in the Soviet times all the oil and gas are carried out through the Russian route. According to Central Asian states the main disadvantage of this route is that it makes them totally dependent on Russian government. Russia can use this leverage to control these states by stopping the oil and gas supply or paying fewer prices. Since the economy of Kazakhstan, Turkmenistan and Uzbekistan are largely dependent upon the export of oil and gas resources these states simply cannot depend upon this route. They have to diversify their export route and market for better price, promising market and independence in real sense. These states consider oil to be the prime means of securing their economic and political independence. Their main aim to search and develop new pipeline routes is to diversify their export rout and get better price. But the geopolitical situation of Central Asian region and great powers interests puts some limitation regarding the alternatives. We will consider the geopolitical and geo-economic aspects of all the alternatives directions one by one.

First, we are considering the northern direction towards Russia. The northern route is favoured by Russia. The shortcomings of this option from the Central Asian side are to do with fears of establishing excessive Russian control over the pipeline. In the past, the Soviet Union didn’t used oil and gas exports to support her national interests. These exports were viewed only as the country best earners of hard currency but this approach seems to be changing. In the changing circumstances, Russia has become
much more aware of the geopolitical role that energy can play in the future to serve its national interest. It now intends to use its oil and gas resources as well its exporting routes to as a means to strengthen its position in world affairs. The Russian intention was witnessed in the case of its relation with Ukraine and Turkmenistan. Further, Russia considers Central Asia to be firmly in its sphere of influence, and opposed losing any of its influence in the area and the benefits, especially the economic ones, which they gain as transit fee. Also, by combining the sizeable Central Asian reserves with its own, Russia could become a energy powerhouse to rival the Middle East. In the 21st century Russia is thinking to rely on its oil and gas for its superpower status.

The CPC is not the only Russian route for Kazakh oil, as a sizeable amount also flows through the old Soviet pipeline system. The Atyrau-Samara pipeline links to Russia's pipeline network, while the Kenyak-Orsk pipeline transports Kazakh crude to a Russian refinery in Orsk. Kazakhstan would expand its existing pipelines to link them to the Russian network. However, the Russian network is nowhere near sufficient to carry the massive amount of reserves available. From logistical standpoint, the CPC might be limited by the narrowness of Turkey's Bosporus Straits, from which the oil is carried from the pipeline to wider international markets. Based on Russia's previous dealings with the Ukraine in 2006 when supply has disrupted over price rise (BBC News 2008). Kazakhstan may justifiably fear that Russia will someday decide to sharply raise transit fees, or, more drastically, shut down the CPC as a tool of diplomatic negotiations stressing that country's dependence on it. By means of this strategy, Russia should able to guarantee that a large portion of the Caspian oil will continue to flow through its territory. Same can be happen with the Central-Asia-Centre (CAC) gas pipeline which carries gas from Turkmenistan, Uzbekistan and Kazakhstan. Hence, alternative routes are required form the Central Asian perspective to export their oil and gas. But, the main advantage to the northern route is that it is already in existence and in current situations largest volume of oil and gas of Central Asian states are transporting through this pipeline.

Apart from the Central Asian states, the US and the West also support the alternative routes for the Central Asian energy transportation that bypass Russian route. The motive behind the support is that they do not want to allow Russian leverage over the pipelines. The European countries are heavily depended upon the gas import from Russia. They want to minimise their dependence. So, they are interested in oil and gas
resources in the Central Asian region which come through the routes that bypass Russian route. Also, US consider that Russian control over the pipelines of Central Asian routes will greatly enhance the Russian power in global politics. So, it is favouring such routes that bypass Russia. Thus, they are backing BTC, CPC, TAPI pipelines. The European countries are also seriously interested in Nabucco pipeline project.

Next is the Iranian route. Oil and gas are important to Iran's strength. To have greater access to the Central Asian oil and gas resources it wants to increase its influence in the region offering transportations routes passing through it. The advantage it has is its favourable geographical position, allowing for the shortest possible pipelines to reach seaports to export the oil. Economically, this is the most viable option, since it already has an extensive pipeline system, and the Gulf coast is a good exit to the Asian and world markets. Also, Iran offers to provide low-cost transportation fee. But its relations with US and West put some limit towards this route. But, the US has practically vetoed this option. Kazakhstan and Turkmenistan cannot ignore American interest. However, the situation is changing slowly and Turkmenistan has open two pipelines connecting to Iran in 1997 and 2010.

South-eastern route of TAPI pipeline is favoured by US. The reason behind US backing is that it bypasses both Russia and Iran. The biggest short coming of the TAPI pipeline is that it will pass through the unstable area of Afghanistan and Pakistan where anti-American Taliban forces are still active. The cost of construction is also very high due to Afghanistan Mountains. It will be more difficult to construct a pipeline in such an environment. However, if constructed, the pipeline would acquire extra maintenance costs in fact that it will need to be guarded. It is still in the planning stage and no construction works has started.

The western route i.e. the Trans- Caspian route is favoured by Turkey, US and the European states. However, excessive costs and serious security concerns (this route would pass through unstable Kurdish territory) make this option difficult to implement. Another pipeline towards this direction is BTC. It is already in operation. But, these pipelines are seen by the Russian as loss to their revenue (as transit fee) and its control in the Central Asian energy resources. So, Russia doesn't support this route.
The eastern route towards China is favoured by China as well as the Central Asian states. The reasons are complimentary in nature. And, the two pipelines, Kazakhstan-China oil pipeline and Turkmenistan-China gas pipeline, in this direction have greater geopolitical significance for both the parties. It is discuss in detail in the next section.

To sum up the politics over the pipeline routes we can see that the US, EU, Russia, Iran and China are taking great interest in the energy of Central Asian region for their own interest. US actions may be interpreted as driven by strategic aims to discourage the monopolization of Central Asian energy by any one state especially Russia. In realpolitik it means encouraging pipeline routes that directly undermine Russia influence in Central Asia, and continuing the economic isolation of Iran. The EU has both domestic level motivation and strategic international motivations. Its domestic energy demands drive it to import Central Asian energy, which consecutively make it dependent upon pipelines passing through Russia. Therefore, EU has a strategic interest to enhance its energy security by developing new pipelines outside of Russian control. The Nabucco project is a specific example of the ongoing attempt to completely bypass Russian territory. From the Russian side its economy would greatly benefit from transit fees gained from transportation of oil and gas from the Central Asian region if it maintains its domination. Meanwhile, China’s engagement in the Central Asian energy geopolitics is because of its rising domestic demands for additional energy consumption and strategic need of ensuring energy security.

The essence of this new geopolitical game in Central Asian region is to control the production of oil and gas, and control of the pipelines which will transfer the oil and gas to world market. There is no easy route for the Central Asian oil and gas to reach sea shipping lanes and major markets. To head directly west demands greatly increasing the length of any existing pipeline, or building an underwater pipeline through Caspian Sea which greatly increases the cost of the pipeline. To the east is the Pacific Ocean, but the 6400 miles of pipeline needed to reach it would be a deterrent to construction plans. Running south-east towards the Indian Ocean would mean traversing the mountains of war-torn Afghanistan (Fishelson 2007).
In this energy game Russia is likely to remain the dominate force in Central Asian energy geopolitics for some time but its position is continuously challenged by West and China. China appears to have gaining upper hand in this race by building Turkmenistan-China gas pipeline and Kazakhstan-China oil pipeline. China's energy links to Central Asian region are promising to become a significant part of China's energy security and helpful in creating a significant sphere of Chinese influence within the region.

For the Central Asian states, this international interest offers both opportunity and threat. New export routes promise greater economic reward and less dependency, but with each new pipeline the weight of the global powers in the region threatens to undermine their political autonomy. However, Central Asian states have a policy option of Kazakhstan's 'multi-vector' approach to please all the interested power. And, the multi-vector policy means interaction in various directions in the international arena (Laumulin 2007: 231). In the Central Asian context a policy that seeks equally good relations with two large neighbours, Russia and China, and the United States and the West generally.

5.2.5 Geopolitical Advantage to Central Asian States in their Efforts to Diversify the Energy Market and Pipeline Routes

5.2.5.1 The Kazakhstan-China Oil Pipeline
This Kazakhstan – China pipeline is advantageous for Kazakhstan as well as China. As opposed to every other existent or proposed pipeline route for Central Asian oil, this pipeline provides a direct transport route. Transit fees need not to be paid, and no country can hold Kazakhstan's oil hostage by arbitrarily raising fees or closing the pipeline. It is same in the case of Turkmenistan-China gas pipeline. In both the case the biggest geopolitical advantage is that the country of destination is the immediate customer of oil and gas. So there is no need to pay extra amount in the form of transit fee. This is not same for Iranian and Russian route. They are themselves energy exporting country and they take transit fee for passing oil and gas to other states through their territory. Hence, the cost of exporting oil and gas to China is also low and they get higher amount in comparison to Iran and Russia. Turkmenistan-China pipeline can be used not only fulfil the needs of energy hungry China, it can have a prospect to further export to Japan and South Korea from Shanghai. It is to be noted
that Japan is largest importer of LNG and pipeline gas in 2008 with 96 bcm and Korea with import of 36 bcm was the ninth largest importer (IEA 2009: 13). For this China has well developed gas pipeline network.

Map, No. 5.3
The West-East Gas Pipeline in China

First West-East Gas Pipeline, 3,843 kms in length, runs from Tarim in Xinjiang in the west to Shanghai in the east with its gas supply covering Central and Eastern China. It became operational on October 1, 2004, capable of transporting 12 bcm annually (CNPC 2010). The Second Shaan-Jing Gas Pipeline became operational in July 2005. It runs from Jingbian County in Shaanxi Province in the west to Beijing in the east via Shaanxi, Shanxi and Hebei provinces, with a total length of 935.4 kms and an annual deliverability of 12 bcm (CNPC 2010).
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The Second West-East Gas Pipeline, designed to deliver 30 bcm of gas per annum, will travel 8,653 kms through 15 provinces and regions from Xinjiang's Horgos in the west to Shanghai in the east, and to the south reaches at Guangzhou and Hong Kong (CNPC 2010). The Pipeline is divided into an eastern segment and a western segment at Zhongwei County. The western segment consists of Horgos-Zhongwei Trunk Line and Zhongwei-Jingbian Cross-link Line. The eastern segment consists of Zhongwei-Guangzhou Line. The 2,746 km-long western segment of the Second West-East Gas Pipeline became operational and began to dispatch gas to the Second Shaan-Jing Gas Pipeline on January 20, 2010. Three days later on January 23rd, 2010 gas from Central Asia arrived in Beijing (CNPC 2010). Previously, on December 31st, 2009 the north Xinjiang cross-link line of the Second West-East Gas Pipeline goes on stream and Urumqi in Xinjiang province enjoys the benefit of Central Asian gas, marking the commercial operation of the western segment of the Second West-East Gas Pipeline (CNPC 2009b). Meanwhile, construction of the eastern segment of the pipeline is putting forward smoothly, with 1,560 kms already welded. The entire pipeline is expected to be completed and available for gas delivery by the end of 2011 (CNPC 2010).

Oil export to China from Kazakhstan is also helpful to diversify their market. During this first phase of Kazakhstan-China pipeline, the export capacity of the pipeline is 10 million tonnes annually. After the completion of Kenkiyak-Kumkol segment it can transport 20 million tonnes of oil each year. From that point, it could later be increased up to 50 million tonnes (Peyrouse 2007: 59). It shows that this route has a prospect of exporting large amount of oil through it.

5.2.5.2 Turkmenistan-China Gas Pipeline

Since independence and during Soviet rule, all Turkmen gas was exported via Russian pipelines until the 200-kilometer Korpeje-Kordkuy pipeline connecting Turkmenistan and Iran opened in late 1997. The Turkmenistan-Iran gas pipeline has a capacity of 8 bcm (billion cubic meters) annually.

After Turkmenistan-Iran gas pipeline, opening of the Turkmenistan-China pipeline put another landmark in the direction of diversifications of export route for the Central Asian states. The gas imported from Turkmenistan is reached in Horgos in
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China’s Xinjiang province. From there it will carry upon the western segment of the Second East-West Gas Pipeline to Zhongwei. From there it will carry the gas to Jingbian by Zhongwei-Jingbian Cross-link Line. From Jingbin it is connected to First East-West gas pipeline which will carry the gas to Shanghai (CNPC 2009a). From Shanghai it can be exported to Japan and Korea in the future. This will further boost the desire of Central Asian country to diversify their market. The inflow of Turkmenistan gas will significantly help China in meeting its energy demands. Also, the project will help the Central Asian to diversify their energy exports, and promote socio-economic development in the region.

In the starting of 2009, Turkmenistan had contracts to sell 50-60 bcm of gas to Russia and 8 bcm to Iran annually (Pannier 2010). It we take the minimum of 50 bcm gas to Russian route then around 86.20% Turkmen gas was exported through Russian route and merely 13.79% through Iranian route. It shows Turkmenistan largely dependent on Russian pipelines to export its gas resources. Then there occurred explosion in Turkmenistan -Russian pipeline in April 2009 and this has suspended the gas export via this route. Gas supplies to Russia resumed in December 2009 but new contract calls Russia to buy 30 bcm annually of Turkmen gas, not 50 bcm (Pannier 2010).

In January 2010 the situation changed for Turkmenistan gas export. In December 14, 2009 a new Turkmenistan-China pipeline (capacity 30 bcm annually) was opened. In January 6th, 2010 second Turkmenistan- Iran gas pipeline (capacity 12 bcm annually) was opened. The second Turkmenistan-Iran pipeline will pump 6 bcm in 2010 and reaches its full capacity i.e 12 bcm in 2011. Whereas the Turkmenistan-China pipeline is expected to pump 5.8 bcm in 2010 (CNPC 2010) and reached it full capacity of 30 bcm in 2012 according to plan. Now in year January 2010, the total oil export via Russian Route is 30 bcm, via Iranian route 14 bcm, and via China 5.8 bcm annually. It means that around 60.24% gas will exported via Russian route, 28.11% gas via Iranian route, and 11.64% gas via Chinese route. It demonstrates that Turkmenistan gas can be exported in different directions.

The situation will further changed in near future when Iranian and Chinese gas pipeline reach their full capacity. In January 2013 the situation of Turkmenistan gas export will be like this. Through Iranian route 20 bcm, through Chinese 30 bcm, and
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through Russia route 30 bcm annually. It means around 37.5% gas through Russian, 25% gas through Iranian route, and 37.5% gas through Chinese route. It demonstrates that the Russian monopoly over the Turkmenistan gas export will be gone in end. Meanwhile, the Chinese route will emerge as a major export route for the Turkmenistan gas. These steps are very useful for Turkmenistan as they have diversified their export route and at the same time, will be in better position with Russia for price of gas. The Chinese on the other hand will receive substantial amount of gas.

The opening of these new gas pipelines towards Iran and China has far reaching implications. Highlighting such an implication, Iranian President Ahmadinejad in the inaugural ceremony of the second Turkmenistan-Iran gas pipeline said, “This pipeline will be a good stimulus for energy co-operation between Turkmenistan and Iran, as well as for delivery of Turkmen gas to the Persian Gulf and the world market” (BBC News 2010a). This statement has some sign of exporting Turkmenistan gas via Gulf coast through the world market. Also, the Turkmenistan has expressed its willingness to supply gas to the proposed Nabucco pipeline to European countries. These pictures express the energy diversification of Central Asian states in the coming years.

5.2.6 Geopolitical Advantage to China from Kazakhstan-China Oil Pipeline and Turkmenistan-China Gas Pipeline (Security and Economic Aspects)

Till the opening of Kazakhstan China pipeline in 2005-2006, China has relied on the oil imports from Gulf, African and South American states via sea route. The oil from Central Asia gives China a source of oil that it at least partially controls, is located in a more politically stable region, and which can be imported directly via overland from a friendly country (Fishelson 2007). This would turn away shortages of oil due to possible war or possible enforced embargoes on China’s eastern coast. Hence, China is giving so much importance to these overland gas and oil pipelines from Central Asian region as part of its energy security policy. The reasons behind this strategic thinking are:

5.2.6.1 Import from Sea Route is Not Safe

China imports major portion of its oil need from seaborne route. The oil tanker passes through two most important oil chokepoints i.e. from ‘Strait of Hormouz’ and ‘Strait
of Malacca.’ ‘Strait of Hormouz’ is located between Oman and Iran, and it connects the Persian Gulf with the Gulf of Oman and the Arabian Sea. At its narrowest point the Strait is 21 miles wide, and the shipping lanes consist of two-mile wide channels for inbound and outbound tanker traffic. It is the world’s most important oil chokepoint due to its daily oil flow of an estimated 16.5-17 million barrels, which is roughly 20 percent of oil traded worldwide (EIA 2008b). The majority of oil exported through the Strait of Hormuz travels to Asia, the US and Western Europe. At present around one-third of China’s oil imports flow through the Hormuz Strait. In the first half of 2008 (January-June), 29.75 percent of China’s oil import came from Saudi Arabia 17.92% and Iran 11.83% (Shichor 2008b). Also, smaller amounts came from other Persian Gulf countries.

At present the relation between Iran and US is not friendly. In case of a possible heavy economic sanction or war, Iran can block the ‘Strait of Hormouz.’ Accordingly, Iran has amplified its threats and express that if attacked, it would immediately close the ‘Strait of Hormuz’ and take control of the Persian Gulf (Shichor 2008b). Further, Iran’s Revolutionary Guard Corps Commander Mohammad Ali Jafari said that the Strait is within the range of Iran’s weapons and could easily be blocked for an unlimited period of time (Shichor 2008b). In any case if the strait has blocked, it certainly disrupts the oil supply resulting heavy price hike of oil. As a result, it affects the economic development of China as it imports large amount of oil and gas from gulf region. So China’s fear regarding the seaborne trade of oil is justified. Also, the incident of piracy in the Somalian coast is a point to worry for China. Few piracy incidents are mentioned here to highlight the logic behind the Chinese fear.

About 100 attacks have been reported off the Somali coast in 2009. In September, pirates seized a Ukrainian freighter loaded with 33 battle tanks, and on November 15, 2009, they seized a Saudi oil tanker carrying US$100 million worth of crude oil (Ng 2008). On March 5, 2010, pirates hijacked the Marshall Islands-registered tanker off Madagascar. It was carrying fuel oil from the United Arab Emirates to Tanzania (Retures 2010). Iranian oil tanker was attacked by Somali pirates in the waters of Gulf of Aden, on April, 2010 (Peoples Daily Online 2010). On April 4, 2010, Samho Dream ship was hijacked about 970 miles east of the Somali coast. It was en route to the United States from Iraq and carried 2 million barrels of crude oil (Retures 2010).
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On May 5, 2010, Somali Pirates hijacked the Russian Oil Tanker MV Moscow University, sailing from Sudan to China, 350 miles off the coast of Yemen. The oil was Chinese and has cargo of 86,000 tonnes crude oil worth $52 million on board (Lough 2010). All the above mentioned incidents shows that the oil import from sea route is not that much safe.

In the Chinese fear of sea route next comes the ‘Strait of Malacca.’ Strait of Malacca is located between Indonesia, Malaysia, and Singapore and it links the Indian Ocean to the South China Sea and Pacific Ocean. It is the shortest sea route between Persian Gulf suppliers and the Asian markets of China, Japan, South Korea, and others. At its narrowest point in the Phillips Channel of the Singapore Strait, Malacca is only 1.7 miles wide creating a natural bottleneck, as well as potential for collisions, attempted theft and hijackings threat to tankers (EIA 2008b). China’s 80% oil from Gulf countries and African states passes through this passage (Hayward 2009), It is widely claimed, that “whoever controls the Strait of Malacca effectively grips China’s strategic energy passage, and can threaten China’s energy security at any time” (Xiaojun 2004). Beijing fears that during a national security crisis ships carrying energy resources could be embargo by hostile naval forces. Any disruption to the free flow of energy resources into China could derail the economic growth and will be as a threat to China. China’s import of Middle East oil now constitutes 58 per cent of and is expected to increase to 70 per cent by 2015 (Zubir and Basiron 2005). Since, China has not sufficient energy sources it will continue to be depended on imported oil especially from the Middle East.

Some piracy incidents in the Straits of Malacca also worried China. According to the International Maritime Bureau’s Annual Piracy Report, 37 incidents in the Malacca Strait have reported in 2004 (Gatsiounis 2005). But sharp reduction has been reported in the number of piracy incidents in the Strait of Malacca from 2006 onwards. Only two in 2008 compared to seven in 2007 incidents have reported (IMB 2008). This welcome reduction has been the result of increased vigilance and patrolling by the littoral states Malaysia, Singapore and Indonesia and the continued precautionary measures on board ships. But, the piracy incident cannot be ruled out in the age of global terrorism, especially after the September 11 incident when terrorist attacked and tried to hamper the economic condition of a state.
Chinese security analysts and policy makers worry about their nation’s “excessive” reliance on seaborne oil shipments. To reduce the excessive dependence on Strait of Malacca, Chinese are thinking to build Myanmar-China pipeline to bypass the Strait of Malacca. Many believe that by investing in pipelines to deliver oil from neighbouring oil producers like Russia and Kazakhstan and building additional lines to “bypass” the Malacca Strait, China can protect its oil imports from possible interdiction during a conflict (Erickson and Collins 2010: 90). China has revived its plans to construct an oil import pipeline from Myanmar through an agreement signed in March 2009. As Myanmar is not a significant oil producer, the pipeline is envisioned as an alternative transport route for crude oil from the Middle East and Africa that would bypass the potential chokepoint of the Strait of Malacca. The $2.9 billion project will include parallel oil and gas pipelines, and stakeholders include CNPC and Myanmar Oil and Gas Enterprises. There has been no final agreement on the capacity of the pipeline and construction should be underway in 2009 (EIA 2009b: 8).

So, oil imports from overland pipeline have much importance for China. But the overland transport has its own limitations. Pipelines are more vulnerable to damage and military veto than seaborne shipping is. Blair and Lieberthal (2007: 92) argues that projects, like the Burma–China pipeline, designed to help seaborne shipments that bypass chokepoints are expensive, can be blockaded, and are themselves vulnerable to physical attack by non-state actors or other parties. It is fixed on the land and at the crises time one have to stop the flow of pipeline. Meanwhile, seaborne shipping is very flexible and the route can be changed in the time of disruptions. For example, if strait of Malacca were completely sealed off by blockade or accident, tankers could be diverted through the Sunda, Lombok, or other passages with some disruption in deliveries and at an additional cost of as little as one or two dollars per barrel (Blair and Lieberthal 2007). From security point of view you have to provide the security to whole length of the pipeline, but for oil ships few places and few security personnel is required.

Moreover, pipelines are not likely to increase Chinese oil import security in quantitative terms, because the additional volumes they bring in will be over-whelmed by China’s demand growth. China’s neighbours have limited capacity to balance its
seaborne oil imports. So, it's better not to think that the overland pipelines will be a replacement for oil import but it would an additional means to carry the energy resources. At the same time China have to protect the seaborne oil trade and security of sea route.

5.2.6.2 Overland Transport is Secure as well as Cheap

The security of supply of oil and gas from and overland pipelines is somewhat guaranteed in the case of Central Asia-China pipelines. As Central Asia and China are geographical neighbours, the length of pipeline will come across these two countries only. There is no third country in-between them where the pipelines come across. In this case it is easy to secure the pipelines in its own country in comparison to High Seas and chokepoints located in other place. Any attack that disrupts the supply of oil and gas via pipelines will affect both parties' importer and exporter. So both the parties are bound to secure the pipelines by necessary measures. Further, as the Central Asian state's economy are largely based on energy resources they will not likely to blackmail China in terms of oil supply. On the other hand, China as growing economic and energy hungry state it will not deny to import and disrupt the oil supply. Hence, China's energy security is best protected and also Central Asian states economy.

5.2.6.3 Diversification of Energy Sources will Ensure China’s Energy Security

China current situation of oil imports from different country are like this. According to FACTS Global Energy, China imported 3.6 million bbl/d of crude oil in 2008, of which approximately 1.8 million bbl/d (50 percent) came from the Middle East, 1.1 million bbl/d (30 percent) from Africa, 101,000 bbl/d (3 percent) from the Asia-Pacific region, and 603,000 bbl/d (17 percent) came from other countries (EIA 2009b: 6). The Middle East remains the largest source of China’s oil imports, and also African state contributes a significant amount to China’s oil imports. All the oil and from Gulf and African states (around 80%) are imported to China via sea route.

The option to get oil and gas from neighbouring Central Asian region enhances China’s energy security. But to enhance ‘energy security’ China has to diversify it sources. Central Asia can play a major role in it. For diversification of energy sources and energy security, it is important to have different sources as well as different routes
to bring them in Chinese soil. From this perspective, the two overland oil and gas pipeline are very much important for Chinese energy security.

Energy resources are reshaping the geopolitical map of Eurasia. Eventual control of the development of oil deposits as well as the eventual pipeline routing will determine the political and economic future of the Central Asian states. It will determine the rearrangement of the strategic triangle among the US, Russia and China, and it will have strategic consequences by lessening dependence on Persian Gulf oil. The US and China desires oil and gas resources from Central Asian region for economic development and energy security. On the other side Iran and Russia want the pipelines to go through their territory in order to get transit fees and use the resources as political tools. For each country control of the Central Asian oil and gas is necessarily a vital part of its grand strategy.

5.3 Part B - Trade

The geopolitical and economic interest of China and Central Asian region remain inherently linked. The geo economic factors prove the significance in developing the relations between Central Asia and China. China and the five central Asian nations are complementary to each other in terms of the structure of their economies, industries and products. China’s fast-growing economy represents a huge market for exports of Central Asian states, especially oil, natural gas and other raw materials. On the other side, the Central Asian region can serve as a new destination of Chinese finished goods. The Central Asian neighbours are rich in resources but they are weak in capital and technologies for the exploitation of the resources. China can fulfil the source of investment and technological help to exploit the mineral resources of the Central Asian neighbours. This will help both the Central Asian states as well as China to accelerate their economic developments. In this direction, the SCO framework could facilitate the greater regional economic integration as the SCO members share increasingly broader economic and technological cooperation opportunities and common interests.

5.3.1 Trade Relation between Central Asia and China

The volume of trade between Central Asia and China has increased since the diplomatic relations started between them. It is clearly visible in the table given
below. The volume of trade has increased rapidly since 2000.

**Table No. 5.4**

**Volume of Trade Between Central Asia and China (1992-2006)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume of trade (in $ US millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>422</td>
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<tr>
<td>1993</td>
<td>512</td>
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<td>1994</td>
<td>360</td>
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<td>2003</td>
<td>3305</td>
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<td>4337</td>
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<tr>
<td>2005</td>
<td>8297</td>
</tr>
<tr>
<td>2006</td>
<td>10796</td>
</tr>
</tbody>
</table>

Source: Data from the National Statistics Offices of Countries of Central Asia, Cited in Paramonov and Strokov (2007), “Economic Involvement of Russia and China in Central Asia”, Conflict Studies Research Centre; Defence Academy of the United Kingdom, Central Asian Series, 07/12 (E): 1-12.

**Graph No. 5.3**

**Volume of trade between Central Asia and China (1992-2006)**

Here, the historical account of the volume of trade between Central Asian states and
China is not discussed in detail. In spite of that, all those elements of trade that are of geopolitical importance are taken into consideration. Mackinder has talked about the importance of resources, which serves as the basic element of power of the pivot area. In that way if the resources of Central Asian region and China would be integrated with each other then there would be great prospects for both the entities to become a powerful and significant player in Eurasian region. Another important thing for the development and powerfulness of the pivot area is the unity of landmass through well-connected transport system. In the similar manner Central Asian region and the Xinjiang region of China has a great potential to integrate with each other through rail and road network. The structure of trade is of geopolitical significant in the trade relation between Central Asia and China.

5.3.1.1 Structure of Central Asia-China Trade Relations

Central Asian region possesses considerable reserves of minerals. It possess gold, uranium, silver, aluminium, copper, zinc, and lead as well as rare minerals like tungsten and molybdenum (Peryouse 2007: 31). These minerals are necessary for the growing Chinese industries. To get the resources from the region, China has taken active interest. In January 2005, the Chinese government offered Kyrgyzstan an investment of millions of dollars as part of the "investments for natural resources" scheme. The terms of the offer were that Beijing would buy gold, tungsten, and tin in exchange for the construction of a section of railway linking Uzbekistan to Kyrgyzstan and China, investments in the hydroelectric stations of Eastern Tian-Shan, and the construction of two metallurgic complexes (Peryouse 2007: 31)

5.3.1.1.1 Central Asia's Export to China (85% consists of Natural Resources)

More than 85% of the Central Asian states exports to China consist of raw materials (Paramonov and Strokov 2007: 6). Wu and Chen (2004) have shown in their work that there is a particular lack of diversification in Central Asian exports: a quarter of Kazakhstan’s exports to China consist of petrol, a quarter of nonferrous metals, and a quarter of iron, steel, and other metals. Metals constitute one third of Kyrgyzstan’s exports to China, whereas chemical products (20%) and nonferrous metals comprise 25%. It shows most of the export item to China are mainly raw material.
5.3.1.1.2 China’s Export to Central Asia (85% consists of Finished Goods)
The situation is opposite in the case of Chinese export to Central Asian states. Around 85% export from China to Central Asia states consists of finished goods (Paramonov and Strokov 2007: 6). And the export items are much more diversified than the Central Asian states consisting of consumer products, machinery, processed foodstuffs, textiles, shoes, electronic goods, pharmaceutical products, automobile spare parts (Wu and Chen 2004: 1069-1079). The main export and import items for China from the Central Asian states are like this. China’s exports to Kazakhstan are mostly basic consumption goods, particularly labour-intensive products; hi-tech and high value added products account for a relatively small proportion of total exports. The main export products are shoes, clothing, machinery, electrical machinery, plastics, and iron and steel products. The products that China imports from Kazakhstan are mostly raw materials, including iron and steel, fertilisers, ores, copper, aluminium, and cowhide etc. (Wu and Chen 2004: 1065-66).

By 2002 China’s main exports to Uzbekistan included machinery, optical and medical instruments, tea, coffee and electrical machinery. Raw cotton, cotton yarn and cotton fabric accounted for 84.33% of China’s imports from Uzbekistan (Wu and Chen 2004: 1066-67). The main products exported from China to Tajikistan in 2002 included electrical machinery, woven clothing, shoes and miscellaneous foodstuffs. The products, China imported from Tajikistan that year included iron and steel (41.1% of the total), cotton textiles and aluminium (Wu and Chen 2004: 1068).

The main export item to Turkmenistan includes machinery, transport equipment and iron and steel products. The main products which China imported from Turkmenistan were plastics, silk, animal hides and fur, and vegetables (Wu and Chen 2004: 1068). China’s main exports to Kyrgyzstan in 2002 included woven fabric, man-made fibre, footwear, plastics and machinery. The main products that China imported from Kyrgyzstan were aluminium, iron and steel, copper, and animal hides and skins (Wu and Chen 2004: 1068).

China also requires uranium to complete the construction of the many tens of nuclear power plants designed to respond to its growing energy needs. It already buys uranium from the world’s foremost producers, Australia and Canada, and is becoming
increasingly interested in Kazakhstan's reserves. Kazakhstan has large number of uranium resources therefore Beijing seeks to diversify its uranium partners. The first contract (valid until 2020) for uranium extraction was signed between Kazatomprom and CNNC in November 2004, and was accompanied with a strategic cooperation treaty designed to strengthen Sino-Kazakh ties in matters of atomic energy (Peyrouse 2007: 32).

By analysing the above facts of the trade structure, we can conclude that the structure of export-import is complementary in nature. Central Asian States needs lot of finished goods while China needs raw materials. For development of China, the natural resources of Central Asia can play a vital role. And, all this is possible because Central Asia is geographical neighbour and it is viable to carry them into the territory of China. In this direction, efforts have done on both sides. Land ports are developed to encase the trade opportunities.

5.3.1.2 To Support the Trade There Are Land Ports And Border Posts On Both Sides

Xinjiang Uygur Autonomous Region is centrally located in the Eurasian continent, on the northwest frontier of China making geographic border with Central Asian region. It's geographical and human resource advantages are ideal for developing border trade with the Central Asian region. To enhance the trade Chinese government has developed Land ports in Xinjiang. It now has 16 Class A ports, where foreign transport vehicles may deliver goods directly, and 11 Class B ports. The main land ports are given in the following Table No. 5.5.

After the independence of Central Asian states border trades were open to increase the volume of trade between Central Asian states and China. But, the Sino-Central Asian border posts that were opened during the 1990s are all situated in isolated and mountainous regions, and so are not as such conducive to the development of large-scale trade. Of the eight posts currently in operation, only four- Dostyk, Khorgos, Irkeshtam, and Torugart- have actually succeeded in making an impression on regional trade, while the others have mainly served only as points of passage for the local populations (Peyrouse 2007: 19). To counter the geographical situation of the border posts and their distance to large urban centres, China has opened many free
trade zones inside its Xinjiang region.

### Table No. 5.5

**Major Land Ports in Xinjiang**

<table>
<thead>
<tr>
<th>Class A Ports</th>
<th>Class B Ports</th>
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<tbody>
<tr>
<td>1. Aheytubiek</td>
<td>1. Kalasu Port</td>
</tr>
<tr>
<td>3. Baktu</td>
<td>3. Yining Port</td>
</tr>
<tr>
<td>5. Hongshanzui</td>
<td>5. Urumqi Frontier Hotel</td>
</tr>
<tr>
<td>6. Jimnay</td>
<td>6. Urumqi Commerce and Trade City</td>
</tr>
<tr>
<td>7. Kashi Airport</td>
<td>7. Kuitun Railway Station</td>
</tr>
<tr>
<td>8. Korgas</td>
<td>8. Tacheng International Border Trade City</td>
</tr>
<tr>
<td>10. Laoyemiao</td>
<td>10. Port of Urumqi Economic and Technological Development Area</td>
</tr>
<tr>
<td>11. Muzart</td>
<td>11. Changji Yazhong Trade and Commerce City Comprehensive Wholesale Market</td>
</tr>
<tr>
<td>12. Takshkent</td>
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<tr>
<td>13. Turgart</td>
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<tr>
<td>14. Ulastay</td>
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<tr>
<td>15. Yearkeshtan</td>
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<tr>
<td>16. Urumqi International Airport</td>
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</table>


The Xinjiang regional government has also opened its own free trade zones, the main function of which is to be home to large industrial exhibition parks, such as the capital Urumqi (3,000 square metre of exhibition space), the town of Yining, and the small railway town of Kuytun. Shihezi, situated 150 km from Urumqi, serves as a crossroad both on the road between Xinjiang and Central Asia and on the Urumqi-Almaty (Kazakhstan) railway (Peyrouse 2007: 19). The main border post between China and
Kazakhstan, Kyrgyzstan and Tajikistan are discussed below.

5.3.1.2.1 Sino-Kazakh Border Posts

In 1992, the first border post, opened at Dostyk-Alatau (Alashankou). Located in the Almaty region close to the town of Zharkent and the regional capital of Taldy-Kurgan, it quickly became the main transit point between the two countries. In 2003, it was responsible for 50 percent of the total trade between Kazakhstan and Xinjiang. The commodities that pass through there are not only bound for the Kazakhstan market but also for the Russian, Azerbaijan, Uzbek, Kyrgyz, and even Afghan markets (Peyrouse 2007:22). China, as much as Kazakhstan, would like to transform the Dostyk-Alatau post into a veritable transit point of international proportions.

The railway track linking Almaty to Urumqi also passes through Dostyk. Opened in 1990, this link is at present the only railway line connecting Kazakhstan to China and in fact the only one linking Central Asia and China. This railway carries 75 percent of all Sino-Central Asian trade. (Peyrouse 2007: 21). The rail trade going through Dostyk is increasing exponentially. The authorities hope to be able to handle as much as 25 million tonnes by 2010 (Peyrouse 2007: 22). Kazakhstan is interested in this rail links because it want to become part of the transcontinental line joining the Lianyungang port on the Pacific side to Lanzhou, Urumqi, Dostyk, Russia, and then Western Europe (China Daily 2004). When developed fully this line would have a total transport capacity of 40 million tonnes per year (China Daily 2004).

The second Sino-Kazakh border post was opened at Khorgos in 2004. By contrast to Dostyk, the road joining Khorgos to Zharkent (33 km) and then to Almaty (370 km) is in good condition. For this reason, Khorgos has quickly become the foremost Sino-Kazakh road transit point, and far outstrips Dostyk. Once the Shihezi-Yining-Khorgos route is rehabilitated, the distance between Urumqi and Almaty will be reduced by 200 km, which accentuates the profitability of the route (Peyrouse 2007: 22).

In addition to the two main posts at Dostyk and Khorgos, which are open all year round, Kazakhstan and China have three other border posts, which are presently limited to border trade and which are not always open to foreigners. The Kolzhat-Dulart Bakhty-Tacheng and Maikapchagai-Jeminay border post. These border posts
have the capacity to service the whole of North-East Kazakhstan, and Altai on the
Russian side of the border. A sixth post at Narynkol-Muzart, situated in the area
surrounding the Kyrgyz border, was made official in 1992.

5.3.1.2.2 Sino-Kyrgyz Border Posts

The main Sino-Kyrgyz border post is that at the Torugart Pass, situated on the
Bishkek-Naryn-Kashgar stretch of highway (Peyrouse 2007: 26). The post is not easy
to access and is often closed during the floods in spring. And, the pass is always only
open in one direction at a time: during the morning, the traffic is authorized to flow
from Kyrgyzstan to China, and in the afternoon from China to Kyrgyzstan (Peyrouse
2007: 26). A second post at Irkeshtam in the south of the country was opened only in
1997. Situated 240 km from Osh and 250 km from Kashgar, the Irkeshtam post is the
most direct road between the Ferghana Valley and Xinjiang (Peyrouse 2007: 26). This
post is very important as it provides Chinese products with access to the rich Ferghana
Valley, to the Tajik provinces, and to a substantial Uzbek market (more than 25
million people). Realising the importance of this border post the Uzbek governments
have shown interest on it. The idea of a road linking Ferghana and Andijan to this
border post has been backed by Uzbekistan because it would lower the costs of
Chinese products entering its markets (Peyrouse 2007: 27). It will give Uzbekistan
quickest route to China.

5.3.1.2.3 Sino-Tajik Border Posts

At present, there is a single Sino-Tajik border post, which was opened at Kulma-
Kalasu in May 2004. Located in the high mountains, access to it is difficult and due to
climatic conditions, it is only open from May through November. In 2006, close to
10,000 tonnes of freight were transited through it. Tajikistan’s exports totalled more
than 200,000 dollars and its imports valued over 800,000 dollars (Dubovitsky 2007).
Despite geographical conditions that are quite unfavourable, the development of Sino-
Tajik trade relations along the Pamir Highway would enable the country to be at least
partially open up and allow it to access consumer products that are otherwise
unobtainable via its neighbours, Uzbekistan and Afghanistan (Peyrouse 2007: 29)

5.3.1.3 China’s Western Development Strategy

In the previous chapter, the geopolitical importance of the XUAR is pointed out. In
the geopolitical realm of China, the XUAR is considered as a buffer to the outside hostile forces. But, in the era of globalisation, China cannot simply ignore the XUAR by treating it as a buffer area. The development of the region is must in many respects. To integrate the XUAR region into mainland China; to enhance the momentum of trade with Central Asian region; to fulfil the demand of raw materials for the growing economy; and integrate with the greater network of trans-European crossroad. Keeping in mind all these importance, China has taken a major development step for the region in terms of its, "Western Development Programme (WDP)".

During the 1980s, Deng proposed that China undergo development in two stages, first on the coast and then in the interior. The Chinese government focused on the coastal region for most of the 1980s and 1990s. In June 1999 the then President of China, Jiang proposed the western development strategy, elaborating the policy's rationale as well as its focus (Lai 2002: 436). In January 2000 followed the Western Development Strategy (Xibu Da Kaifa), which constitutes a cornerstone of the 10th Five-Year Plan (2001-2005) (OECD 2002: 13). The area covered by the plan includes six provinces (Gansu, Guizhou, Qinghai, Shaanxi, Sichuan, and Yunnan), three autonomous regions (Ningxia, Tibet, and Xinjiang), and one province-level municipality (Chongqing) (Sims and Schiff 2000).

Chinese Premier Zhu Rongji laid out the main goals of the plan at the March 2000 session of the National People's Congress. The main goals of the Western Region Development Strategy set by the central government are as follows:

- Promote the development of the Western and Central regions
- Eliminate regional disparities gradually
- Consolidate the unity of ethnic groups
- Ensure border security and social stability
- Promote social progress (Anja 2005: 26)

The strategy focuses on five areas: Infrastructure development, environment protection, Local industry, Science, technology, and education, and Investment environment (Sims and Schiff 2000). Under this strategy, the majority of China's
government spending will shift from coastal provinces to the west. According to this strategy, Beijing has invested more than 8 billion dollars into the road, railway, gas, petrol, and hydroelectric sectors of XUAR region (Peyrouse 2007: 17-18).

Through this program, China has sought to integrate the western region of China into the booming Chinese economy, and make it more competitive. Though the western development program includes Tibet, Qinghai, Gansu, Sichuan, Yunnan, Shaanxi and Guizhou provinces in addition to Xinjiang, Xinjiang has been the main area of focus. Sharing a 3,500 km long border with the Central Asian republics, Xinjiang’s economic integration is of crucial importance for its development. As such, development of Xinjiang’s infrastructure has been a prime concern. Today, the infrastructure of Xinjiang is comparatively well developed with 11 airports, 3,361 km of railway, 80,900 km of road network, a highway running across the Taklimakan desert, and modern telecommunications (Swanstrom et al. 2007: 389). Sino-Central Asian trade has boomed since 2002. Xinjiang Production and Construction Corps (XPCC) and Zhejiang investors installed in Xinjiang account for a major share of this increase. The Chinese government’s liberal trade policy in western China explains this new impetus for Sino-Central Asian trade.

China’s Western Development Campaign is undoubtedly driven in large part by economic considerations but strategic and security interests also play an important part. The establishment of SCO between China and five neighbouring countries in the north and northwest in the same year in 2001 was merely a coincidence or may be one main component of Chinese Western Development Strategy. Many analysts reject the claim presented by Beijing that the Western Development campaign is a domestic program that stops at the border between China and Central Asia. They contend that China has plans to use Western Development campaign and SCO to increase its physical presence and sphere of influence in Central Asia by building infrastructure linking China and several Central Asian states, coordinating on anti-terrorist efforts at the centre in Bishkek, and creating several other regional economic construction programs, such as natural gas exploration and pipeline construction in Kazakhstan (McNeal 2001: 11).

The Western Development Campaign has policy implications on regional as well as
an international security level. The Chinese move in the west seems to be a long-term strategy to help secure its far western borders and extend its sphere of influence into Central Asia. Even, the prospects of expanded cooperation between China, Russia, and Central Asia on a range of political, economic, and border security issues could have potential adverse effect on for US geopolitical interests in the Central Asian region. The clash of interest between these great powers may lead to possible confrontation regarding the influence in this area that can affect the stability of the Central Asian region.

There may be many interpretations of this Western Development Programme (WDP). If we look to the Chinese government sources, the Western Development Programme is for the betterment of the peoples living in those areas, to remove the regional disparities, to mobilise the vast economic potentials of the region and also to satisfy the needs of ethnic minorities living in those areas. But, the Uighur, the main ethnic group has a different view about the WDP. First, they believe that in the name of regional development, Chinese government main purpose of the plan is the satisfaction of China’s growing energy demand through intensified exploitation of the natural resources of the region. Second, to solve the various economic and social problems caused by growing Han Chinese population problem, export Chinese Han population to the west. Third, purpose of the plan was to ensure China’s national security, through gaining greater control of the gate of West China (ETIC 2008). To some extent, US and Russia also view WDP as Chinese means to increase its influence towards Central Asian region. But, overall the development of Xinjiang region is of great geopolitical importance for both Central Asian region as well as China.

Central Asian states can only reach up to the pacific coast of China only when the Xinjiang region is developed. For the greater integration between these two entities, the Xinjiang must be treated as core area and not as a periphery region by China as well. Xinjiang, as earlier described as a periphery area, now becoming the core area of the Chinese state in the context of changing international environment, globalization and extremism in this Central Asian region. This region can be used as stepping stone towards the march on Central Asian region. This can only happen if this region is treated as a core to the Chinese keeping in mind the geographic sketch
of China Xinjiang and Central Asian Region. From the ethnic Uighurs point of view the development of the region will help them an opportunity to integrate with the globalised world and taking away their long back isolation and remoteness from main stream of world. China's Western development Programme is important in the context of enhancing trade with Central Asian States as well as solidifying its position in the resistive province of Western Region. The WDP is thus helpful to the geopolitical needs of both the region.

5.3.1.4 Revival of Great Silk Route Making Transport Linkages
The old Silk Road was an ancient strategic transportation channel which started from China and passed through Central Asia, West Asia, Africa and Europe. The term 'Silk Road' was first used by the German geographer, Baron Ferdinand von Richthofen, due to the fact that silk was one of the main products that travelled the full length of the route (Christian 2000: 1). It was not only an important transportation route connecting the ancient world, but also a synonym for economic and cultural exchanges between the Western world and the oriental world. Xinjiang and the Central Asian region were the places where the ancient Western and Oriental cultures met in this Silk Road.

But, during the course of time importance of silk route declined. The traffic on the route was lessened for many reasons. First reason was the conflict that developed between Islam and Christendom (Ferguson 2002). Second was then the discovery of cheaper, alternative sea route around Africa which brought ships from Portugal, Spain, then Holland and England around the Cape of Good Hope then into the Indian and Pacific Oceans. The advantage of sea route is their load carrying capacity. It was becoming rather easier and safer to transport goods by water rather than overland. Ships had become stronger and more reliable, and the route passed promising new markets in Southern Asia. The overland problems of 'tribal politics' between the different peoples along the route, and the presence of middlemen, all taking their cut on the goods, prompted this move (Wild 1992). Third, the growth of regional trade during 18th century takes place rather than the exchange between Europe and Asia (Ferguson 2002). For Chinese the height of the importance of the Silk Road was during the Tang dynasty (618-709), but attitude of the later Chinese dynasties was other reason for the decline of trade route. The isolationist policies of the Ming
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dynasties (1368–1644) did nothing to encourage trade between China and the rapidly developing West. This attitude was maintained throughout the Ming and Qing dynasties (1644–1912), and only started to change after the Western powers began making inroads into China in the nineteenth century (Wild 1992).

These developments show that the sea-power came to dominate the world-view. The Heartland, world-island and associated Rim-land concepts developed by Mackinder and others reacting to him have a posed an addition to this air-sea power approaches (Ferguson 2002). But, these doctrines need reconsideration in the changing circumstances. The end of Cold War in 1990, economic growth in East Asia, and a transformed political landscape in Central Asia are the major important developments in these reconsiderations. As a result, the idea of revival of the Old Silk road has greater significance today.

The Silk Road, after a long period of hibernation, has been increasing in importance again recently. The reasons were like the collapse of the Soviet Union, whose closed border stood like a wall across the heart of Eurasia. It hampers China’s decision to open trade across its western border. Today, instead, we have in Central Asian region with five newly established independent states that is allowed to pursue more realistic economic policies, and to begin to engage in trade and cultural exchange with naturally adjacent sectors to the south, west, and east (Starr 2007: 5). Earlier, the Central Asia region was artificially linked into the Soviet economy, and cut off from eastern and southern trade routes. The New Silk road, the most likely means of improving the efficiency and reducing the cost of continental transport of goods and energy across Eurasia involves land routes passing through Central Asian region, Western Europe, China, the Middle East, and the Indian sub-continent. For this it needs to develop the direct roads, railroads, and pipelines for transporting oil and gas, and means for transmission of hydroelectric power. Starr (2007: 5) argues that these “New Silk Roads” has enormous potential for the entire Eurasian continent, and especially for the countries of Central Asian region.

The revival of the New Silk Road is win-win situations for all the concerning parties. The Central Asian States would free to take trade benefits by connecting all the neighbouring countries of Iran, Afghanistan, Pakistan, India, China, Turkey and
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Azerbaijan, and passing through these states to the rest of the world. It is necessary for Central Asian states to reduce dependence on Russia. Earlier, the Central Asian states were part of the Soviet Union and integrated with Soviet economy. They were not free to trade with the neighbouring countries. Now, to take the benefit of changed situation, it is necessary to build transport infrastructure in all the directions linking these countries. And, if there was some infrastructure existing in the form of old Silk Road then is good to revive this old ancient historical trade route.

The Chinese on the other hand have many reasons for taking great interest in reviving this great overland trade route. China imports most of its energy needs via sea route that passes through Malacca Straits in the southeast and east coast. But China remains at a huge disadvantage to its east and southeast by virtue of its maritime encirclement by the US and its network of littoral allies and partners. This makes China’s great strategic vulnerability that is its reliance on energy imports via sea route. So, China has been taking interest in New Silk Road Strategy. Silk Road offer China the prospect of growing relief from reliance on sea-based energy imports leaving the Strait of Hormuz and the Malacca Straits. For example, there are pipelines linking Kazakhstan to Chinese refineries. There are gas pipelines stretching from Turkmenistan through Uzbekistan through Kazakhstan and Kyrgyzstan and ending in China (Lee 2010). If China is successfully reviving the Silk Road it has a large consequence in emerging geopolitical pattern of the Central Asian region. It will give China the opportunity to strengthen its relation with CA states which will also helpful to bolster its position in the region with respect to other competing powers. Any transportation or military problems in the Straits of Malacca, the Straits of Hormuz, the Suez or anywhere along Asia's southern coastline will further boost the importance of Central Asia as a transport and trade corridor for China (Paramonov 2005: 1). Mackinder has also described about the possible oceanic front the Central Asian states, which may materialize in the form of New Silk Road.

In the strategy of reviving New Silk Road, the so-called “Second Euro-Asian land-bridge” running from China’s coast in Lianyungang to Rotterdam via Xinjiang and Greater Central Asia, has attracted increasing interest. When the route is fully developed, it will result in great savings in transport time. For example, the sea journey from China to Europe takes twenty to forty days, whereas cargo transported
by railway from Lianyungang to Rotterdam via the second Eurasian land-bridge promises to cut transport time down to just eleven days (Xinjiang Autonomous Region 2005: 30). Though, there have not been developed any methodology to forecast to increasing volume of trade this project seems great potential in increasing the volume of trade and lowering the cost of trade. Economic and cultural interactions have already begun, e.g. Turkish trade into Central Asia and Iran and Kazakhstan relations with China (Ferguson 2002).

The restoration of peace and stability in Afghanistan may also offer opportunities for new north-south linkages through Pakistan and westwards through Iran. The development of continental trade on the Eurasian landmass represents a true win-win situation. China is becoming an ever more important trading partner for states in the region and also for Azerbaijan, Russia, Pakistan, and Iran. If impediments are removed, China will realize its four main aims in the region: the development of Xinjiang; political and regional stability; energy security; and an alternative transport corridor to Europe and South Asia (Swanstrom et al. 2007: 418). One of the major commodities that would pass through this New Silk road is to be oil/natural gas rather than the silk of yesteryear.

This New Silk road would give China an opportunity to enter into the wider geopolitical competition for not only access to Central Asia's oil and gas, but for greater political and economic influence in the region (Clarke 2008: 97-98).

5.3.1.5 Possible Gains from Revival of Silk Road to Central Asian States and China

The potential gains to China from continental and regional trade through this New silk road are many. At present, trade between the Asia-Pacific region and Europe exceeds $300 million per year, and stifling congestions at Chinese ports, combined with increasing freight rates for maritime shipments, have led Chinese producers to look for alternative overland trade routes (Xinjiang Autonomous Region PRC 2005: 30). On the other side in comparison to the sea-routes via Asia and Europe, whose freight costs can reach as much as $167 per ton and take 45 days, the second Eurasian land-bridge could cut transport time by more than half and cost only $110 per ton. Instead of the 26,000 km detour to Europe by sea, the second Eurasian land-bridge reduces
distance to 6,379 km, translating into a cost saving of 30 percent (Xinjiang Autonomous Region PRC 2005: 30). This will greatly benefit Chinese economy.

Integration of transport between China and Central Asia could also speed up the construction of railways and road communications both in the region and inside China. This would provide the incentive for the creation of a Eurasian overland transport system. Such a system of communications would connect by the shortest route the industrially developed areas of China to its underdeveloped interior provinces, and then to the Central Asian states and the countries of the Middle East. An indispensable condition for the implementation and successful functioning of this transport system must be close cooperation between China and the Central Asian states with regard to providing economically viable transportation (Paramonov 2005: 14). These all efforts are important to revive the Silk Road. This could give a powerful stimulus to economic growth in Central Asia and the interior provinces of China, and increase international trade via the intra-continental regions of Eurasia (Paramonov 2005: 14). According to preliminary estimates, the movement of goods in the Central Asian region could potentially grow by a factor of 2 to 5 times through this route (Paramonov 2005: 14).

Realising the high profit through the revival of New Silk Road, China and Central Asia are taking active interest in this project. They already engaged in a number of important projects with under the idea of reviving the “Great Silk Road”. Today a new Silk Road is based on oil politics, opening of transport corridors, and regional cooperation, as well as on renewed political, tourist and cultural contacts (Dorian et al. 1997: 464). For China, a new Silk Road is a major strategy in stabilizing western borders as well as aiding an economic development strategy for the multi-ethnic region of Xinjiang. There are also key benefits for the newly independent states of the region in cooperation with China, especially in balancing Russian influence along a new silk route (Dorian et al. 1997: 464). The future development of Central Asia depends on its ability to deepen infrastructure and communications linking it into east-west and centre-south flows of goods and information. One of the most impressive is the attempt to create a Asia-Europe Continental Bridge that connects 10 provinces and autonomous regions in China with countries of Central Asia and Western Europe, with a new southern branch linking China, Kyrgyzstan and Uzbekistan, and then westward into Europe (Wang and Minjie 2006).
China and the countries of Central Asia are all engaged in another major transport project aiming to connect Europe, the Caucasus Region and Asia. Called the Transport Corridor Europe-Caucasus-Asia (TRACECA), it has received serious support from the European Union in an effort to rebuild sea, road and railway links. From the point of view of the regions of Europe, South Asia and North-East Asia, Central Asia is a crucial linkage area of interregional contact, which can either result in division and conflict, as in the Cold War and the hot conflicts in Afghanistan, or in a new series of connections which allow more positive relationships (Umarov and Pashkhun 2006: 6-7). Also, Laumulin (2009) pointed out few limitations in the revival of 'New Silk Road.' They are: it is not cheap; custom barriers in Central Asian states; different Central Asian states have different geographical redirections; contradiction inside Central Asian region; and technological problem.

5.3.1.6 Chinese Investment in the Central Asia States

The Central Asian states do not have the large sum of money to invest in infrastructure, hydroelectric and mining sector. At the same time China do have money, technological expertise to make investment and offer much more attractive prices than other international companies offer (Peyrouse 2007: 30). So, China is using investment as strategic tool in the Central Asian states. The proposal made by Beijing in June 2004 to grant 900 million dollars of credit to the five states in order to finance projects that involve Chinese companies, has already enabled several large projects to get up and running (Peyrouse 2007: 30). China is in this way staking out an increasingly stronger position for itself within strategic sectors like ferrous and nonferrous minerals, hydroelectricity, railways and roads, and telecommunications (Peyrouse 2007: 30). Kyrgyzstan and Tajikistan is mountainous county and have large potential of hydroelectric energy. Chinese investment in this sector will greatly benefit it. It will also generate foreign currency to those concerning states. Because of geographic neighbouring country these hydroelectric energy can easily transmit into Chinese territory. The geopolitical impact of these Chinese strategies should not be overlooked.
5.4 Summary

As economies in transition, market opening is an important policy for both China and the five Central Asian states. The Central Asian nations need to revitalise their economies; they are hoping to secure the technology, funds and development aid needed to achieve their economic development goals, and as a result they have all taken the basic steps necessary for market opening and economic collaboration. China has potentials to fulfil all the above mentioned needs of Central Asian states. Central Asia is already becoming more dependent on products manufactured in China, and the importance of the Central Asian market to China (Wu and Chen 2004 1077).

By deepening economic cooperation between Xinjiang and Central Asia, China seeks to reduce the influences of those groups that promote extremism and separatism in Xinjiang. China hopes for a relatively secure energy supply from Central Asia and especially Kazakhstan and Turkmenistan. China needs to diversify its energy supplies. By relying on oil transported by sea lanes through the Malacca Straits China places itself in an insecure position since those straits are not secure.

The above discussion indicates that the Heartland region enriched by well developed transportation and communication network and air-power may play significant role for the future of Europe and Asia. This means that the region of Central Asia will remain crucial for Eurasia as a whole, with a continued strategic significance (in economic, cultural and security terms) for Europe, Russia, the Middle East and China. The necessary requirement is to develop the Central Asian region. And in this development of Central Asian region China plays significant role. The complex network of pipelines, land routes and railway links developed between China and Central Asian region can strengthen the geopolitical linkages and hence their geo-economic needs.