

# China and Greater Central Asia: New Frontiers?

Niklas Swanström

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## Executive Summary

The Greater Central Asia (GCA) in this paper comprises Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan as well as Mongolia, Iran, Pakistan and Afghanistan. These countries used to form a coherent and interconnected sub-region until the impenetrable Soviet border sliced through the continent in the early 20th century. The old GCA was characterized by impressive levels of trade and cultural exchanges but also by military and political competition that had effects far beyond the region itself. Today, something similar to the old GCA region is re-forming after a brief interlude with the Soviet Union (Russia), China (Mongolia) and Great Britain as lords and occupiers.

GCA is important for China and a number of other states in terms of energy security and the combating of terrorism and fundamentalism but also as a nexus for inter-regional trade. It is also a transit route as well as the origin of some forms of organized crime, particularly heroin production, weapons and human trafficking.

China emerged early on as one of the most important players in the region and is the largest investor in many of these countries. Its sphere of influence is expanding. China's prominence in the region will undoubtedly grow and have a significance that extends beyond the region, not least for the US, Russia, India and EU.

The demise of the Soviet Union was the trigger for increased Chinese influence in GCA. The historical fear of China still lingers on in the region and is reinforced by its increased influence and economic clout. The isolation of Iran, the "all weather" friendship with Pakistan, and the overthrow of the Taliban, also played in favor of a strong Chinese presence.

Resolving the outstanding border issues and increasing military and security cooperation with the bordering states has become foremost concerns for China, whose focus is on its economic and energy interests in the region, but also

increasingly military security. China has enhanced its cooperation with Central Asia both bilaterally and multilaterally. Domestic security concerns have been the most important motivator behind China's strategy towards GCA, due to, in large part, the continued insecurity along the Chinese borders, namely with Tajikistan, Kyrgyzstan and Pakistan.

Regional instability with hotspots such as the Fergana Valley, Afghanistan, and the rise of Islamic radicals is a constant headache for China. Instability in the region is reinforced by strong criminal activities (particularly the heroin trade, which is helped by weak governments and conflicts) made more problematic by connections between its own separatist groups and external fundamentalist groups.

It was, and has often been, a direct strategy for China to compromise and give each of the bordering states enough in terms of economic and territorial gains to accept Chinese demands to support and prevent terrorism, separatism and extremism, the so-called "three evils." In doing this, Beijing has been a loyal supporter of the sitting governments in Central Asia and has no interest in assisting in overthrowing the current secular governments in favor of potentially more religiously oriented regimes. Military cooperation between China and the Central Asian states has as a result increased significantly, with Beijing focusing on anti-terrorist activities. China's military sales to Central Asia are very low and do not threaten the Russian arms sales to the region.

China has refrained from openly expressing further interest in establishing military bases in any of the states. It is not a proponent of regime change in the countries in the region. Beijing does not rule out a democratic development in the region but, according to its view, the focus should be on creating an economic base and a stronger institutional base for the governments before embarking on the political adventures of democratization.

China pursues a direct strategy to field its soft power in GCA, using tools such as cultural exchanges, environmental cooperation, education and trade. The result has been favorable for China, which is increasingly perceived as a good neighbor by countries in the region, even if many difficult scars, imagined or real, from the past history of occupation, expansion and cultural hegemony are still visible. China is trying to create an irrevocable presence in



the region both through bilateral relations as well as through multilateral institutions and its strategy of multilateral diplomacy.

Economic concerns, especially energy resources, are considered by many as Beijing's main motivation today in GCA, something that is not entirely true. It is true that China has adopted an "open door policy" to increase its economic benefit which has led to an inflow of capital, energy and traded goods as well as a pooling of resources from eastern to western China. Millions of Han Chinese have migrated to the western borderlands, and China has invested massively into roads, railroads, and energy infrastructure have been made. China has sponsored a number of upgrades of already existing railroads and highways that link China with Central Asia, Pakistan and Iran. Today, Chinese capital and trade interest are penetrating an area stretching from Azerbaijan and Iran in the West, to Pakistan in the south, and Mongolia/Central Asia in the north and the Central Asian states have become the focal point of Chinese infrastructure investments, especially related to the energy sector and trade.

The energy resources of GCA are important sources of diversification for Beijing's energy needs. There has been a drive from China for alternative energy supplies, but also diversification of energy corridors bypassing the Malacca Straits. China is now a serious competitor in the previously Russian and U.S.-dominated oil fields in Western Kazakhstan and is exploring oil and gas fields as far away as the Caspian Sea. Most of GCA is subtly but directly being pulled into China's orbit by transport and energy infrastructure investments. Even Turkey has begun to flirt with China and has initiated military cooperation with China and engaged in both political and economic dialogue and cooperation.

China's increasing energy and trade relations with countries in GCA will inadvertently spill over into political influence in all states in the region. China has increased its soft power in the region and is increasingly consolidating its influence, even if its soft power has real limitations. The reason behind China's expansive strategy is not only to secure natural resources, increase trade-related economic gains and establish trans-regional trading links (primarily with the Middle East and Europe), but also to influence and secure friendly governments in the region.

This is not without problems for China as Central Asia is one of the most corrupt regions in the world and one in which organized crime has the greatest political leverage. Few political, economic or political changes in GCA that can be made without involving organized crime and illegal transactions. Thus, China has to take on organized crime and smuggling of narcotics, weapons and transit of terrorists. The Chinese local authorities have been slow in responding to these activities, in spite of the strongly and active reaction of the central government. Local authorities have turned a blind eye to the situation despite that smuggled consumer goods trade is significant. China has asked the Central Asian states to meet the challenge of organized crime and narcotics trafficking. The flexibility of trade and the long borders make it virtually impossible to fight the problem without far-reaching multilateral solutions. Little is accomplished to counter this on the Chinese and international sides due to the collisions and disharmony between local, national and international interests.

Currently, Sino-European trade is confined to the sea route or, to a minor extent, the Trans-Siberian Railway or air transport, but there are prospects for new economic linkages between Europe and China. Central Asia has increasingly become a transport hub. The current revitalization of the Silk Road and development of a continental transport corridor running from China's east coast to Europe are expected to bring massive gains to the landlocked countries of GCA as well as for China and Europe. At present, the sea journey from China to Europe takes 20 to 40 days, while the new links could cut transport time to eleven days. The trans-regional trade and transport system could in fact be one of the most positive factors for the GCA states and one in which cooperation between China, GCA and Europe is very likely and be profitable for all actors. Of course this would need a more stable and economically sound GCA that has been able to control the rampant corruption and narcotrade.

It is evident that China harbors a strong sense of non-intervention and respect for sovereignty but is nevertheless fully integrated into international and regional multilateral organizations. To a large extent, the Shanghai Cooperation Organization (SCO) along with the ASEAN Regional Forum (ARF) has functioned as a testing ground for its multilateral commitments.

China needs to engage the region in a more effective and coherent way, without being seen as too great a threat in Moscow and the regional capitals. After the demise of the Soviet Union, China's preferred strategy was to pursue an increased but weak multilateralism in the region, including Russia. China does not view Russia as a long-term threat in GCA due its relative decline but views the possible increased role of the United States and the EU as much more threatening.

As to the SCO, the failure to further intensify multilateral cooperation is very much due to the strained relationship between China and Russia and their differing perceptions as to what SCO should be used for. China is very reluctant to let SCO become a military bloc that could be directed against any outside actor, but Russia has taken a more aggressive policy in its cooperation strategy, and military matters have become predominant. To institutionalize bilateral relations with various powers, China has signed a number of "strategic" and "cooperative" partnerships with countries such as Russia, Iran, and Pakistan, which has facilitated a strong Chinese presence in its counterparts' spheres of influence. Even if Beijing has attempted to set up frameworks similar to SCO in Southeast Asia, Northeast Asia and East Asia, similar successes as in GCA have not been registered, making GCA the forerunner for China's new 21st century diplomacy.

## Introduction

Greater Central Asia (GCA), defined here as the five Central Asian republics, Mongolia, Iran, Pakistan and Afghanistan, used to form a coherent and inter-connected sub-region for millennia until the impenetrable Soviet border sliced through the continent in the early 20th century.<sup>1</sup> The old GCA was characterized by impressive levels of trade and cultural exchanges, but also military and political competition that had effects far beyond the region itself. Today, something similar to the old GCA region is reforming after a brief interlude with the Soviet Union (Russia), China (Mongolia) and Great Britain as lords and occupiers.<sup>2</sup> This development has been accelerated with the Russian retreat (and partial return) from Central Asia (and Afghanistan and Mongolia), combined with a rising China that has begun to challenge Russian preeminence on several accounts, but also with an increased interest from India, the EU, the United States and other actors in the region and beyond. This has begun to redefine the strategic landscape in GCA, with profound implications for strategic thinking within and outside the region.

GCA is important for many reasons, not only in terms of energy security and the combating of terrorism and fundamentalism that tend to dictate the news today. These are all important, particularly for the bordering states, but, moreover, we have seen that GCA has increasingly positioned itself as a nexus for inter-regional trade between many of the concerned states, such as China, Iran, the EU and Russia. This has significantly increased the importance of the region in a very positive way. On the negative side, GCA has

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<sup>1</sup> S. Frederick Starr, "In Defense of Greater Central Asia," Central Asia-Caucasus Institute & Silk Road Studies Program, *Policy Paper* (September 2008), <http://www.silkroadstudies.org/new/docs/Silkroadpapers/o8o9GCA.pdf> (accessed April 25, 2011). See also Olivier Roy, *The New Central Asia: The Creation of Nations* (New York: New York University Press, 2000), pp. 1–2.

<sup>2</sup> The term "China" is in this paper used to describe the government institutions in Beijing.

become a transit route as well as the origin of some forms of organized crime, particularly heroin production, weapons and human trafficking. The creation and sustainability of more stable state structures in the region, particularly in the so-called weak states/economies are increasingly important, both in the context of the organized crime that thrives in weak states, and in terms of sustaining the positive political and economic developments that the region exhibits. Much of the current development in GCA has been a cause for concern by the Chinese government in terms of security and also among private companies, which are plagued by the increased corruption and unpredictability of the economic system. Despite this, it is evident that the Chinese influence in the region has increased dramatically since 1991 and China has emerged as one of the most important players in the region.<sup>3</sup>

The dissolution of the Soviet Union opened up the potential for China to engage with countries located along its western border and across the GCA landmass. In the past few years, China has invested heavily into the Karakorum highway and the Gwadar port in Pakistan, built a US\$7 billion pipeline from Kazakhstan to Xinjiang, and has emerged as the most important trading partner for Mongolia and is likely to be the most important for the Central Asian states in the coming years. Moreover, China signed a US\$100 billion 25-year energy contract with Iran. Recently, China won a US\$4 billion tender to develop the vast Yanak copper field, making it by far the largest investment in the history of Afghanistan, while a gas pipeline from Turkmenistan is also well underway. China's foreign direct investments in Mongolia accounted for more than 40 percent of its total foreign direct investments in 2007.<sup>4</sup> Meanwhile, Chinese-sponsored highways and railroads along various routes are effectively tying GCA into Beijing's expanding sphere of influence. China is certainly not the only actor that is making such invest-

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<sup>3</sup> Niklas Swanström, "China's Role in Central Asia: Soft and Hard Power," *Global Dialogue*, Vol. 9, No. 1-2 (Winter/Spring 2007), <http://www.worlddialogue.org/content.php?id=402> (accessed March 3, 2011); Library of Congress China's Foreign Policy and "Soft Power" in South America, Asia and Africa, A Study Prepared for the Committee on Foreign Relations, United States Senate by the Congressional Research Service, Library of Congress (Washington: U.S. Government Printing Office, 2008).

<sup>4</sup> Daniel Allen, "China breathes new life into Mongolia," *Asia Times Online*, September 1, 2007, [http://www.atimes.com/atimes/China\\_business/IIO1Cbo2.html](http://www.atimes.com/atimes/China_business/IIO1Cbo2.html) .

ments and extracting influence, but it is emerging as the most important and efficient one today, even if the economic crisis has slowed down investments in the region. This engagement forces China to look closer at the security situation, i.e. beyond protecting its own domestic stability to securing investments, trade and Chinese citizens and stabilizing its neighbors. As a result, China has signed significant agreements in the security area with all states in the region. Most of these are directed towards potential security threats in the border areas of China, but increasingly China has indicated a stronger interest in regional and bilateral security cooperation. This has some limitations, as can be seen in the April 2010 revolution in Kyrgyzstan, during which Beijing was remarkably silent.<sup>5</sup>

China's role in GCA is still disputed and there are as many views on why and how China has exerted its influence in the region as there are analysts. What is agreed on is the increased relevance of China in the region and the need to understand China and its actions in GCA. The implications of the growing Chinese prominence in the region will undoubtedly have a significance that extends beyond the region, and to fully grasp the potential (or threat) of this, it is crucial to understand Chinese intentions and the extent of its influence. Equally interesting is to understand how China will try to manage the regional power politics and how the regional states are reacting to the Chinese expansion. What are the strengths and vulnerabilities in the Chinese strategy towards GCA and how do we measure the success of the Chinese strategy? In this, the Chinese intentions to create multilateral linkages and its cooperation with Russia become interesting, as does the question of how it positions itself towards other states that have interests in the GCA region.

With this task at hand, it is of the utmost importance to analyze the entirety of GCA as a region where states are heavily dependent on each other and changes in one state will undoubtedly have direct implications for the others. Moreover, China is aware that GCA is constituted by states whose geopolitical alignments could tilt either way over the next generation and thereby determine the future balance of power on the Eurasian continent. This, in turn,

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<sup>5</sup> Niklas Swanström, "China: The Silent Giant and Kyrgyzstan's Unrest," *CACI Analyst*, Vol. 12, No 7 (April 14, 2010), <http://www.cacianalyst.org/?q=node/5304>

will decide whether the transitioning states of the region will be dominated by China and its models of social development, Russia and its authoritarian model, or U.S./EU (Western) promoted goals of the market economy and democracy. All realists seeking to contain China and liberals arguing for engagement would thus find China's expanding role a potential concern, either because we underutilize the Chinese factor or because China is taking a greater piece of the pie without being acted on. Moreover, the Chinese perception of the expansion of Chinese influence and trade in the region is not clear, and there have been concerns raised both in Beijing and in Urumqi regarding its consequences. The reactions and actions from China have been very diverse and can superficially be divided into three main groups: the Chinese state (Beijing), the regional governments in border provinces and the market forces. There are obvious linkages between the different groups, but goals and strategies tend to be very diverse, even within these groups.

The above questions are important because China's various interactions with GCA cannot be understood in isolation; the whole is more than the sum of its parts. Regardless of China's much debated intentions, its engagement has real geopolitical effects, both in the region as well at the global level.<sup>6</sup> It is essential for all actors interested in the region to understand the totality and how the interplay between economic and political factors affects the wider regional landscape.

The questions this report intends to answer are:

- GCA is composed of states whose geopolitical alignments could tilt either way during the next generation, including Afghanistan, Pakistan, Iran, Mongolia and the Central Asian republics. A number of these states have weak political as well as economic structures, making these states increasingly easy

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<sup>6</sup> Niklas Swanström, "China and Central Asia: A New Great Game or Traditional Vassal Relations," *Journal of Contemporary China*, Vol. 14, No. 45 (November 2005), pp. 569–84; S. Frederick Starr, *The New Silk Roads: Transport and Trade in Greater Central Asia* (Washington and Stockholm: Central Asia Caucasus Institute and the Silk Road Studies Program, 2007); Bates Gill and Matthew Oresman, *China's New Journey to the West: China's Emergence in Central Asia and Implications for U.S. Interests* (Washington, D.C.: Center for Strategic and International Studies, 2003); Michael Clark, "China's Deepening Ties with Central Asia," *Bloomberg Businessweek*, May 26, 2010, [http://www.businessweek.com/globalbiz/content/may2010/gb20100526\\_156952.htm](http://www.businessweek.com/globalbiz/content/may2010/gb20100526_156952.htm)

to impact, and China is currently luring these states into its fold. It is therefore important to understand Chinese intentions and strategy towards GCA.

- Long-standing tensions between most of these countries will unavoidably result in intra-regional friction if other adjacent great powers do not attempt to prevent this. China is in many ways well equipped to manage the regional tension, but is also disadvantaged due to other states' growing suspicions and the Chinese unwillingness to intervene in the internal affairs of other states. The question of whether China's growing presence in GCA will lead to cooperation or conflict is still left unanswered — both of which may be in opposition to American, Russian or European interests.
- The creation of economic links to the Eurasian inland forms an indispensable part of China's "rise." Without sustainable development of its interior western regions, social unrest is guaranteed to impede China's great power ambitions which, for better or worse, is bound to affect all other states' interests in the region.
- Taken together, China's expansion into GCA should be of interest for all states planning their long-term strategy because it will determine the future balance of power on the Eurasian continent. This, in turn, will decide whether the transitioning states of the region will be dominated by China and its models of social development, or by any of the other actors and their individual goals and means of influencing.



## Historical Background

Chinese engagement in GCA is anything but new, predating the founding of the current state structures and national identities by millennia, as well as predating the Russian influence in the region, which was only felt in the 15th and 16th centuries.<sup>7</sup> Much of the fear of a possible Chinese expansion into this area rests on the very fact that China has been deeply engaged in the region — arguably too engaged at times — according to some academics and policy makers, a position which often is slightly unfair, as the expansion has been in both directions.<sup>8</sup> However, it should be noted that the Chinese adventures of the past in GCA have little to do with the current state formations, as the “history of [Central Asia] is primarily one of oases, large and small.”<sup>9</sup> A similar argument could be used in Mongolia, which was divided both before and after the great Genghis Khan. The Chinese interaction was with Zhungharia, Torghuts, Khoshot, Derbet, etc. — tribes and empires that now exist only in the memory of the people from GCA and China, if not always in the too distant past.

All the GCA territories have been on the borders of China, but Chinese have considered these peoples to be barbarians and many of the Chinese attempts have been to limit barbarian influence on China. This is not to say that the territories and peoples of GCA have not been important for the Chinese. In fact, it could be argued that the tribes and empires that today form the states in GCA have been heavily involved in the very formation of China and its current political, military and economic outlook. It could even

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<sup>7</sup> Peter C. Perdue, *China Marches West: The Qing Conquest of Central Eurasia* (Cambridge, Mass.: Belknap Press of Harvard University Press, 2005).

<sup>8</sup> Ibid.; “History of Central Asia,” in *Encyclopaedia Britannica* (2002); Svatopluk Soucek, *A History of Inner Asia* (Cambridge: Cambridge University Press, 2000); Burton Watson, *Records of the Grand Historian of China: Han Dynasty II* (New York: Columbia University Press, 1993); James A. Millward, *Eurasian Crossroads: A History of Xinjiang* (New York: Columbia University Press, 2007)

<sup>9</sup> Richard N. Frye, *The Heritage of Central Asia: From Antiquity to the Turkish Expansion*, (Princeton: Markus Wiener Publishers, 2006), p. 13

be argued that modern China was built on the very existence of the GCA peoples' engagement, both negative and positive.<sup>10</sup>

The interaction between China and its eastern neighbors in GCA was often a positive interaction and, contrary to western perceptions, excluded the very backward and poor Europe for a long time. Much of the world economy was transferred through GCA for more than a millennium, creating an economic, intellectual and political center in itself. Silk, rhubarb, metals, porcelain and other valuable trade goods are what the Silk Road often brings to mind when one thinks about the continental interaction between what is today Central Asia, China, Mongolia, the Middle East, Persia, India and (on the margins) Europe and Russia. Moreover, intellectual ideas, political movements and military innovations often took the road through or even originated from GCA. It was not only one of the centers of the world of the past, but also connected the others with each other and functioned as the world hub of economic, political and philosophical exchanges.<sup>11</sup> China utilized the geographical position of GCA in its contacts with Persia and the South Asian empires and the GCA states, such as Afghanistan and later Mongolia, played a crucial role in this.<sup>12</sup> Therefore, the region was a crucial component in China's old strategies towards the rest of the known world, as well as a pivotal region in itself.

It is often forgotten that the military threat to China originated from the west and northwest (many of whom are today minorities within China, such as Mongolians, Manchus, Uyghurs, and so forth, or who live at the borders of China, such as in Mongolia, Kazakhstan, Kyrgyzstan, etc.). These groups forced China to integrate and construct defenses against the "foreign devils" and barbarians, partly due to the technological and strategic advantages in the military field of the GCA people and the tempting riches in China proper. China tried to stabilize the Chinese borders by building up a military apparatus that could meet the challenge, but the Chinese border was

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<sup>10</sup> Swanström, "China and Central Asia: A New Great Game or Traditional Vassal Relations."

<sup>11</sup> S. Frederick Starr, "Rediscovering Central Asia," *The Wilson Quarterly*, Summer 2009, <http://www.wilsonquarterly.com/article.cfm?aid=1441>

<sup>12</sup> Niklas Swanström, Nicklas Norling and Zhang Li, "China," in Starr, ed., *The New Silk Roads: Transport and Trade in Greater Central Asia*, 2007, pp. 383–422.

(and still is) very difficult to defend and the mobility of the nomadic people became the most difficult problem to solve for the Chinese state. The Chinese perception is therefore, in contrast to the GCA states, that China was more under attack than other states in the region. To a certain extent this was true during some periods. It is interesting to note that many of the GCA states have a historical recollection of China as the aggressor and that other parts of the history are often forgotten.<sup>13</sup>

To counter the security threat from the west and northwest, China engaged in a policy of loose reign (羈縻制), in which frontier trade was seen as a national security matter that would supplement the military preparations.<sup>14</sup> Trade would stabilize the neighboring areas by integrating them into the Chinese economy in an attempt to create so much profit for the former adversaries that they would benefit more from working with than against the Chinese state. This was only partially successful and the potential gains from plundering China's affluent cities were immense. Therefore the Great Wall, one of the world's greatest structures, was built to protect the Chinese interior against the marauding steppe people that did not voluntarily and peacefully integrate into the Chinese economy. China did also attempt to forward the lines of defense by pushing the barbarians out of China's near periphery, an attempt that extended its empire to include today's Mongolia and parts of Russia, but also Tibet, Xinjiang and other regions that today are integral parts of China. Moreover, there was a cultural export and import that tied the GCA states to China in a deeper and more profound way. The millennium old adventure to build defenses and fight barbarians cost enormous sums of money and took an almost unimaginable amount of human resources and a well-developed bureaucracy to accomplish. This forced China to become a centralized state with highly developed taxation and with a great military focus on its eastern and northeastern borders. To no small degree, this made China become the continental power it still is today,

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<sup>13</sup> Interviews by the author of officials and non-officials, Greater Central Asia, 2007–2011.

<sup>14</sup> Perdue, *China Marches West*, p. 268; Millward, *Eurasian Crossroads*; Morris Rossabi, ed., *Governing China's Multiethnic Frontiers* (Seattle: University of Washington Press, 2004); Dru C. Gladney, *Dislocating China: Muslims, Minorities, and other Subaltern Subjects* (Chicago: University of Chicago Press, 2004).

which in turn made China expand in the direction of GCA. What are today Mongolia and Xinjiang (East Turkestan) eventually became integrated parts of the Chinese empire, and the Mongols and later the Manchus even ruled China during the Yuan Dynasty (1271–1368) and the Qing Dynasty (1644–1911). Other parts of China had already been under the control of barbarians from the west and northwest on several occasions even before the Yuan Dynasty took power in 1271.<sup>15</sup>

The military interaction between China and its neighbors was characterized by plundering, territorial exchanges and preventive war. More importantly, however, is that the riches that were (and still are) transferred across the region have come to benefit different forms of political constellations and regimes over time. Trade has simply been too lucrative and important not to engage in for all actors. Similarly, it has been too tempting to not try to control or plunder the very same trade when not in control. The route through GCA and China was the very vein for international trade until maritime trade was made secure enough to compete with the Silk Road.<sup>16</sup> This made GCA less important as a trading hub until it nearly vanished with the Russian occupation that cut Central Asia off from the world. Much of the ancient interaction between GCA entities and China has thus been to stimulate increased trade (and decrease insecurity) and possibly increase its civilizational influence over the other part, even if this was arguably of lesser importance. With the Soviet demise, all states in the GCA region became directly relevant to Chinese trade, especially in terms of transit trade but also as an important resource base.

That China was prevented from using this region as a transit route during the Russian occupation of Central Asia not only decreased its profits and hampered the potential for developing China's western regions, but also forced China to rely on the more expensive and unreliable (due to the U.S. control of such) sea lanes which, in turn, also presents a major security chal-

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<sup>15</sup> John King Fairbank, *China: A New History* (Cambridge, Mass.: Belknap Press of Harvard University Press, 1992).

<sup>16</sup> Niklas Swanström, "China and Greater Central Asia: Economic Opportunities and Security Concerns," in Lowell Dittmer and George T. Yu, eds., *China, the Developing World, and the New Global Dynamic* (Boulder, Colo.: Lynne Rienner Publishers, 2010).

lenge. The opening up of GCA gave China more options for diversifying its trade routes and reducing the containment that China has felt in being tied down between Russia, India and U.S. allies. The political instability in GCA and in China's western provinces has been a major argument for greater Chinese engagement, but also regaining the trade links between China and the outside world through GCA has been of central interest in China's foreign policy towards GCA.

The economic interaction between China, Persia, India, Afghanistan and Central Asia over land peaked during the Tang Dynasty (618 –907) and reached a low water point during the Qing Dynasty (1644 –1912) — due to internal weakness — and was gradually reduced to virtually no official linkages until 1991, when the states suddenly became more or less voluntarily independent. The Chinese lack of connection to and utilization of the region as a trade route was due to the decline of the Chinese empire, the growth of more secure sea lanes as an alternative trade route, and the Russian occupation of Central Asia in the 19th century, which finally ended in 1991. The Russian occupation cut off all contacts between China and the Central Asian states, although some cross-border trade was allowed with the initiation of glasnost in the 1980s. Mongolia and Afghanistan were largely left outside this equation, even if Russian/Soviet influence quickly became much more important in these states than Chinese influence. The Soviet invasion of Afghanistan in 1979 (and the decade-long war that followed), together with the close Russian/Soviet cooperation with Mongolia, minimized Chinese influence in both states until the breakdown of the Soviet Union in 1989. In 1991, the Central Asian states were forced to leave the Soviet Union. Contrary to popular perceptions, all the Central Asian states were heavily in favor of keeping the USSR intact, but Moscow was simply not interested in letting the Central Asian states remain within a confederation.<sup>17</sup> Russia seems to have changed this policy towards a more traditional Tsarist strategy, with semi-independent neighboring states closely tied to Russia, and, after a slow start, the aggressiveness of putting the Central Asian states under Russian domination gained speed in the 1990s. Central Asia, and in par-

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<sup>17</sup> Niklas Swanström, "Hu Supports the Shanghai Cooperation Organization?" *The Times of Central Asia*, June 19, 2003; Swanström, "China and Central Asia: A New Great Game or Traditional Vassal Relations."

ticular the energy rich states, will be at risk in this Russian strategy, as it could put them in a position of attracting unwanted attention, and — as seen in the case of Georgia — Russia accepts no defiance. Nothing could be more apparent when reviewing the Russian involvement in the Kyrgyz conflict in April 2010, in which Russia took a very active role, Russian denials that this happened notwithstanding.<sup>18</sup>

The time of the Russian occupation of the GCA region was not without friction and the Chinese government was both concerned about the Russian expansion in Xinjiang and eager to retrieve its lost territory. In 1954, China was still claiming territories that today belong to the Central Asian states and you could find Chinese maps of China as late as the 1970s containing Central Asian territory.<sup>19</sup> Mongolia was considered a part of China as late as 1945, even if the Russian-created state gained international recognition in 1921. Many Chinese still linger on the old memories of a Mongolia attached to China, and Inner Mongolia is still an integral part of China.<sup>20</sup> The Russian occupation of Central Asia and assistance in Mongolian independence should be seen in the light of the largest loss of Chinese territory in history. China lost some 1.4 million square kilometers in the early 19th century and another 1.5 million square kilometers by 1900. Mao was even quoted in 1964 as saying that both Vladivostok and Khabarovsk really belonged to China, something that has not been repeated officially.<sup>21</sup>

China and Russia (Central Asian territories) were under quite some tension for the better part of the second half of the 20th Century, even if major military conflicts were averted. This being said, China and Russia experienced border clashes in Central Asia, even if most conflicts tended to be confined

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<sup>18</sup> Simon Tisdall, “Kyrgyzstan: a Russian revolution?,” *The Guardian*, June 12, 2010, <http://www.guardian.co.uk/commentisfree/2010/apr/08/kyrgyzstan-vladimir-putin-barack-obama>, Thursday, April 8, 2010; Michael Schwartz, “Kyrgyzstan Seeks Russian Help to Quell Unrest,” *The New York Times*, June 12, 2010, <http://www.nytimes.com/2010/06/13/world/asia/13kyrgyz.html>.

<sup>19</sup> Ramakant Dwivedi, “China Central Asia Policy in Recent Times,” *China and Eurasia Forum Quarterly*, Vol. 4, No. 4 (2006), pp. 139-59.

<sup>20</sup> Chinese today accept Mongolia as independent state and there are no serious arguments to merge Mongolia with China but if Mongolia was an entity under Russian control the issue would be much more contentious.

<sup>21</sup> “Sino-Soviet Border Clashes,” *GlobalSecurity.org*, <http://www.globalsecurity.org/military/world/war/prc-soviet.htm>

to the Heilong Jiang (黑龙江省) and Zhenbao (珍宝岛) regions. According to Global Security, the tension was partly due to the great amassment of border troops in the region. The strength of the Soviet divisions increased to 30 in 1970 and to 44 in 1971, supported by some 1000 combat aircraft. Mongolian independence was guaranteed by Russian divisions. The conflict increased in seriousness, as both states were nuclear powers with an ideological division that intensified after the Sino-American normalization in February 22, 1972. It was not really until 1986 and then 1990 that there was any significant improvement in cross-border relations, which came with a significant reduction of military forces along the Sino-Russian (Central Asian) border.

### **The Period after the Fall of the Soviet Union and the Independence of the Central Asian States**

The fall of the Soviet Union had several direct implications for China and its relations with the region west of its border. The independence of the five Central Asian states unleashed a number of geopolitical reconfigurations on the Eurasian continent. Suddenly the friction built up, as the Qing dynasty and Muscovite Russia, and later the PRC and the Soviet Union, rubbed against each other from the 18th century up until 1991. Moscow's subsequent retreat from Central Asia (and Afghanistan), combined with a growing Chinese energy demand, almost rendered a Chinese penetration of this region inevitable. China seized the opportunity and signed Friendship and Cooperation Treaties with all states except Turkmenistan and a Strategic Partnership with Kazakhstan in 2005. When a resurgent Russia under Vladimir Putin strived to reassert control over Central Asia, it was faced with what Shiping Tang described in 2000 as a potential Chinese "fait accompli" — a nonreversible Chinese presence.<sup>22</sup> It turned out to be too early to count out the Russians, but the Chinese relative presence has increased, despite the Russian attempt to regain some of its influence. In many ways, China has taken a secondary role in the region and acknowledged Russian supremacy and historical influence, in other ways the Chinese have challenged the Russian dominance in very concrete terms, but with strong consideration for

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<sup>22</sup> Shiping Tang, "Economic Integration in Central Asia: The Russian and Chinese Relationship," *Asian Survey*, Vol. 40, No. 2 (March–April 2000), pp. 360–76.

Russian sensitivities and fear of Chinese expansion.

The Chinese strategies towards GCA are not coherent and differ not only geographically but also when considering different fields. It is apparent that Beijing, the government in Xinjiang and the business sector each view GCA differently, which has complicated analyses of the region, mostly due to the erroneous perception that the national governments are in full control of their foreign relations. Trade, to take one example, has to a large extent been decentralized and Beijing has very little control over Chinese business interests in GCA. The following sections look into each of these aspects and try to give a better overview of the situation.



## Politico-Strategic Dimensions

The demise of the Soviet Union was the trigger for increased Chinese influence in GCA, due in large part to the fact that Russia initially could not sustain the economies of Central Asia and Mongolia alone, but also because these states were interested in diversifying and reducing their reliance on Russia. This quickly transformed into a more complex and diversified foreign policy with a greater number of partners, as they did not want to exchange one overlord for another.<sup>23</sup> This was most notable in the cases of Kazakhstan and Mongolia, which developed strategies of reliance on third neighbors, instead of relying only on China as a counterbalance to Russia.<sup>24</sup> Initially these changes played out in favor of the Chinese, but as the Chinese influence has been increasingly strong and notable, all states have attempted to reduce both Russian as well as Chinese influence, albeit to differing degrees. There is a historical fear of China that still lingers on in the region and is reinforced by its increased influence and economic clout. The states fearing China least are, not surprisingly, the states least impacted by Chinese influence: Afghanistan and Turkmenistan. Conversely, the states sharing borders and an intimate history with China, such as Mongolia and Kyrgyzstan, are most concerned with the increasing Chinese influence.

Moreover, the isolation of Iran, the “all weather” friendship with Pakistan, and the overthrow of the Taliban, all also played in favor of a strong Chinese presence south of the former Soviet border. A number of studies

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<sup>23</sup> Swanström, “China and Central Asia: A New Great Game or Traditional Vassal Relations”; Dwivedi, “China’s Central Asia Policy in Recent Times.”

<sup>24</sup> Rick Rozoff, “Mongolia: Pentagon Trojan Horse Wedged Between China And Russia,” Australia.to, March 31, 2010,

<http://rickrozoff.wordpress.com/2010/03/31/mongolia-pentagon-trojan-horse-wedged-between-china-and-russia> ;

Joshua Kucera, “Mongolia: Ulaanbaatar Performs Strategic Juggling Act with US, Russian Military Maneuvers,” Eurasianet.org, August 24, 2009,

<http://www.eurasianet.org/departments/insightb/articles/eavo82509a.shtml> .

emerged in the 2000s on China's engagement with the Central Asian states, although most are issue specific and/or in article format.<sup>25</sup> An equally miniscule volume of works exists on Sino-Pakistani relations, while Sino-Iranian relations have received their most comprehensive coverage so far in John Garver's book on the topic.<sup>26</sup>

However, apart from a few historical studies, there is no account treating the landmass west of China as a coherent region, viewing it from the perspective of China's role there. Studying only parts of this western engagement is bound to reflect the current strategic dynamics poorly.

In 1991 it came as no shock to the leaders in Beijing and Xinjiang that they would have to fight an uphill battle to gain influence, acquire economic advantages and tackle the joint security challenges across the Central Asian borders. On the contrary, the initial Russian failure to engage Central Asia was more of a shock, and China was not ready to step into the power vacuum after the Russian withdrawal; therefore, China's first few years in Central Asia were rather clumsy and without clear direction. Initially China was not primarily interested in energy—which today has become one of the most important issues—but rather in border security issues and in stabilizing its own minority provinces, e.g. Xinjiang.<sup>27</sup> Resolving the outstanding border issues, as well as increasing military and security cooperation with the bordering states, thus became the foremost concerns in the first years, especially as there are large Uyghur populations in Central Asia and popular support for a sixth Central Asian "Turkestan" state. Only after these prima-

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<sup>25</sup> Swanström, "China and Central Asia: A New Great Game or Traditional Vassal Relations"; Gill and Oresman, *China's New Journey to the West*; Ariel Cohen, "After the G-8 Summit: China and the Shanghai Cooperation Organization," *The China and Eurasia Forum Quarterly*, Vol. 4, No. 3 (2006), pp. 51–66; Dwivedi, "China's Central Asian Policy in Recent Times."

<sup>26</sup> John W. Garver, *China & Iran: Ancient Partners in Post-Imperial World* (Seattle: University of Washington Press, 2006).

<sup>27</sup> Lowell Dittmer, "Central Asia and the Regional Powers," *The China and Eurasia Forum Quarterly*, Vol. 5, No. 4 (2007), pp. 7–22; Yitzhak Shichor, "China's Central Asian Strategy and the Xinjiang connection: Predicaments and Medicaments in a Contemporary Perspective," *The China and Eurasia Forum Quarterly*, Vol. 6, No. 2 (2008), pp. 55–73. Even today domestic security and stability is the foremost priority but economy as a tool for stabilizing its borders and border regions has increased in importance. A much more complex policy of engaging China's minorities has emerged, albeit not always successful.

ry concerns had been dealt with did it become possible for China to focus on its economic and energy interests in the region, much in tandem with China's economic development. The Xinjiang violence in 2009 forced China to reconsider the Chinese position and a small backtrack to security issues will be a result of the tension with an increased military control of Xinjiang.<sup>28</sup> Similarly, when the Taliban regime fell in Afghanistan, China's immediate concern was to protect its security interests and limit the Taliban and Al Qaida's influence in Xinjiang, and defer the pursuance of economic interests until stability has been achieved. Only after the United States and NATO managed to stabilize parts of the country did it become attractive for the Chinese to increase economic, cultural and political exchanges and to deepen overall relations. In spite of the fact that insecurity is running high — and to a certain extent increasing — in Afghanistan, Chinese investments have increased significantly and Beijing has extended increased cooperation with Kabul in a variety of fields.<sup>29</sup> The proposed U.S. withdrawal from Afghanistan will be a very delicate problem for China. Afghanistan will still be in disarray and militants will have a serious impact on Afghanistan's development and future course. Kyrgyzstan is another serious thorn in the security of Xinjiang and the unrest in Kyrgyzstan has created some problems in China's bilateral relations, as Russia has taken a much more interventionist approach in Kyrgyzstan, something that China considers as being akin to a common strategy in GCA and Asia at large. In spite of the fact that the relationship between China and Russia has never been better, issues like this have created tension.

China enhanced its cooperation with Central Asia both bilaterally and multilaterally in the mid-1990s. This was primarily manifested in the establishment of the Shanghai Five organization in 1996 (including China, Russia, Kyrgyzstan, Tajikistan and Kazakhstan), which later transformed into the Shanghai Cooperation Organization (SCO) with the inclusion of Uzbekis-

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<sup>28</sup> Edward Wong, "China Nearly Doubles Security Budget for Xinjiang," *The New York Times*, January 13, 2010, <http://www.nytimes.com/2010/01/14/world/asia/14xinjiang.html>; Gordon Ross, "A year after Xinjiang riots, tensions simmer," *Asia Times Online*, July 16, 2010, <http://www.atimes.com/atimes/China/LG16A001.html>

<sup>29</sup> Swanström, Norling and Li, "China."

tan in 2001. The motives for China to engage Central Asia through a multilateral organization were many, but appeasement of Russia was initially a crucial component and it is clear today that security issues were imperative in the initial stages. Beijing also realized that many issues could be better handled multilaterally, especially considering Russia's preference to monitor China's activities with the Central Asian states within an established framework. Virtually all treaties adopted in the early years of this organization also had paragraphs that referred back to the minority and terrorist questions, something that has changed slightly in today's interaction, which is more economic in its language.<sup>30</sup> SCO aimed, therefore, at the security issues in its first years, a focus that was problematic, considering that the Central Asian states did not work well with each other and none were interested in pooling sovereignty to an intergovernmental organization.

Economic and social stability was arguably more important, as economic and social instability was to a significant degree responsible for the political instability.<sup>31</sup> The domestic instability in China and GCA is not the only factor that makes security issues important once more for China. The Russian invasion of Georgia and the declaration of independence of South Ossetia and Abkhazia have rightly reinforced the Chinese fear of separatism and foreign intervention. This is something that has been reinforced by Russia's implicit and explicit engagement in the Kyrgyz revolution in 2010. It is important that China is much more economic in its outlook than Russia, which seems to view the region and the SCO from an exclusively military and security perspective, very much in its old Soviet tradition.

When the Central Asian states gained independence, China felt it was crucial to improve security along its borders, both internal and external. But even today security factors are the most important motivators behind China's strategy towards GCA, due in large part to the continued insecurity along the Chinese borders, i.e. with Tajikistan, Kyrgyzstan and Pakistan. The Central Asian borderlands became the foremost focus, both because

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<sup>30</sup> For more information, see the document section at the Shanghai Cooperation Organization, <http://www.sectSCO.org/EN/>

<sup>31</sup> Niklas Swanström, "Political Development and Organized Crime: The Yin and Yang of Greater Central Asia," *China and Eurasia Forum Quarterly*, Vol. 5 No. 4 (November 2007), pp. 83–101.

Afghanistan was too much in disarray to deal with, while Mongolia already was relatively stable (albeit at a low level). It was also felt that the immediate post-independence period presented a golden opportunity to deal with the border issues, since Russia had pulled out of the region due to its own weakness at a moment when the Central Asian states were desperate for other economic and political partners. Moreover, Beijing believed that speedy action on the issue was essential to stabilize national affairs and the western borderland regions. Xinjiang had been mentioned as the potential sixth Central Asian state—East Turkestan—and Beijing wanted to shore up support from the Central Asian states directly to thwart separatism. There are an estimated 400,000 Uyghurs living in Kazakhstan and Kyrgyzstan who could potentially pose a problem for China, even if the threat from these groups is largely exaggerated and would have very little impact on the security of China.<sup>32</sup> Contrary to expectations and assumptions, China did not feel too confident in the negotiations, neither did it gain as much territory as is often claimed. It was, and has often been, a direct strategy to compromise and give each of the bordering states enough to accept the Chinese demands to support and prevent terrorism, separatism and extremism (the so-called “three evils”). As a result, all Central Asian governments, but specifically the ones that border China, are strongly supporting China’s struggle against separatists, e.g. Uyghurs. Recently, the Olympic Games did accentuate the questions of terrorism and separatism, and the SCO member states were instrumental in thwarting any attempt from Uyghur nationalists to disrupt the Games.<sup>33</sup> This is not to say that the population of the Central Asian states supports their governments’ views. On the contrary, there is quite a bit of support for Uyghur independence in Central Asia.<sup>34</sup> Beijing is fully

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<sup>32</sup> David Kerr, “Central Asian and Russian Perspectives on China’s Strategic Emergence,” *International Affairs*, Vol. 86, No. 1 (January 2010), pp. 127–52; Valérie Niquet, “China and Central Asia,” *China Perspectives*, No. 67 (September–October 2006), <http://chinaperspectives.revues.org/1045>.

<sup>33</sup> “82 suspected terrorists targeting Olympics in Xinjiang detained,” *China Daily*, July 10, 2008, [http://www.chinadaily.com.cn/olympics/2008-07/10/content\\_6835267.htm](http://www.chinadaily.com.cn/olympics/2008-07/10/content_6835267.htm).

<sup>34</sup> It should be noted that the separatist forces in Xinjiang are weak and neither strong in numbers or weaponry. Uyghurs do complain about the treatment in their “own” land, but most are more than willing to stay within China as this is where the opportunities are and most people are realistic when it comes to the chances for independence.

aware of this and therefore has been rather strict in its demands to the SCO members to assist in China's struggle against the three evils. This is also one of the reasons why China prefers the political status quo, as future governments in Central Asia could very well be much more favorable to the Uyghur cause.

At the same time, it would hardly be enough for the Chinese government to kindly ask the Central Asian governments for support to combat the Uyghurs, as the policy is at times unpopular, not least considering the perception that "fellow Muslims are persecuted by Chinese communists," an argument used by both legitimate and less serious opposition groups.<sup>35</sup> To improve the situation and make it easier for the governments in Central Asia to back China, Beijing has been a loyal supporter of the sitting governments in Central Asia, which often suffer from the same problems as China with the three evils. This is not a difficult decision for China, as it has no interest in assisting in overthrowing the current secular governments in favor of potentially more religiously oriented regimes that would most likely put greater emphasis on their religious kinship with the Uyghurs and possibly be more anti-Chinese. In this, China, as well as the sitting governments, share a great deal of interest, especially as certain parts of GCA have experienced a revival of more fundamentalist forces, such as in the Ferghana Valley and in Afghanistan. The problem China faces is that such a policy will put China at odds with a new government, such as in Kyrgyzstan.

The Chinese military interest in Central Asia should not be forgotten—ever since the U.S. evicted it from Karshi-Khanabad airport in July 2005, China was eager to establish itself there until it was finally blocked by Russia.<sup>36</sup> This is not only because of Central Asian instability or to counter the United States in the region, but also increasingly due to the Indian presence in the region. The proposed Indian base in Ayni, Tajikistan is primarily to gain

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<sup>35</sup> Cindy Jaquith, "Oppression of Uyghurs sparks clash in China," *The Militant*, Vol. 73, No. 28 (July 27, 2009), <http://www.themilitant.com/2009/7328/732803.html> ; Rebiya Kadeer, "China's Uyghur Oppression Continues," *The Wall Street Journal*, August 4, 2010,

<http://online.wsj.com/article/SB10001424052748704017904575408650462789996.html>

<sup>36</sup> "Military Rivalry in Central Asia," Eurasian Transition Group, December 23, 2008, <http://www.eurasiantransition.org/files/da96afeff5fabdeo892547f3d472119e-14.php> (accessed August 14, 2009).

an advantage over Pakistan (two front attacks) but could easily be used to achieve the same Achilles heel position against China. It is interesting to note that in spite of the fact that Russia blocked out the Chinese military presence in the GCA region, it has quietly allowed India to establish itself, even if there are no Indian troops currently stationed there.<sup>37</sup> The Chinese policy has, even though it is now the only actor not present in the region, opted for a more offensive stand. China has attempted to increase military cooperation, particularly through joint exercises. Military cooperation has as a result increased significantly between China and the Central Asian states, although this is still very modest between China and Mongolia and Afghanistan respectively.<sup>38</sup> This is not a new phenomenon, but China has felt the need to develop forces that could act in both Xinjiang and, if necessary, in Central Asia. A new development could be noted after the tension in Kyrgyzstan in 2010, the following exercises seemed more focused on dealing with failing states than terrorist threats. Rapid Reaction Forces (快速反应部队), Special Operations Forces (特种部队) and Resolving Emerging Mobile Combat Forces (突发应急事件解决流动作战部队) were created in the Lanzhou Military region in the early 21st century with operational responsibility for Xinjiang and Central Asia.<sup>39</sup> Russia's estimate is that the Chinese forces in the Lanzhou military region are stronger than the combined forces of all other actors in GCA (excluding NATO) and that Russia currently has nothing with which to counter the Chinese.<sup>40</sup> Even the military cooperation

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<sup>37</sup> India finished renovating the airbase in 2006 but it has been dormant since. See Joshua Kucera, "Why is Tajikistan's Ayni Air Base Idle?," Eurasianet.org, July 9, 2010, <http://www.eurasianet.org/node/61503>.

<sup>38</sup> Sebastien Peyrouse, "Military Cooperation between China and Central Asia: Breakthrough, Limits, and Prospects," *China Brief*, Vol. 10, No. 5 (March 5, 2010), [http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews%5Btt\\_news%5D=36123&tx\\_ttnew%20s%5BbackPid%5D=25&cHash=42beea809e](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=36123&tx_ttnew%20s%5BbackPid%5D=25&cHash=42beea809e); "Senior Chinese commander calls for strengthening military cooperation with Kazakhstan," *China Daily*, September 10, 2010, [http://news.xinhuanet.com/english2010/china/2010-09/10/c\\_13487606.htm](http://news.xinhuanet.com/english2010/china/2010-09/10/c_13487606.htm)

<sup>39</sup> Stephen Blank, "The Central Asian Dimension of Chinese Military Strategy," *China Brief*, Vol. 4, No. 10 (2004) [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=3652](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=3652) (accessed March 11, 2011-03).

<sup>40</sup> Dmitry Gorenburg, "Armed Forces of Central Asia and the Regional Threat Situation," *Russianmil.wordpress.com*, October 28, 2010, <http://russianmil.wordpress.com/2010/10/28/>

between China, Afghanistan and Mongolia has increased and joint training is now a recurring phenomenon, albeit at a superficial level, but the Russian presence in these two states is also more limited and in Afghanistan is currently minimal.

This being said, despite some attempts at multilateral cooperation, especially in combating terrorism, this has so far been more for media consumption than effective counter-responses, as the real cooperation is still mostly bilateral in nature. Beijing has focused very much on anti-terrorist (i.e. the “three evils”) activities and is mostly concerned with how China’s cause can be assisted, but also with how to stabilize the bordering states and through this increase its own security. Military-to-military cooperation is still very sensitive, due to Russian concerns, and China has refrained from being too active in Central Asia militarily.<sup>41</sup> Russia did decrease its military presence in Central Asia during the early 2000s, even if it began to expand it again in 2008 with a proposed 5,000 strong force approved by the Duma. In the greater region the Russian military presence is lacking, even if there is a possibility that Russia will be drawn back into Afghanistan.<sup>42</sup> The actual forces in GCA are much more difficult to put a figure on, if there are any at all, apart from instructors and advisors to the governments, but it has been increasingly apparent that Russia will try to keep a strong security interest. Russia’s most important military partner is Kazakhstan, which, like all CSTO members, relies on Russia for equipment and technical support as well as air defense systems.<sup>43</sup> As a consequence of the strong Russian interest, we can see that the Chinese military sales to Central Asia are very low at this time and is in no position to threaten Russian arms sales to the region in the foreseeable future, this despite an overall trade level that is very high. In fact, the only substantial military sales that have been officially recognized to

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<sup>41</sup> Peyrouse, “Military Cooperation between China and Central Asia.”

<sup>42</sup> Sultan-Khan Zhussip, “Russian Expands its Military Presence in Central Asia,” *Radio Free Europe*, November 12, 2008,

[http://www.rferl.org/content/Russia\\_Expands\\_Its\\_Military\\_Presence\\_In\\_Central\\_Asia/1348368.html](http://www.rferl.org/content/Russia_Expands_Its_Military_Presence_In_Central_Asia/1348368.html) ; Simon Tisdall, “The feting of Dmitry Medvedev,” *The Guardian*, October 26, 2010, <http://www.guardian.co.uk/commentisfree/2010/oct/26/dmitry-medvedev-nato-russia> .

<sup>43</sup> Roger McDermott, “Russia’s ‘virtual cold war’ in Central Asia,” *Asia Times Online* February 21, 2009, [http://www.atimes.com/atimes/Front\\_Page/KB21Aao5.html](http://www.atimes.com/atimes/Front_Page/KB21Aao5.html)



GCA are to Iran and in particular Pakistan. There are indications that there were increases in the sales to Central Asia in 2009, but the official figures on this had not been released at the time of writing. This modest trend is not expected to last, as China is expanding much of its military sales around the world today and it would not be realistic to expect that GCA would be an exception.

China has also refrained from openly expressing further interest in establishing military bases in any of the states, since Russia explicitly denied a Chinese request to establish a physical presence. This is something that indicates the very real Russian influence over the GCA states. Increased military cooperation and exchanges have, however, improved the security climate between China and the GCA states significantly; over time this will establish a Chinese military interest in the region and potentially even a direct military presence. In the short to medium term it is very unlikely that the Chinese military will be established in GCA unless significant events change the calculus. Despite the emerging tension between China and Russia, they share many interests in the region, especially in consolidating and stabilizing the national governments and in minimizing external (i.e. Western) influence; China is not yet ready to challenge this relationship by increasing its military links too much. How far this will take the bilateral relation forward is unclear, as the focus of the two countries is very divergent: China is primarily interested in the economic aspects, while Russia has a military and security focus.

Regional instability is a constant headache for China as well as Russia and the chaos in Afghanistan has created a safe haven for fundamentalists and terrorists. The Fergana Valley, alongside Afghanistan, is a particular headache for the Chinese leadership, as it has increasingly understood the challenges this region faces and the rise of Islamic radicals. In spite of the United States having attempted to deal with the Taliban and al-Qaeda, there is still a high level of instability in Afghanistan and Pakistan that has and negative impact on the GCA region. This instability is reinforced by strong criminal activity, particularly the heroin trade, which is helped by weak governments and conflicts, as the threat against them decreases in such situ-

ations.<sup>44</sup> There is also a constant fear that any political changes in the region will benefit radical forces, especially Islamic fundamentalists. The Chinese government, as well as other actors, have already noted several connections between its own separatist groups and external radical groups.<sup>45</sup> Even if some of these accusations need to be confirmed by independent sources, there is ample evidence that the linkages have been there for a long time and still exist in China's western regions, at least to some extent. The linkage between such militant groups and instability is apparent and has been noted by the Chinese central government and by the regional government in Xinjiang. Therefore, the status quo and hopefully improved stability is preferred over rapid and chaotic changes, such as 'color revolutions' or political upheavals. There are no reasons to distrust the Chinese interest in creating economic development in the GCA states, as it suits two of their interests: increased stability and building stronger trading partners. The disdain for instability and chaos lies deep in the Chinese psyche due to millennia of disorder and chaos at the borders, and also due to the track record of major internal chaos, such as the Cultural Revolution and most recently the Tiananmen incident in 1989. Therefore, any Chinese government would go far to stabilize its own borders and bordering states, much to the benefit of the governments in GCA. This is to no small degree the reason for the good working relationship between the Chinese and the GCA states.

Apart from the stability aspects, the Chinese central and regional governments are no strong proponents of regime change and neither are the Chinese business interests that thrive in the less than open environment. This is due to the very obvious reason that it is not in China's interest to assist the international community or civil society — or whatever remnants of it have survived in the current political climate — in the GCA states to transform the current authoritarian-oriented governments into more democratic ones, as is so often called for by Western activists and scholars. Beijing would first

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<sup>44</sup> Niklas Swanström, "The Narcotics Trade: A Threat to Security? National and Transnational Implications," *Global Crime*, Vol. 8, No. 1 (February 2007), pp. 1–25.

<sup>45</sup> Interviews by the author of senior officials, Beijing 2005–2009; Holly Fletcher and Jayshree Bajoria, "The East Turkestan Islamic Movement (ETIM)," Council on Foreign Relations, July 31, 2008, <http://www.cfr.org/china/east-turkestan-islamic-movement-etim/p9179> (accessed February 10, 2011).

dispute, correctly, whether these states (excluding Mongolia) would have any success in establishing democracy under the current conditions and if not, whether political change and turmoil would rather benefit fundamentalist or criminal organizations.<sup>46</sup> The political infrastructure is weak overall and the economic base is fragile; this would cause any real attempt at open and fair elections to be flawed and most likely increase the negative feelings against already weak governments, especially as the governments would be unlikely to deliver what is expected. This might be the case in Afghanistan (and increasingly Pakistan), as overly optimistic expectations for the success of the elections increased tension; the perceived illegitimacy of the elections may cause support for the Taliban to increase. The focus should also, according to Chinese views, be on creating an economic base and a stronger institutional base for the governments before embarking on the political adventures of democratization. In this there is a Chinese interest in stabilizing governments and creating changes in the socio-economic field rather than in the political.

Secondly, it remains to be explained why China, or for that matter Russia, should assist in creating a political system that is pro-Western and anti-authoritarian. Such action would only decrease its own influence in the region, and if the GCA states could gravitate towards China and Russia due to lack of interest and action from the West, so much the better for Beijing. Therefore, there seem to be very few reasons for China to work for increased democratization, and at this political juncture the governments in GCA and China appear to have much in common in the political field. The recent tensions in Mongolia and the declaration of martial law is one example of this: a type of action that always is questioned by the Western governments, but never questioned by the government in China. This policy of non-interference is reducing the political influence of Europe and the United States in GCA, while China and Russia are perceived as unthreatening to the interests of the governments in the smaller states. This is not to say that China would actively destabilize or counter democratic movements. This is left to domestic forces, but there is a preference for stability and like-minded

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<sup>46</sup> Swanström, "Political Development and Organized Crime: The Yin and Yang of Greater Central Asia?"

governments. China does not rule out a democratic development in the region, on the contrary it is often assumed that such development will happen but Beijing has a more realistic and long-term perspective. Even in the case of the April 2010 “revolution” in Kyrgyzstan, there are more obstacles than positive steps if true democracy is to be established, the Russian involvement being one of the negative factors.

The trend of decreased Western influence is also accelerated by the direct strategy of China to field its soft power in GCA.<sup>47</sup> The Chinese have often interpreted soft power as the lack of hard power, but increasingly see it as a tool to make people do what you want without influencing them to do so.<sup>48</sup> China has developed a broad strategy with a wide array of tools when dealing with GCA, as well as other regions. These tools include, but are not limited to, cultural exchanges, environmental cooperation, education and trade.<sup>49</sup> Education, and in particular higher education and language training have been seen as crucial tools in this strategy, something that has been increasingly marketed through the Confucius Institutes. The establishment of Confucius Institutes is especially noticeable in these states in combination with a more coordinated and encouraged policy of exchanges, ranging from military and political to economic and cultural. The military component of China’s soft power is particularly interesting, as it encroaches upon the Russian monopoly of military contacts. The Chinese engagement to date is only a fraction of the Russian engagement, but it is important both for practical as well as psychological reasons. The trend of increasing military contacts, training Central Asian military in China, conducting bilateral as well as multilateral military exercises and concrete cooperation in combating the three evils is strengthening. This is in no way comparable to the Russian or the U.S. military engagement but increasingly important.

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<sup>47</sup> Niklas Swanström, “China’s Role in Central Asia: Soft and Hard Power,” in Joshua Kurlantzick, *Charm offensive: How China’s soft power is transforming the world* (New Haven: Yale University Press, 2007).

<sup>48</sup> For an excellent introduction to Chinese soft power, see Carola McGiffert, ed., *Chinese Soft Power and Its Implications for the United States: Competition and cooperation in the developing world: a report of the CSIS smart power initiative* (Washington, D.C.: Center for Strategic and International Studies, 2009).

<sup>49</sup> For a detailed study of China’s soft security tools, see *ibid*, and Swanström, “China’s Role in Central Asia: Soft and Hard Power.”

China is increasingly perceived as a good neighbor, even if many difficult scars, imagined or real, from the past history of occupation, expansion and cultural hegemony are still visible. Its increasing role in the region is made easier by the fact that China's engagement "comes with none of the pesky human rights conditions, good governance requirements, approved-project restrictions and environmental quality regulations" that characterize Western engagement.<sup>50</sup>

This has been crucial, as China has not always been seen in a positive light in the region. This is especially true in both Mongolia and Kyrgyzstan, which perceive China as a potential threat, not only for historical reasons, but also due to their increased dependence politically and, more importantly, economically on China. Beijing has committed generous resources to improving its reputation in all GCA states, but this has not been sufficient in all of them. Financial, diplomatic and cultural resources at the highest level have been employed in this endeavor, and the result is now evident. It would take a great deal of effort for any state to reverse this. The only danger China faces to its "peaceful rise" in the region is itself and a return to the old ethnocentric attitudes that could alienate other states. China is divided and much of China's problem lies in the private businesses that tend to ignore the engagement-oriented policies that the Chinese central government advocates. Even if there were to be much progress in this, it is the perception among the people and governments in the region that matters, and regionally there is a very negative perception of China, and its actions are often perceived negatively.

Contrary to the widely held simplified view of China, there is no single strategy towards the region. There are significant differences between the central government in Beijing, local governments and private business, differences that could spoil or complicate relations with different actors in GCA. For example, the government in Beijing has one strategy of engagement, Xinjiang has another strategy, which is not always but often, interlinked with the one from Beijing, while other regions also have different

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<sup>50</sup> Congressional Research Service. *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, Library of Congress, April 2008, p. 9, [http://www.fas.org/irp/congress/2008\\_rpt/crs-china.pdf](http://www.fas.org/irp/congress/2008_rpt/crs-china.pdf) (accessed March 10, 2010).

policies.<sup>51</sup> This is complicated by the very fact that companies in China are increasingly, and to a great extent, conducting their own business oriented towards economic returns rather than towards increasing China's soft security. The government in Beijing has often been criticized for actions taken by private, or semi-private, companies over which it has little or no influence. This criticism is in a sense strange, as it can be assumed that much of the outside world would like to see a stronger private sector in China that operates outside of the political sphere. This three-layered interaction creates problems, not only for the region at large, but also for the Chinese government, which has difficulties in achieving its goals in the GCA region, as it is being criticized for cultural and economic insensitivity in the conduct of Chinese firms. To this it should be added that the GCA region is not the primary interest for China or its companies at large; the only region that prioritizes the GCA region is Xinjiang and its companies. This has put GCA low on the political agenda in the private sector and in Beijing, a priority that the structures in Xinjiang do not accept. These divisions do not create tension, but the future of Xinjiang is to a significant degree linked to the economic and political development in GCA.

In the interaction with the GCA region, the concept of multilateral diplomacy becomes crucial. This is not only to simplify interaction with the region but also due to the fact that many issues in the region are of a multilateral rather than purely bilateral nature. This being said, most agreements between China and the GCA region are still bilateral in nature.<sup>52</sup> There is also no consensus on the concept of multilateral diplomacy at large. The debates on China's new multilateral diplomacy have so far been colored by stereotypes. Two of the most frequent questions asked are: (1) will the fast growing economy and military spending translate into a belligerent China challenging the United States? or, (2) are Beijing's concerns with economic development a legitimate interest with which the United States needs to

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<sup>51</sup> The interest groups are not limited to regions and business but the political diversification in China is rapidly increasing and structures such as the PLA is both an interest group but is also divided in how to manage GCA, as all other structures and organizations. This is not different from other states, but is rather a positive development that puts China more in line with the international community.

<sup>52</sup> Swanström, "China and Greater Central Asia: Economic Opportunities and Security Concerns."

live?<sup>53</sup> Unsurprisingly, realists advocating containment of China have tended to formulate their questions along the former lines while those advocating engagement have been biased toward the latter. John J. Mearsheimer's call for containment of China in his *Tragedy of Great Power Politics* was one of the most influential contributions to this debate, while others, such as Alastair Iain Johnston and Robert Ross have argued that China is best integrated into the international community.<sup>54</sup> What has been missed out on to a certain extent is that China has for long been implementing integration policies in the GCA region, as well as in other regions. Certainly the extreme sides that debate frequently among U.S. policymaking and academic circles have failed to capture the nuances in between these polarized views.<sup>55</sup> In fact, a recent Congressional Report points out that the grand strategy behind Beijing's new use of "soft power," such as trade and investment, remains largely uncertain even to insiders, if such a grand strategy exists at all.<sup>56</sup> This is something that becomes more evident when looking at the division within China itself and the policy confusion between the three layers and other actors. Regardless of intentions or lack thereof, trade, infrastructure and investments will unavoidably bring a great amount of influence that could be used in whatever way Beijing considers to be in its national interests.<sup>57</sup>

The issue of national interest is clearly an issue in the GCA region for China, but this cannot simply be argued in terms of national or regional security. Central Asia and Afghanistan are also areas that could either function as a tool in a containment strategy from the West or Russia or as a window to

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<sup>53</sup> Avery Goldstein, "The Diplomatic Face of China's Grand Strategy: A Rising Power's Emerging Choice," *The China Quarterly*, No. 168 (2001), pp. 835–64.

<sup>54</sup> John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001); Alastair Iain Johnston and Robert S. Ross, eds., *Engaging China: The management of an emerging power* (London and New York: Routledge, 1999); Alastair Johnston and Robert S. Ross, eds., *New Directions in the Study of China's Foreign Policy* (Stanford, CA: Stanford University Press, 2006).

<sup>55</sup> For an overview of this debate see, David Shambaugh, "Containment or Engagement of China: Calculating Beijing's Responses," *International Security*, Vol. 21, No. 2 (Fall 1996), pp. 180–209.

<sup>56</sup> Congressional Research Service, "China's Foreign Policy and Soft Power in South America, Asia, and Africa."

<sup>57</sup> See John W. Garver, "Development of China's Overland Transport Links with Central, South-west, and South Asia," *The China Quarterly*, No. 185 (2006), pp. 1–22.

Europe, Iran and the coastal regions in the South. There is a real fear of containment among the Chinese elite, even if it is not necessarily seen as a likely outcome. This is not to say that China views GCA as its *Lebensraum* (定位), but more importantly as a strategic region for trade and security over the long term.<sup>58</sup> This has however resulted in China trying to create an irrevocable presence in the region both through bilateral relations as well as through multilateral institutions and its strategy of multilateral diplomacy. China has been relatively successful in expanding its operations space within GCA, despite some noticeable drawbacks.

It is apparent that China has not gone very far in its establishment of multilateral structures in the region; it seems that China's intent is only to build structures that are sufficient for its political and economic interests. China is, however, the driving engine behind the SCO and China hopes that this will be the preferred choice for the governments in the region. Russia is, on the other hand, not very interested in limiting its own influence in the region and has propagated the Commonwealth of Independent States (CIS). The cleavage between China and Russia is lessening regional attempts at multilateralism, much to the joy of the regional governments that would like to be dominated by neither Russia nor China. It is however undeniable that China and Russia are dominating the region, with China as the emerging power of influence and Russia as the older, and more influential, hegemon. There is very little leeway for the rest of the international community to infiltrate the region; this is due not to the appeal of China or Russia but more to the lack of coordination and focus from the other external actors. Major crises such as political revolutions create windows of opportunities for external actors to gain a foothold, hence the Russian and Chinese approaches in the case of Kyrgyzstan's political chaos in April 2010.

Other powers in the region have attempted to react to this "foreign" presence, especially the Chinese, whether they believe Beijing's words of a "peaceful rise" or not. It is apparent that China has increased its influence in the region and is expected to grow much stronger over time. Considering the impact of modern transport technologies, this influence is also bound to ex-

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<sup>58</sup> Tariq Mahmud Ashraf, "China Seeks an Afghan Stepping-Stone," *Asia Times Online*, May 16, 2008. <http://www.atimes.com/atimes/China/JE16Ado3.html> .



tend further and further into the Eurasian interiors and raise the stakes for passivity from other powers. As argued by Peter Perdue from a historical perspective:

...technological advances greatly altered the kinds of conflicts that tore societies apart and the pressures that held them together...reduction in transport costs, or new forms of communication, for example, all transformed the means of integration and disintegration of Chinese dynasties.<sup>59</sup>

Today, Chinese railways operate at altitudes inconceivable only a decade ago, through the Kunlun and Tanggula mountain ranges, and perhaps even into Kyrgyzstan through the Tian Shan; the Chinese company Huawei is supplying telephone switches to Afghanistan; and Chinese technology is the lifeline of Iran's energy extraction. It has become apparent that a failure to understand the *practical and political* implications of China's engagement with GCA will unavoidably lead to an inadequate understanding of both the opportunities that these investments open up and the challenges they present. China has not been silent about its intention to integrate the GCA region into its fold, but on the other side they have not been explicit about it either. What needs to be understood are the silent but aggressive infrastructural investments in the region in collaboration with political cooperation and their impact.

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<sup>59</sup> Perdue, *China Marches West*, p. 7.

## Trade and Investments

There is as of today no clear-cut consensus on the main drivers of China's westerly expansion and their respective explanatory strengths. While some voices have tended to stress either China's alleged build up of military forces in Xinjiang<sup>60</sup> or have highlighted the SCO's military exercises in the region, most consider economic concerns, especially energy resources, as being Beijing's main motivations today in GCA.<sup>61</sup> The aspects of security and Islamic radicalism have also figured prominently as two of China's primary concerns. The reality, as is often the case, is a very mixed picture in which all factors are closely connected and it depends on of whom and when the question is asked. Arguably, there was more of a security concern in the early days of the Central Asian states' existence, as the borders were fragile and what China defined as Central Asian fundamentalists and extremists were perceived as supporting separatists in China. This has transferred to a much stronger economic interest and more long-term political goals. Mongolia on its side has never (in modern times) been perceived as a security threat, something that can be seen in the small interest the PLA has in Mongolia, but Mongolia has been much more of economic and strategic interest for China. Afghanistan on its side is the single region that has been seen as a security threat rather than an economic opportunity. The economic interest in Afghanistan is still substantial, especially in natural resources, as China tends to look at security and economic development as being in a Ying and Yang relationship to each other: without economic development in Afgha-

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<sup>60</sup> See, for instance, Martin Andrew, "Guarding the West: China's New Mechanized Infantry Division," *China Brief*, Vol. 7, No. 10 (2007); see also Martha Brill Olcott, *Central Asia's Second Chance* (Washington, D.C.: Carnegie Endowment of International Peace, 2005), p. 198.

<sup>61</sup> Sebastien Peyrouse, "The Economic Aspects of the Chinese-Central-Asia Rapprochement," Institute for Security and Development Policy, *Silk Road Paper*, Institute for Security and Development Policy, Stockholm (September 2007); Thrassy N. Marketos, *China's Energy Geopolitics: The Shanghai Cooperation Organization and Central Asia* (London and New York, Routledge: 2009).

nistan, there will be no security on China's southwestern borders. The logic is identical to the internal argumentation on how to stabilize its own minority regions and agricultural areas, a policy which has been very successful in most cases.

To deal with discontent in the undeveloped western part of the country and to counter "the three evils" (三股势力), which shape much of China's foreign policy, it has adopted an "open door policy" (改革开放) towards the neighboring countries to improve the economic climate in Xinjiang.<sup>62</sup> This has led to an inflow of capital, energy and traded goods as well as a pooling of resources from eastern to western China. Simultaneously, millions of Han Chinese have migrated to the western borderlands, while massive investments into roads, railroads, and energy infrastructure have been made. One of the motivations for this is to contain the perceived threat from terrorists, extremists and separatists in Xinjiang and to shore up support for Beijing's security strategy in the region by integrating the regional economies into China and increase the GCA states' economic wellbeing. The primary reason is, however, to improve the economic situation in Xinjiang and its border security with the purpose of containing internal destabilization, minority related or not.

Much as North America built its strength from the opening of the west in the 19th century, an analogous strategy is assumed to undergird China's western engagement.<sup>63</sup> To promote cross-border trade, China has also sponsored a number of upgrades of already existing railroads and highways that link up with Central Asian, Pakistani and Iranian infrastructure. Frederick Starr's edited volume *Xinjiang: China's Muslim Borderland* is the most elaborate study to date of how these centripetal and centrifugal forces affect Xin-

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<sup>62</sup> Michael Clark, "Xinjiang and China's relations with Central Asia, 1991-2001: Across the 'domestic-foreign frontier?'," *Asian Ethnicity*, Vol. 4, No. 2 (2003), pp. 207-24; Swanström, "China and Central Asia: A New Great Game or Traditional Vassal Relations"; Gaël Raballand and Agnès Andrésy, "Why should trade between Central Asia and China continue to expand?," *Asia Europe Journal*, Vol. 5, No. 2 (2007), pp. 235-52.

<sup>63</sup> Garver, "Development of China's Overland Transport Links with Central, Southwest, and South Asia."

jiang's role at the crossroads of China—GCA engagements.<sup>64</sup> The Chinese strategy of expanding its influence and territorial control through trade and investment also has its historical precedents. As has been noted by other scholars, particularly Perdue, there are noteworthy similarities between the Chinese Qing Dynasty's conquering of the eastern half of GCA from 1600 to 1800 with today's Chinese expansionist policies in the wider region.<sup>65</sup> Even if the current expansion goes far beyond modern Tibet, Xinjiang and Mongolia, which by then had been brought under Chinese control, there are striking similarities in the use of economic incentives, promotion of trade networks and investments to control and subdue these territories, even if this did not always mean occupying them. Contrary to many perceptions, the Chinese did not rely exclusively on military means, but to bring external territories under its economic and cultural influence was (and still is) often a primary concern. Xinjiang is today a springboard for economic cooperation with the GCA region, something that is seen in the extensive improvements in border trade and rapidly increasing trade volumes from Xinjiang to GCA.<sup>66</sup>

Today, Chinese capital and trade interest is penetrating an area stretching from Azerbaijan and Iran in the West, to Pakistan in the south, and Mongolia/Central Asia in the north. This landmass is tied together by a number of Chinese-sponsored infrastructural interconnections, a number that is rapidly increasing, creating a Chinese economic presence as far away as Moldova.<sup>67</sup> These include the arterial railroad between Kazakhstan and China at Druzbala Pass, railway modernizations between Rawalpindi and Karachi in Pakistan, and a railway between Turkmenistan and Iran. Other proposed railway projects include a North Xinjiang railway between Urumqi and Kashgar, as well as a railroad from Tajikistan to Pakistan to support the Chinese

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<sup>64</sup> S. Frederick Starr, ed., *Xinjiang: China's Muslim Borderland* (Armonk, NY: M. E. Sharpe, 2004)

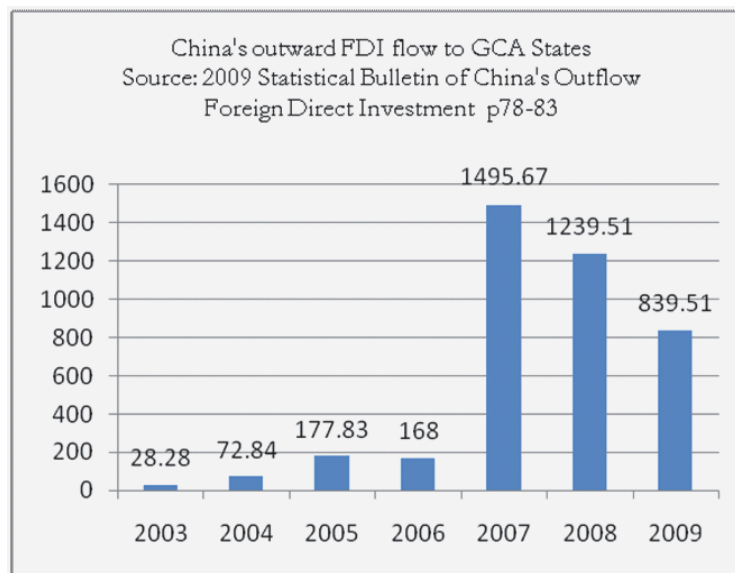
<sup>65</sup> Perdue, *China Marches West*

<sup>66</sup> Raballand and Andrésy, "Why should trade between Central Asia and China continue to expand?"; Michael Clarke, "China's Integration of Xinjiang with Central Asia: Securing a 'Silk Road' to Great Power Status?" *China and Eurasia Forum Quarterly*, Vol. 6, No. 2 (2008), pp. 89–111.

<sup>67</sup> Garver, "Development of China's Overland Transport Links with Central, Southwest, and South Asia"; Louis O'Neill, "China gains a foothold in Russia's backyard," *Financial Times*, July 28, 2009, [http://www.ft.com/cms/s/0/b3d9079e-7ba8-11de-9772-00144feabdco.html?nclick\\_check=1](http://www.ft.com/cms/s/0/b3d9079e-7ba8-11de-9772-00144feabdco.html?nclick_check=1) (accessed March 10, 2011).

extraction of Afghanistan's Aynak copper field. Highways have also been built or upgraded between Xinjiang and the three neighboring Central Asian countries as well as the Karakorum highway linking Pakistan with Xinjiang.<sup>68</sup> The Chinese government has actively promoted trade and invested heavily in ways to improve the conditions for trade and transport. This being said, there are still major difficulties in handling the Sino-GCA trade.<sup>69</sup> The problems are especially prominent in the areas of infrastructure, distance and prohibitive tariffs (both official and unofficial) that have forced the trade far below what would be possible with better infrastructure and less corruption at the border areas and in the GCA states. The trend of Chinese Foreign Direct Investments (FDI) in GCA has been significant and primarily focused on infrastructure — particularly energy infrastructure — but also transport. These investments have been most significant in Kazakhstan (see later sections), but increasingly Afghanistan and other states have emerged as important targets for investment.

Figure 1. China Investment in GCA



<sup>68</sup> See Swanström, Norling and Li, "China."

<sup>69</sup> UN Economic Commission for Europe, "Regional trade integration in central Asia: The way to modernize, attract investment and new technologies," [http://www.unece.org/speca/pdf/trade/BackgrdPapEng\\_session2.pdf](http://www.unece.org/speca/pdf/trade/BackgrdPapEng_session2.pdf) (accessed March 10, 2011); Swanström, Norling and Li, "China."

In the case of Afghanistan, the investments were modest up to the late 2000s, but this has changed and now China has, to give just two examples, invested US\$3 billion in the Aynak copper deposits in Logar province and as of 2008, has some 33 infrastructural projects valued at US\$480 million underway in Afghanistan.<sup>70</sup>

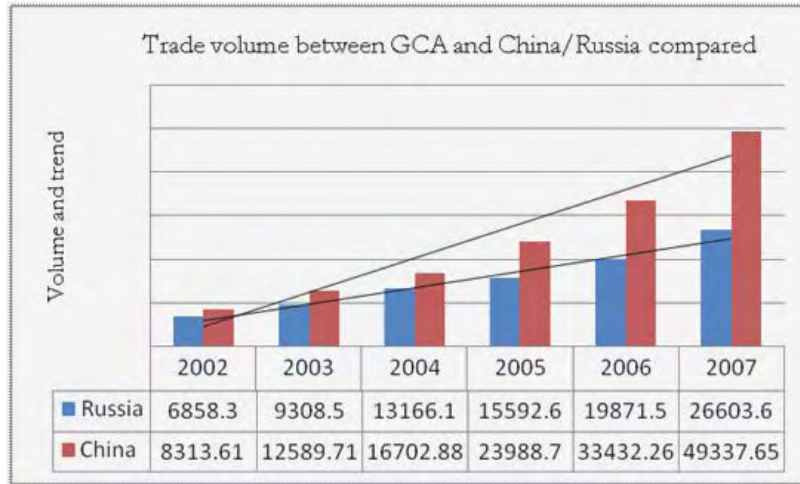
The impressive construction of new infrastructure is not without its problems, as they could also be used equally well by Islamic fundamentalists to penetrate China and by the growing heroin trade.<sup>71</sup> It is a truism to say that the illicit trade follows the licit trade and takes advantage of both the infrastructure and the sheer volume of trade in which illicit trafficking can be hidden, but at the same time it is important to note. Mongolia has a different departure point and Chinese investments are the highest in the country today; to sustain that, the Chinese government is investing heavily in infrastructure and in measures aimed at improving trade. As a result, Mongolia has emerged as an important provider of natural resources to the Chinese industries. Similarly, the Central Asian states — especially Kazakhstan — have become the focal point of Chinese infrastructure investments, with more than 70 percent of the total Chinese trade with GCA. Natural resources have emerged as the main reason for China to invest as heavily in infrastructure as they have done. The very coherent strategy of investments and trade has, as noted in the box on trade with Kazakhstan, made China surpass Russia as the most important trade partner, even if it should be noted that China and Russia have different definitions of what constitutes trade, and that would slightly inflate the Chinese figures.

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<sup>70</sup> Michael M. Phillips, "U.S and China work together to rebuild Afghanistan," *Wall Street Journal*, June 20, 2009, <http://online.wsj.com/article/SB124545705106832957.html>

<sup>71</sup> Niklas Swanström and He Yin, *China's War on Narcotics: Two Perspectives*, Institute for Security Development, *Silk Road Paper* (December 2006), p. 16

Figure 2. Imports and Exports



Source: China figures: 2001–2007 Chinese figures from Ministry of Commerce, PRC, Table 17-8. Value of Imports and Exports by Country (Region of Origin/Destination), *China Statistical Yearbook 2009*, <http://www.stats.gov.cn/tjsj/ndsj/2009/indexee.htm> (accessed March 11, 2011); Russian figures from Federal State Statistics Service, Russia.

The growing interconnection between the different states in the region and China is reflected in official trade statistics, and even if the definition of what is included in the different data differs from state to state, there is an undeniable positive trend in all statistics. China's trade with Pakistan is increasing rapidly, with bilateral trade standing at US\$4.26 billion in 2005 and US\$5.26 billion in 2006, and US\$7.06 billion in 2008. The volume of China–Iran trade increased from US\$700 million in 1993 and US\$10.08 billion in 2005, to top US\$27.76 billion in 2008, making China the largest trading partner of Iran.<sup>72</sup> Meanwhile, the bilateral trade volume between Kazakhstan and China is today bigger than Russia – Kazakh trade, and China has also emerged as the third largest exporter to Afghanistan and perhaps the largest foreign investor.<sup>73</sup> The Sino-Mongolian trade has increased significantly and

<sup>72</sup> Data from “Southwest Asia 2018–2028: Development Scenarios,” in Niklas L. P. Swanström, ed., *Asia 2018–2028* (Stockholm: Institute for Security and Development Policy, 2008), pp. 55–109; and Table 17-8, “Value of Imports and Exports by Country (Region of Origin/Destination),” *China Statistical Yearbook 2009*, <http://www.stats.gov.cn/tjsj/ndsj/2009/indexee.htm>.

<sup>73</sup> After Uzbekistan and Pakistan, according to Islamic Republic of Afghanistan

in 2007 – 2008 alone it increased by 43.2 percent to US\$ 2.08 billion. This gives China control of some 90 percent of such key merchandise sectors as rice, vegetables and garments; China is today Mongolia's biggest investor, with some 700 Chinese controlled companies employing some 50,000 people.<sup>74</sup> This development has led to China surpassing Russia as the major trading partner in the region at large, and not only in Kazakhstan, which is often the focus in the media, particularly with respect to the oil and gas industry.

However, the energy resources of GCA, in particular Kazakh oil and Turkmen gas (but also Kyrgyz and Tajik hydropower), are important sources of diversification for Beijing's energy needs and increasing deficit. It is notable that China's engagement with GCA also coincided with its growing energy import needs and its new role as a net energy importer in 1993. The energy resources in GCA are considered to be a small, but potentially pivotal, segment of China's overall energy needs, especially if there is increased tension over energy resources. This has not only spurred a drive for alternative energy supplies, but also diversification of energy corridors bypassing the vulnerable Malacca Straits, along which the United States could easily deny access to Chinese transport. Gaining a foothold at Pakistan's Gwadar port by the Arabian Sea, developing an energy corridor from there to Xinjiang, as well as accessing Central Asian energy are considered touchstones in China's new energy strategy and increased need for safe transport routes. One counter argument is that if the Malacca Strait were to be closed, China could easily divert its trade around Indonesia. This would entail increased costs and, more importantly, the Chinese government would like to increase its security and a mere rerouting of transport routes will not resolve this. A third reason is that both Gwadar and the transit lines through Myanmar will impact remote areas of China that today lack both energy and trade.

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Central Statistics Organization (CSO),  
<http://www.cso.gov.af/economics/services/trade.htm>

<sup>74</sup> Interview with Professor Robert Bedeski, Visiting Scholar at the Institute for Security and Development Policy, Stockholm 2009; "China-Mongolia Relations," *China Daily*, May 27, 2010, [http://www.chinadaily.com.cn/china/2010wentour/2010-05/27/content\\_9899648.htm](http://www.chinadaily.com.cn/china/2010wentour/2010-05/27/content_9899648.htm)



Figure 3. Comparative Investment in Kazakhstan



Growing foreign exchange reserves and increased competitiveness have also given China the potential to expanding these networks far beyond what was conceivable only a few decades ago.<sup>75</sup> For example, China is now emerging as a serious competitor in the previously Russian and U.S.-dominated oil fields in Western Kazakhstan and is exploring oil and gas fields as far away as the Caspian Sea, on both the eastern and western shores.<sup>76</sup> China has emerged as one of the most significant investors in the region when it comes to energy resources and would even like to increase its investments, which are only hampered by local (and Russian) reluctance regarding Chinese investments. The Siberian authorities have similar problems in denying China access to the region, and are defying the Kremlin's concerns over a growing Chinese presence in Siberia. As noted by a Tomsk Oblast official: "Siberia, Central Asia and China are slowly consolidating their common identity based on mutual interests [...] Siberia's leaders will likely initiate cooperation with

<sup>75</sup> Louis O'Neill, "China gains a foothold in Russia's backyard," *Financial Times*, July 28, 2009, [http://www.ft.com/cms/s/o/b3d9079e-7ba8-11de-9772-00144feabdco.html?nclick\\_check=1](http://www.ft.com/cms/s/o/b3d9079e-7ba8-11de-9772-00144feabdco.html?nclick_check=1).

<sup>76</sup> "China may join Armenian-Iran railway construction," September 22, 2010, <http://news.am/eng/news/31849.html>.

foreign countries regardless of Moscow's opinion."<sup>77</sup> Mongolia, similarly, is wary of Chinese inroads, but sees the capital it can bring as indispensable to its development efforts. While Europe and the United States are debating the viability of trans-Caspian pipelines from Turkmenistan, China has already begun constructing one in the reverse direction, seeing both political and economic benefits.

Map 1. Regional Pipeline Network



Source: <http://www.worldpress.org/specials/pp/pipelines.htm>

As a result of these railroad, highway and energy infrastructure investments, most of GCA is subtly but directly being pulled into China's orbit, while other states at the crossroads of these interactions, for example Afghanistan, increasingly gravitate in the same direction. For sure, China is not the only actor involved in making these investments. Russia, the United States, Iran, India, the EU and Pakistan, as well as a number of international develop-

<sup>77</sup> Elvira Abdrazadova, "Western Siberia, Central Asia, and China: Integration and Infrastructure," *Problems of Post-Communism*, Vol. 54, No. 2 (March/April 2007).

ment banks, are all involved in similar infrastructure investments. But none of these can match China's attractiveness as a partner, which derives from its massive stock of capital, geographical proximity and political will. Competition is not as stiff as it could be, much to the delight of the Chinese government and companies. As documented by Stephen Blank, Russian infrastructure in Central Asia has been diminishing,<sup>78</sup> while the long-term presence of the United States is doubted in the regional countries. U.S. interests are presumed to revolve around "negative goals," such as destruction of al-Qaeda, rather than a decades-long engagement through investments, which has characterized the Chinese engagements.<sup>79</sup> On the side, there are Iran and India, which by virtue of their cultural and historical ties, are bound to be persistent forces in the region but so far have remained peripheral players. The EU on its side has not been successful in developing a coherent and attractive strategy towards GCA. Even if the United States is perceived as having negative goals, the European policy is at best perceived as confusing and at worst aggressive (in terms of regime change, human rights demands, etc.). It is possible that the Lisbon Treaty will change this over time, but in the short-term the EU policy will continue to be fragmented and uncoordinated. Moreover, the European post-modern attitudes do not impress the GCA states, which are still in a very realist environment and have problems relating to the European lack of understanding. Even Turkey, which is a possible EU candidate, has begun to flirt with China and has initiated military cooperation with China and engaged in both political and economic dialogue and cooperation that goes much further than the United States and the EU has been able or willing to.<sup>80</sup>

This trend has worked in favor of China, which is not always perceived as the preferred partner, but there are few alternatives in the short-term and increasingly also in the long-term. It is evident that the Chinese influence has

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<sup>78</sup> Stephen Blank, "Infrastructural investments and National Strategies in Central Asia: the Russian Example," *Central Asian Survey*, Vol. 23, No. 3-4 (December 2004).

<sup>79</sup> Frederick Starr, "A 'Greater Central Asia Partnership' for Afghanistan and Its Neighbors," Central Asia - Caucasus Institute and Silk Road Studies Program, Washington DC/Stockholm, *Silk Road Paper* (March 2005).

<sup>80</sup> "Chinese warplanes refueled in Iran en route to Turkey," *Daily News & Economic Review*, October 11, 2010, <http://www.hurriyetdailynews.com/n.php?n=chinese-warplanes-refueled-in-iran-enroute-to-turkey-2010-10-11>.

increased. Most importantly, China's increasing energy and trade relations will inadvertently spill over into political influence in all states in the region. China views the vast Eurasian interior as being of strategic significance because it is home to a large collection of transitioning states, many which today see the "Chinese economic model" as their preferred development path, and an early engagement will position China well over time and make it more difficult for other states to impress with alternative models of development, both economic and political. The leadership in Beijing long ago abandoned an aggressive strategy towards GCA and focused on strengthening its "soft power." It is evident that China has increased its soft power in the region and is increasingly consolidating a powerful position of influence, regardless of what soft security actually entails, as it seems to differ from person to person.<sup>81</sup> The willingness from the GCA states to engage China is not only founded in positive reasons, but geography also speaks to all states, i.e. there is no escape from a strong Chinese neighbor. As noted by Martha Olcott:

The Kazakhs and Kyrgyz understand that there is no way that the fate or the future of their countries can be fully separated by that of China, given their long shared borders. Yet there is little indication that they have become more nervous about China in the past few years. In fact, the opposite seems to be true.<sup>82</sup>

I would argue that the GCA states have a very mixed perception of China and that they have developed a great deal of nervousness about Chinese intentions and interference. The governments in the region greatly benefit from their economic, as well as the political, interaction with China but the population at large often feels threatened by the Chinese "invasion."<sup>83</sup> The often-contradictory engagement from China can be explained by the fact that China is increasingly decentralized and market oriented. The central government has often very engaging and constructive policies towards the neighboring states; at the local level, such policy is sometimes contradicted

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<sup>81</sup> Swanström, "China's Role in Central Asia: Soft and Hard Power."

<sup>82</sup> Olcott, *Central Asia's Second Chance*, p. 200.

<sup>83</sup> Marlène Laruelle and Sébastien Peyrouse, *China as a Neighbor: Central Asian Perspectives and Strategies* (Stockholm: Central Asia-Caucasus Institute & Silk Road Studies Program, 2009).

by the regional government, which has slightly different perspective and needs (e.g. in Xinjiang), and then we have the private companies which, like all private companies, are primarily interested in profit and often disregard governmental policies to appease the local population. This creates local tension and also confusion regarding China's policies and why China has failed to implement their policies of engagement and cooperation at a local level. The negative treatment of local workers and the way Chinese workers have outcompeted local workers creates strong resentment, but forces the Chinese government to act. Despite some efforts, the Chinese government has unfortunately failed to improve the situation.

The most visible and evident improvement in the bilateral and multilateral relations between China and GCA is the dramatic trade increase, which is often in favor of China. It is undeniable that China has increased its trade greatly and it has long since been its official policy to try to boost trade relations with Mongolia, Afghanistan and especially the SCO members in Central Asia.<sup>84</sup> On the other side, it has never been a PRC policy to militarily occupy any of the states in this region — or, arguably, any other state — but financially it has had a direct policy of economic expansion and influence toward the region. The central government in China has actively directed all border regions to increase trade with their neighbors, which they have done with great ease and engagement. In one example, the local government in Sichuan was informed by the central government that it should double its trade with Central Asia between 2001 and 2002. In response, it increased its trade by thirteen times over that one year.<sup>85</sup> The ease with which trade between China and GCA has grown is partly due to an understimulated economy, both in GCA and in Xinjiang and other provinces that border or are close to GCA. But this is also partly due to active government policy to strengthen and to the fallout of the Russian economy after the Soviet Union disintegrated and its failure to act as an exporter and importer to the GCA states, a position that China quickly filled.

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<sup>84</sup> Swanström, "China and Central Asia: A New Great Game or Traditional Vassal Relations".

<sup>85</sup> "SW China provinces eyes Central Asian market," *Xinhua News Agency*, June 9, 2003; "Foreign minister urges Chinese businessmen to invest in Kazakhstan," *BBC Monitoring Central Asia*, May 11, 2002.

The reason behind China's expansive strategy is not only to secure natural resources, increase trade-related economic gains and establish trans-regional trading links (primarily with the Middle East and Europe), but also to influence and secure friendly governments in the region in a favorable direction for China. This is a policy that has been largely unchallenged by the Western countries since its implementation, even if Russia has returned to the region as an important actor. The Chinese strategy is not completely unlike strategies used by Europe, the United States and India, but the success has been more tangible while other states have failed to assert their influence.<sup>86</sup> The success has been apparent and even despite some criticism from the West and a slow return of the United States, there are, apart from Russia in the short-term, no states that could challenge China in this regard. Moreover, as China consolidates its position, it will be more difficult for alternative forces, such as the EU and the United States, to engage GCA effectively. Contrary to many beliefs, the GCA people and governments will not wait and welcome the West unconditionally.

China and the Central Asian states did "hit it off" very well economically directly after the dissolution of the Soviet Union. This was in no way a coincidence. The poor state of the Russian economy and the low Chinese prices (and quality) did effectively offer an attractive alternative for the Central Asian states. They were interested in consumer goods from China, and the Chinese companies and government were even more interested in natural resources from Central Asia, especially oil and gas. Early on the Chinese government realized the strategic location of GCA for transport networks, even if it has had some difficulties in realizing this. The economic interaction picked up pace, despite some deficits in infrastructure, and it has been estimated that some 700,000 Central Asians visited Urumqi legally in 2006 alone, while the number of illegal visitors is claimed to be even higher. Similarly, Chinese traders and migrants are seeking their way into the GCA states in great numbers.

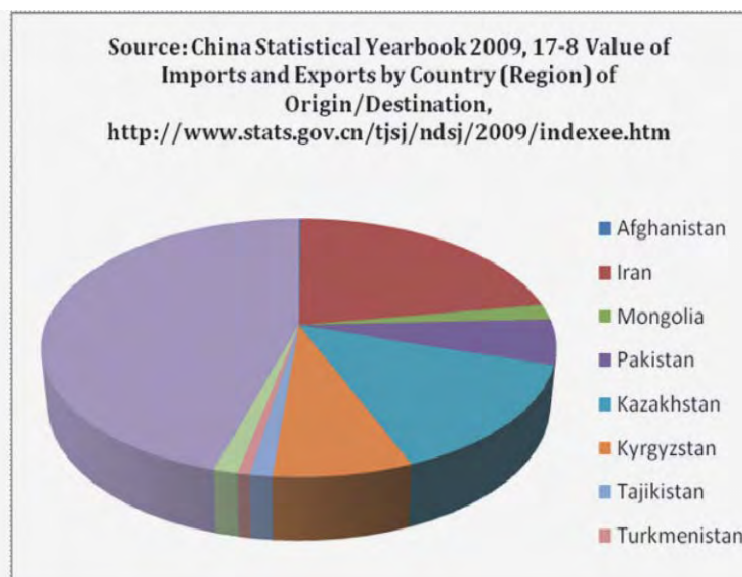
In fact, Chinese migration to the GCA states, most notably Mongolia and Kazakhstan could create tension. This is despite the Kazakh government's willingness to provide up to 3.5 million hectares of land, of which one million

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<sup>86</sup> Swanström, "China's Role in Central Asia: Soft and Hard Power."

has recently been leased by China.<sup>87</sup> This is something that the population at large is not too happy about. The situation is not unlike the one in Russian Far East. This especially as many poor Chinese work for less than the native populations and are accused of taking jobs from the local population. The Chinese migrant workers, many of whom are unemployed construction workers, work for less than the local population and work longer hours. To give one example, the situation in Mongolia is one in which Chinese construction workers dominate the market and outcompete the Mongolian workers with lower salaries and longer work days.<sup>88</sup> Moreover, a few very visible Chinese natives have made fortunes in the region; this creates tension, as they are seen as exploiting the local population regardless of their local input/output of capital. It is difficult to estimate how many Chinese migrants are in GCA, as many move back and forward, and the numbers are notoriously unpredictable. The perceptions from the local populations are however that there are too many Chinese, that they are increasing and that some restrictions need to be imposed.

Figure 4. Value of Imports and Exports



<sup>87</sup> Florence Au, "Chinese Expansionism in Kazakhstan?," *Perspectives on Global Issues*, February 2, 2010, <http://www.perspectivesonglobalissues.com/chinese-expansionism-in-kazakhstan/>.

<sup>88</sup> Christopher de Gruben, "Are Expat Workers Still Cost Effective," June 6, 2010, <http://degruben.com/opinions/1394/are-expats-still-cost-effective-in-mongolia/>.

During the 1990s China increased its trade incrementally, due mostly to the lack of institutions and infrastructure facilitating trade between Central Asia and China. The trade picked up pace in the 2000s when major infrastructural investments to enlarge trade were made on the Chinese side, but also through Chinese investments in Central Asian infrastructure. China made serious efforts in improving the 616 km Karakorum highway linking Gwadar port in Pakistan with Xinjiang, the Osh-Sary-Tarsh-Irkeshtam road as well as the Atasu-Alashankou pipeline between Kazakhstan and China.<sup>89</sup> According to the Chinese customs statistics, the total trade volume, including barter trade, between China and Central Asia went from approximately US\$465 million in 1992 to 17,794 billion in 2007, while trade between China and the GCA was a whopping 49 billion.<sup>90</sup> This meant that China is approaching the level of the Russian trade with Central Asia for the first time and had already surpassed the Russian trade in GCA in 2002. The vast majority of this trade is with Kazakhstan (US\$13.9 billion) and is to a large extent oriented towards the energy sector but also infrastructure investments.<sup>91</sup> The trade with Kyrgyzstan is, however, the fastest growing trade and the trade volume reached US\$9.33 billion in 2008, up a whopping 147 percent from the previous year, much of which is oriented towards infrastructure, minerals and energy. Trade with all states in GCA has exploded, and for nine years in a row China has been the largest trading partner for Mongolia, with a trade of US\$2.43 billion in 2008, growing 19.9 percent from the previous year, while the Sino-

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<sup>89</sup> "Circumventing the Bear," *Stratfor*, December 16, 2005; Asian Development Bank, Xinjiang Autonomous Region, PRC, "Trade Facilitation and Customs Operation Project. Draft Technical Assistance Consultant's Report," November 2005, p. 31; "Intergovernmental Kyrgyz-Chinese Commission on Trade and Economic Cooperation," <http://www.mvtp.kg/main.php?lang=en&p=7.21>, March 24, 2006.

<sup>90</sup> Nicklas Norling and Niklas Swanström, "The Virtues and Potential Gains of Continental Trade in Eurasia," *Asian Survey*, Vol. 47, No. 3 (May/June 2007), pp. 351-73; Table 18-8, "Volume of Imports and Exports by Countries and Regions (Customs Statistics)," *China Statistical Yearbook 2006*, <http://www.stats.gov.cn/tjsj/ndsj/2006/indexeh.htm> (accessed March 11, 2011).

<sup>91</sup> Ministry of Commerce of the People's Republic of China, "China Trade in Services," June 26, 2008, <http://64.233.183.104/search?q=cache:iJCXIr37dEwJ:tradeinservices.mofcom.gov.cn/en/a/2008-0603/44262.shtml+china+kazakhstan+trade+2007&hl=sv&ct=clnk&cd=8>.



Afghan trade reached US\$154.3 million in 2008. Trade with Uzbekistan exceeded US\$1.6 billion in 2008, while trade with Tajikistan reached US\$1.5 billion in 2008, an increase of 186 percent from the previous year. Even the trade with remote Turkmenistan shows signs of rapid increases since the leadership succession in that state. Chinese statistics claim that the trade exchange with Turkmenistan in 2008 amounted to US\$830.4 million, compared with a low of US\$32.7 million in 2001, from which exports to Turkmenistan were US\$801.94 million and import from Turkmenistan were US\$28.4 million.<sup>92</sup> With the latest oil and gas deals with Turkmenistan in 2008 and 2009, this figure will be greatly enhanced. This trend has made China the single fastest growing trading partner in the region and in many cases the dominant trading partner. The Chinese trade with Russia has followed a similar pattern and in 2008 reached US\$56.9 billion; in spite of a reduction in arms imports from Russia and major difficulties in the oil and gas sector, the Sino-Russian trade is still a very important factor.<sup>93</sup> For Russia, the Sino-Russian trade has become increasingly problematic, as it exports primarily natural resources, especially oil and gas, to China; there is a growing fear in Moscow that Russia will be diminished into a third world state that focuses on the export of low end products and natural resources.

As noted, the bulk of this trade is invested directly in the energy market and infrastructure, but a not insignificant portion is also spent on preventing economic, and by extension political, instability in the region. China fears that the possible religious instability in the region that could originate from Afghanistan, Tajikistan, the Fergana Valley and Kyrgyzstan could impact China negatively. This, despite the fact that China would be very reluctant to officially criticize these states and even more reluctant to engage militarily in any way. In much of the trade China conducts with the GCA states, there is a premium for creating political stability in the region, with the exception of Mongolia and Kazakhstan that have both proven to be relatively stable politically. The policy to increase trade is potentially more important to pre-

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<sup>92</sup> Jan Šír and Slavomír Horák, "China as an Emerging Superpower in Central Asia: The View from Ashkhabad," *The China and Eurasia Forum Quarterly*, Vol. 6, No. 2 (2008), pp. 75–88.

<sup>93</sup> Table 17-8, "Value of Imports and Exports by Country (Region) of Origin/Destination," *China Statistical Yearbook 2009*, <http://www.stats.gov.cn/tjsj/ndsj/2009/indexee.htm> .

vent the escalation of extremism in the region than many have realized. It has been realized that the stability of the governments in the region is very much linked to economic progress, a progress that has disappeared in corruption and political mismanagement in all states but Kazakhstan. This has increasingly become a problem for China, which is satisfied with the political system, or at least do not object to it, but the corruption and mismanagement reduces the profitability of trade and creates domestic tension in each and every one of these states. This could threaten China's security if it continues to destabilize individual states or the whole region. For example, increased instability would increase transaction costs, especially for energy, due to the increased risk of attacks against relevant infrastructure, but could also increase the prevalence of Muslim fundamentalism that could work in favor of the Uyghur nationalists in China. Hence the concern that China has about the events in Kyrgyzstan of April 2010, and also about the spread of instability in the region at large, especially in the Fergana Valley.

SCO has become an important tool for China to increase its trade, political stability but also to leverage its soft power in the region. The initial results from the infrastructural developments and improved interdependence are already evident in the increase of trade volumes and transit trade in GCA.<sup>94</sup> In 2008, bilateral trade between China and the five other SCO members reached US\$86.9 billion, up more than 718 percent from the launch of the organization.<sup>95</sup> To be fair, much of the increase in trade volume would have occurred without the SCO, but it has become an increasingly important tool in the process. Not least to create a normative base and discuss multilateral solutions to trade barriers.

The SCO has increased in value as Mongolia, Iran, India and Pakistan have received observer status and in many ways are a part of the economic and transport thinking that goes into the organization. It is too soon to say that the SCO will play a crucial economic role in GCA, but it is there to stay for sure, and closer economic integration and trans-regional transport cooperation will need a multilateral body, which the SCO can provide. In the wake

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<sup>94</sup> Nicklas Norling and Niklas Swanström, "The Shanghai Cooperation Organization, Trade, and the Roles of India, Pakistan, and Iran," *Central Asian Survey*, Vol. 26, No. 3 (September 2007), pp. 429-44.

<sup>95</sup> Author's own calculations based on Chinese customs statistics including barter trade

of the financial crisis, the SCO held meeting on January 20–21, 2009 about the formation of a SCO Development Fund and China offered a US\$10 billion loan to SCO, and both Kazakhstan and the Turkmen have asked for increased loans to the energy sectors.<sup>96</sup> Unfortunately, this is in no way an indication of a greater role for the SCO, but this has so far only strengthened the Chinese role in Central Asia and hardly made the SCO more multilateral in its focus.

It has become apparent for both China and the GCA states that if they can cooperate economically and create sufficient stability to attract business, it will benefit all actors in the region. Despite tension in the military-political field, there is less tension in the economic field, with the exception of an understandable fear of Chinese economic domination. The GCA states have come out from foreign domination (mainly Soviet) and they do not view the Chinese expansion with ease. In Mongolia, there is a direct fear that Chinese workers would outperform the domestic workers by working longer hours for less—a tendency that is already in place—and there has been an increase of nationalism and extremism very much focused against the Chinese.<sup>97</sup> Similarly, there is a great fear of Chinese trade in Central Asia, and increasingly Chinese traders outperform local traders on the markets and in the manufacturing industry. The Central Asian producers and traders can simply not compete with the low costs of the Chinese.<sup>98</sup> This has created negative perceptions of China in each and every corner of GCA and prevents further economic integration in the short-term.<sup>99</sup>

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<sup>96</sup> “China offers \$10 billion loans to SCO,” *China Daily*, June 16, 2009, [www.chinadaily.com.cn/china/2009sco/2009-06/16/content\\_8289602.htm](http://www.chinadaily.com.cn/china/2009sco/2009-06/16/content_8289602.htm) (accessed March 11, 2011); Aizhu Chen, “Kazakhstan, China eye \$10 bln loan-for-oil deal-report,” *Reuters*, April 15, 2009, <http://in.reuters.com/article/idINPEK17531020090415>; “Turkmen President Wants Chinese Loan To Open huge Gas Field,” *Radio Free Europe*, August 13, 2010, [www.rferl.org/content/Turkmen\\_President\\_Wants\\_Chinese\\_Loan\\_To\\_Open\\_Huge\\_Gas\\_Field/2127311.html](http://www.rferl.org/content/Turkmen_President_Wants_Chinese_Loan_To_Open_Huge_Gas_Field/2127311.html).

<sup>97</sup> Interviews by the author of senior officials and academics in Mongolia, Ulan Bator, 2007 and 2008; Tania Branigan, “Mongolian neo-Nazis: Anti-Chinese sentiments fuels rise of ultra-nationalism,” *The Guardian*, August 2, 2010. [www.guardian.co.uk/world/2010/aug/02/mongolia-far-right](http://www.guardian.co.uk/world/2010/aug/02/mongolia-far-right)

<sup>98</sup> Interviews by the author in Central Asia, 2005 and 2007.

<sup>99</sup> Swanström, “China’s Role in Central Asia: Soft and Hard Power.”

The Chinese government has increasingly become aware of this and has moved away from its neo-liberal parlance of free trade and accepted the concerns of the local populations. However, actual policy changes seem distant and it remains to be seen how much goodwill the Chinese enterprises will destroy before new policies are implemented. The danger is that Chinese business continues to refuse to hire local people and continue to out-perform local businesses. Moreover, the local population often views the Chinese traders and workers as arrogant.<sup>100</sup> This has often changed an initial positive view into a more negative one. It should be noted that the Chinese companies also often disregard the Chinese government's policies in favor of profits, as China has a far freer and decentralized foreign trade than many realize. The negative perception that has emerged in GCA will be one of the major problems with which China needs to deal over time.

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<sup>100</sup> Interviews by the author in Mongolia, Central Asia, Iran and China, 2007–2009.

## Illegal Transactions and Organized Crime

When dealing with China's relations with GCA, the effect of organized crime and illegal transactions needs to be considered. There are few political, economic or political changes in GCA that can be made without involving organized crime and illegal transactions; the political transition in Kyrgyzstan has unfortunately been no exception. GCA is arguably one of the most corrupt regions in the world and one in which organized crime has the greatest political leverage. The chaotic situation in the Afghan, Tajik and Kyrgyz economies and political systems in particular make them easy targets for the criminal networks, and to a large extent the states have been co-opted by organized crime. They have emerged as three of the most corrupt states, according to Transparency International. In fact, all states within the GCA region receive a dismal score. For example, Kazakhstan (at the high end) receives a score of 2.2 (out of 10), which indicates rampant corruption, and Afghanistan (at the low end) receives 1.5, which is the fifth lowest score in the world.<sup>101</sup> This is a result of there being very few effective institutions in the worst affected states and law enforcement institutions being especially weak. Social, educational and health institutions are also in the worst possible condition and government institutions in general are in a very poor condition.<sup>102</sup> The lack of effective institution building and rampant corruption in these states makes any effective management of security threats very difficult and the states are struggling with internal security rather than external relations. In particular, threats that are not considered central to the survival of the government, such as trans-regional threats like environmental protec-

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<sup>101</sup> Transparency International, Corruption Perception Index, <http://www.transparency.org/> (accessed February 11, 2011).

<sup>102</sup> Swanström, "The Narcotics Trade"; Aleksey Pilko, "Drug mafia is number one enemy in Afghanistan," *Rianovosti*, May 27, 2010, [http://en.rian.ru/valdai\\_op/20100527/159074344.html](http://en.rian.ru/valdai_op/20100527/159074344.html); United Nations Office of Drugs and Crime, *Annual Report 2009*, pp. 5, 15, 29, 30, [http://www.unodc.org/documents/about-unodc/AR09\\_LORES.pdf](http://www.unodc.org/documents/about-unodc/AR09_LORES.pdf) (accessed February 11, 2011).

tion, poverty reduction or improved health programs are excluded from the list of security threats that need to be handled.<sup>103</sup> This creates new challenges for China, which needs to develop a strategy to handle this negative development to strengthen trade and secure transit routes for pipelines and transport, or at least to minimize the impact on China's western borders.<sup>104</sup> Instability across the border is not in China's interest, especially as it would threaten to give room for a more radical regime if toppled or as a safe haven for Chinese terrorists and separatists.

When dealing with organized crime China has several separate issues to deal with, including the relatively innocent illegal trade in consumer goods (the "grey economy"). The more serious issues, dealing with organized crime and smuggling of narcotics, weapons and transit of terrorists are another matter. The informal economy, both grey and black, is not included in the official statistics that were discussed in the last section, in part because of the difficulty of estimating it, in part due to the failure to realize its magnitude and in part because it is essential to the regional economies, which refrain from being too open about its magnitude. Needless to say, the value of the trade is significant, as the trade in weapons and narcotics are the largest trades in the world today.<sup>105</sup> The criminal networks not only specialize in narcotics and weapons, but are also very much involved in the trade of all merchandise, such as foodstuffs, consumer goods, etc. All trade that involves the necessity of avoiding legal authorities or simply has the potential to add much to the profit of the organization will be found in their list of specializations. To give a few examples, much of the bazaar trade in Central Asia is conducted with merchandise smuggled from China into Central Asia, as well as precursors for the refinement process in the narcotics industry in Afghanistan, but also increasingly narcotics (primarily heroin) are being smuggled from Afghanis-

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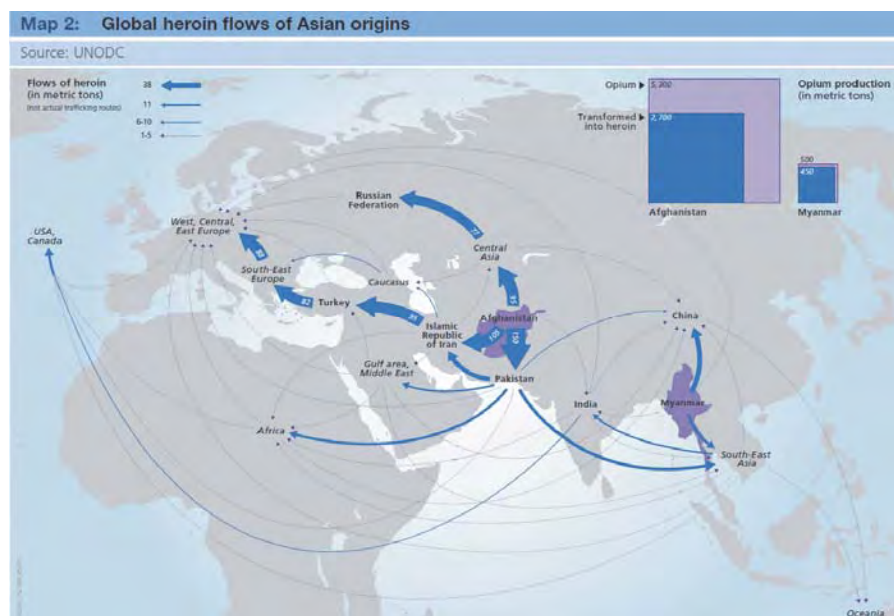
<sup>103</sup> Niklas Swanström and Svante Cornell, "The Eurasian Drug Trade: A Challenge to Regional Security," *Problems of Post-Communism*, Vol. 53, No. 4 (July–August 2006), pp. 10–28, <http://reportingproject.net/new/pdf/Eurasiandrugtrade.pdf>.

<sup>104</sup> Niklas Swanström, "Narcotics and China: An Old Security Threat From New Sources," *China and Eurasia Forum Quarterly*, Vol. 4 No. 1 (February 2006), pp. 113–31, [http://www.silkroadstudies.org/new/docs/CEF/Quarterly/February\\_2006/Niklas\\_Swanstrom.pdf](http://www.silkroadstudies.org/new/docs/CEF/Quarterly/February_2006/Niklas_Swanstrom.pdf).

<sup>105</sup> United Nations Office of Drugs and Crime, 2010 World Drug Report (New York: United Nations, 2010), pp. 11–27.

tan into China through Central Asia.<sup>106</sup> The smuggled consumer goods trade (excluding narcotics, precursors and illegal trade in natural resources) to and from China and GCA is substantial; some estimates by local police put it at 10 to 15 percent of the total licit trade.<sup>107</sup> The Chinese local authorities have turned a blind eye to this, due in large part to corruption at the local level but also due to the fact that it is a small problem considering many of the other challenges the regions confronts. The real figures of the illegal trade are probably much higher, due in part to the fact that Afghanistan has replaced Myanmar as the main producer of heroin and China with its highly developed chemical industries has become an exporter of chemicals (precursors) to Afghanistan, but also due to the rapid economic growth of China and Kazakhstan in particular but more generally of the extended region. Together with consumer goods, the illegal precursor export from China to sustain heroin production in Afghanistan is in itself one of the largest trades in the region.

Map 2: Global Heroin Flows of Asian Origin



Source: UNODC World Drug Report 2010

<sup>106</sup> Swanström and He, Introduction in *China's War on Narcotics*, p. 9; Swanström, "Political Development and Organized Crime: The Yin and Yang of Greater Central Asia?"; Swanström, "The Narcotics Trade: A Threat to Security?"

<sup>107</sup> Interviews by the author in Greater Central Asia and China, 2006–2009. Adding to the consumer goods, the illegal precursor export from China to sustain the heroin production in Afghanistan is in itself one of the largest trades in the region.

Organized crime is an old phenomenon in China and is seen in the coastal areas as well as in the center of China, but the magnitude of the phenomenon in Xinjiang is new. These old centers in the border with Myanmar for organized crime are increasingly dwarfed by the inflow of narcotics from Afghanistan to China. While the trade from Myanmar has decreased significantly, the criminal networks are looking for new transit routes and consumer bases. According to UN figures, Afghanistan produces well over 89 percent of the world's heroin—China's drug of choice according to official statistics—and has become the new exporter of the deadly merchandise.<sup>108</sup> Close geographical proximity, in combination with rapid economic development, has resulted in China becoming an emerging market for heroin sales from Afghanistan. The economic success of China has not only made them an importer of finished products but also an exporter of the chemicals that are used to produce the illicit narcotics, the so-called precursors.

Both the illicit trade in consumer goods as well as narcotics related products follow the same transit routes, such as the Wakhan Corridor, the Kulma Pass, Torughart and Khorgos, to name a few, all of which are increasingly used to smuggle heroin into China, and precursors and consumer goods into Central Asia and Afghanistan for the refinement process.<sup>109</sup> To make control difficult, these transit routes are also used by the licit trade and the border stations only have limited resources to control the outgoing and incoming traffic. This makes Central Asia the most important import route, as the Wakhan Corridor in Afghanistan is severely restricted, especially during the winter when it is virtually impregnable to smuggling. The Chinese local authorities have been slow in responding to these activities, in spite of the strongly and active reaction of the central government. It should also be noted that the border towards Central Asia is hopelessly difficult to monitor, and even if transport is done along normal trade routes the increased trade with Central Asia makes it impossible to control even a fraction of the trade.

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<sup>108</sup> United Nations Office on Drugs and Crime (UNODC), *World Drug Report 2010*, p. 20.

<sup>109</sup> Niklas Swanström, "The New Opium War in China: New Threats, New Actors and New Implications," in Swanström and He, *China's War on Narcotics: Two Perspectives*, p. 24; Niklas Swanström, "Smoking Tiger, Injecting Dragon: The Illegal Trade in Narcotics in China," *The Freeman Report* (New York: Center for Strategic and International Studies, 2010), <http://csis.org/files/publication/fr1011011.pdf>.



The high levels of corruption at the border crossings on both sides are another factor that makes it virtually impossible to close the border to illicit trade. Increasingly the Chinese authorities have begun to respond to this in several ways, of which tougher border controls is just one, but perhaps more significant is that many people in Beijing and Xinjiang have realized that the best response to illegal activities is increased economic development and security, as well as institution development in the bordering states and not only in Xinjiang.<sup>110</sup>

The realization that this has to be faced on several levels has also improved the Chinese understanding that this challenge cannot be met from one side only and with a limited set of tasks but it will need a multilateral approach. Therefore, China has asked the Central Asian states to meet the challenge of organized crime and narcotics trafficking. The response to this has been mixed and although China and the Central Asian states sign papers and joint declarations that aim at cooperating in the struggle against organized crime, the reality looks very different.<sup>111</sup> China has not prioritized the question of curbing the export of illegal consumer goods to GCA, even if they have tried to handle the illegal trade in precursors. On the other hand, the Chinese government is eager to combat the transit of narcotics to China, a mission that is in practice not shared by many governments in the region, or at least not by important segments of the government and border units which are directly involved in the trade and effectively prevent any effective counter-narcotics response. In Afghanistan and Tajikistan — as well as in Kyrgyzstan — large segments of the economy are controlled by organized crime, and without the illegal economy, these two states would not function. In fact, much of the social security net is controlled or paid by persons directly involved in or

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<sup>110</sup> Niklas Swanström, “Narcotics: The New Security Threat for China,” in Ashok Swain, Ramses Amer and Joakim Öjendal, eds., *Globalization and Challenges to Building Peace* (London, New York: Anthem Press, 2008); Niklas Swanström, “Organized Crime in Pacific Asia: Cooperation and Challenges,” in *International Security Cooperation and Asia Pacific Security*, Comp. by International Military Branch, China Association for Military Science (Beijing: Military Sciences Publishing House, 2009).

<sup>111</sup> Swanström, “Organized Crime in Pacific Asia”; Swanström, “Narcotics: The New Security Threat for China

connected to organized crime.<sup>112</sup> It is significant to see that parts of each of the three states mentioned are under the effective control of criminal networks and the governments have minor roles in these regions. Bilaterally there is therefore very little done, much to the reluctance in China to limit its sales and vice versa from the Central Asian and Afghani governments to reduce its sales to China. However, even if China were to be able to cooperate with one state, the transit would quickly move to another state with the purpose of political cooption: the more corrupt and unstable, the less control of the trade.

The flexibility of the trade and the long borders make it virtually impossible to fight the problem without far-reaching multilateral solutions. All states that border on China, as well as China itself, have problems with organized crime, but not to the same extent as Afghanistan, Tajikistan or Kyrgyzstan, which stand out significantly as the worst affected states. The result is that the illegal economy creates a skewed picture where little is accomplished due to the collisions and disharmony between local, national and international interests.

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<sup>112</sup> United Nations Office on Drugs and Crime, *The Globalization of Crime: A Transnational Organized Crime Threat Assessment* (Vienna: United Nations Office on Drugs and Crime, 2010).

## The European Link

When discussing China, Europe is often disregarded — unfortunately, for many good reasons — but in this case Europe is very much a part of the game. China has seen many direct problems with the region at large but also with the trade with Europe. The problem is not just that the size is not optimized but more importantly the fragility and excessive costs of the current transport routes. Currently, Sino-European trade is confined to the sea route or, to a minor extent, the TransSiberian Railway or air transport. Neither of the current transport systems can provide reliable, cheap or easy transport that are capable of carrying large amounts of trade. In this context, the GCA region comes in as an important player. By enlarging the transport system to include the land route over GCA, it would significantly reduce transaction costs, as seen earlier. Such a development would not only be positive for Sino-European relations and trade but also for China's (and Europe's) relations with the GCA states.

The possibility of new economic linkages between Europe and China is a very positive factor in Sino-Central Asian relations, but also in China's relations to Mongolia and Afghanistan, which would be greatly impacted by improved transport structures. Central Asia has increasingly become a new transport hub; one that potentially over time and with increased investments can outcompete and outperform the current one through Mongolia/Russia and the sea routes. The current revitalization of the Silk Road and development of the continental transport corridor, “the Second Eurasian Land Bridge,” running from China's east coast to Europe, are expected to bring massive gains to the land-locked countries of GCA, should trade obstacles be tackled, but even more so for China and Europe.<sup>113</sup> The estimates on these gains are highly speculative and range from an increase of 13 percent of the Chinese GDP according to Chinese estimates to 50–100 percent increase of

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<sup>113</sup> Swanström, Norling and Li, “China”.

the economies in Central Asia over a ten-year period according to UNDP, while the OECD's estimates run up to a 2.3 percent annual increase of the GDP in the region.<sup>114</sup> Any of these estimates are extremely positive, but the reality is that the instability in the GCA region has made it impossible to create the fundamentals for this development to materialize. It will be imperative to create the political and security stability that is needed to provide the basis for economic growth and infrastructural investments. However, even the relatively minor investments that China has already committed to the region have had a significant impact on trade and economic growth. The creation of a land bridge would multiply the investments and create a foundation for real economic development, something that would be Europe and China's best protection against the spread of militants and extremism.

The positive calculations regarding the transport corridor running from China's coast in Lianyungang to Rotterdam via the Xinjiang Province in China's west and GCA has attracted increased interest. This is because infrastructural development in GCA and China is badly needed, especially in Central Asia, and more importantly because it could cut transport time between Asia and Europe considerably if the security challenges in GCA can be met.<sup>115</sup> For example, in comparison to the sea journey from China to Europe, which takes 20 to 40 days, transporting cargo on a railway from Lianyungang to Rotterdam via the second Euro-Asia land bridge could cut transport time down to a startling 11 days according to the Asian Development Bank (ADB).<sup>116</sup> The booming trade volumes between Europe and China, which are forecasted to increase from 300 million tons in 2000 to 460 million by 2015, also promise enormous transit gains for the land-locked countries in GCA if

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<sup>114</sup> Du Ping, "Study on the Development and Opening-up of the New Asian-Europe Continental Bridge Area (China's Side)," Institute of Spatial Planning & Regional Economy State Development Planning Commission, P. R. China, [http://www.ecdc.net.cn/events/asian\\_europe/](http://www.ecdc.net.cn/events/asian_europe/); Organization for Economic Co-operation

<sup>115</sup> Investments in the transport and trade sectors would directly have a positive impact on the overall security situation in Greater Central Asia, see Starr, ed., *The New Silk Roads*

<sup>116</sup> Asian Development Bank, Xinjiang Autonomous Region, PRC, "Trade Facilitation and Customs Operation Project. Draft Technical Assistance Consultant's Report," November 2005; Norling and Swanström, "The Virtues and Potential Gains of Continental Trade in Eurasia," p. 356.

existing trade obstacles are tackled. This projection of the future is strengthening the ties between China and Central Asia and stabilizing the governments in the region. Moreover, it also increases the willingness of China to cooperate with international actors (e.g. Europe and the United States) to stabilize troubled regimes in the region, i.e. primarily Afghanistan and Kyrgyzstan, but in the fringes also Iran and Pakistan, all of which could increasingly create havoc for China if they were further destabilized by internal or international factors.

As the sea-lines of communication are becoming increasingly congested, overland transport will become more and more of an option for forwarders and transporters, which will also reduce dependency on the Russian corridor and spur healthy competition that will benefit all actors except Russia.<sup>117</sup> This not only concerns Central Asia, as if the full potential of continental trade can be used — primarily across the South and Central Asia divide — Afghanistan (and Pakistan) will find itself in the middle of a continental market stretching east-west from Lianyungang to Rotterdam and north-south from Moscow to Delhi.<sup>118</sup> This will raise the prospects for long-term prosperity in this pivotal country and directly link its trade to China and Europe. The idea of transport being a central factor in the development of China's neighbors is spreading in Beijing and the realization of its importance is on the rise. Therefore, investments in infrastructure will rise significantly over time.

The transport corridor through GCA would increase security in the areas through which it was drawn by increasing economic prosperity and giving people choices and incentives other than relying on radical groups. There is currently an increase in unemployment and radicalization in GCA, a trend of which the Chinese government is acutely aware. This is a tendency that increased spending on military and repressive forces will not resolve and this is something of which the Chinese government is well aware, both in GCA and in its own problem areas. It is also well aware that, as much as it will not accept foreign intervention in its own internal problems, there is a need to

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<sup>117</sup> For an official view on this, see, e.g., European Conference on Ministers of Transport— Council of Ministers, “Globalisation: Europe-Asia Links,” CEMT/CM 1 (April 26, 2005).

<sup>118</sup> Swanström, Norling and Li, “China.”

share the political and economic costs in stabilizing the GCA region.<sup>119</sup> There is a negligible chance that any individual country, including the United States or China, would be able to revert the negative trend in GCA, but multilateralism is a key concept in this adventure; contrary to many westerners' perceptions, this is very much something that the Chinese government has realized.<sup>120</sup>

The trans-regional trade and transport system could in fact be one of the most positive factors for the GCA states and one in which cooperation between China, GCA and Europe is very likely and would be profitable for all actors. This would broaden the political and economic Chinese influence over the region at large, to the benefit of Europe and other states, but the economic and security benefits are so great for the Chinese that this is something that they are willing to concede. This runs very much against many of the "China threat" arguments that argue that Chinese influence in Central Asia is directed against the West; it is simply an argument of comparative benefits and this is evidently a trade off that is easy to accept. China has increasingly taken a win-win approach in GCA, in sharp contrast to Russia, which has taken a much more zero-sum position. This could derive from the relative lack of interest in the region both from China and other actors, but also from the realization that the challenge the region offers is too sizable for any individual state.

A direct impact on Europe is the development of new political entities that are heavily influenced by organized crime or even co-opted by criminal elements. This has led directly to a substantial part of GCA coming under crim-

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<sup>119</sup> Ablat Khodzhaev, "The Central Asian Policy of the Peoples Republic of China," *The China and Eurasia Forum Quarterly*, Vol. 7, No. 1 (February 2009), pp. 9–28; "The Impact of China's Economic and Security Interest in Continental Asia on the United States," Hearing before the U.S.–China economic and security review commission, 111 Congress, First Session, May 20, 2009 (Washington: United States–China Economic and Security Review Commission, June 2009), [http://www.uscc.gov/hearings/2009hearings/transcripts/09\\_05\\_20\\_trans/09\\_05\\_20\\_trans.pdf](http://www.uscc.gov/hearings/2009hearings/transcripts/09_05_20_trans/09_05_20_trans.pdf)

<sup>120</sup> Wang Gungwu and Zheng Yongnian, eds., *China and the New International Order* (London and New York: Routledge, 2008); Evan S. Medeiros, *China's international behavior: Activism, opportunism, and diversification* (Santa Monica, CA: RAND, 2009); Jianwei Wang, "China and SCO," in Guoguang Wu and Helen Lansdowne, eds., *China Turns to Multilateralism: Foreign policy and regional security* (London and New York: Routledge, 2008).

inal dominance and in effect made it a high-speed conduit of narcotics to China and Europe. Increased cooperation between China and Europe in this field would not only increase transaction costs for the criminal elements and decrease sales to Europe and China, but could over time strengthen the GCA states, as the criminal elements would not as blatantly dominate the economic as they do today.<sup>121</sup> There has been a failure of the EU to engage China in terms of organized crime as well as on military security in the region. Increased extremism and terrorism will unavoidably impact the EU to the same, or arguably an even greater, extent as China, but the EU has made other issues higher priorities than threats to its own security and economic development.<sup>122</sup> This is despite Europe's very high engagement in Afghanistan, but realistically much of the blame for the lack of cooperation should also be laid at the Chinese, who have refused to engage the regional governments with as much force as is necessary. To effectively combat the current developments, it would take a coordinated effort from both China and Europe but also the United States, something that has not yet been possible. This being said, it has been apparent that China has increasingly been seeking to engage internationally and multilaterally.

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<sup>121</sup> United Nations Office on Drugs and Crime, *An Assessment of Transnational Organized Crime in Central Asia*, New York, 2004, pp. 56–57.

<sup>122</sup> Niklas Swanström, "Organized Crime in Central Asia: Its impact on Europe," *RUSI Monitor*, April 1, 2004; Swanström, *Organized Crime in Pacific Asia*.

## Multilateralism and Trans-Regionalism

China is today an actor that is fully integrated into international and regional multilateral organizations, even if it still has some reservations against international cooperation.<sup>123</sup> Many of these reservations are founded in a strong sense of non-intervention and respect for sovereignty, issues that are crucial for China today. It was very reluctant to engage multilaterally in its early years (1949–1994) and it was only in the 1990s that China increased its international and regional cooperation, particularly with the ASEAN Regional Forum, of which China was a founding member in 1994.<sup>124</sup> Obviously, China was a member of some international organizations before, but much more as a bystander and a spoiler; now with its increased self-confidence and domestic developments China feels more secure in engaging the outside world with a more positive strategy.<sup>125</sup> The positive development seen in this engagement spilled over into China's neighborhood, especially in GCA, which created a positive environment for deeper engagement; this was especially true with the inward looking strategy of Russia in the first years of its reestablishment. To a large extent, Central Asia (SCO) along with East Asia (ASEAN Regional Forum) has functioned as a testing ground for its multilateral commitments.

With the demise of the Soviet Union and the end of the occupation, and seclusion, of GCA, the government in Beijing realized that it would need to en-

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<sup>123</sup> China has increasingly been interested in changing the international rules of engagement, rules that they today think reflects too much the western values and perceptions. Even if China today is a valuable international actor there is a growing discontent with the current norms and over time it will be unavoidable that China will demand changes, changes that will give China a better position (from their point of view).

<sup>124</sup> Niklas Swanström, *Regional cooperation and conflict management: Lessons from the Asia Pacific* (Uppsala: Department of Peace and Conflict Research, Uppsala University, 2002).

<sup>125</sup> Yin He, "China's Changing Policy on UN Peacekeeping Operations," Institute for Security and Development Policy, Stockholm, *Asia Paper* (July 2007), pp. 61–64.



gage the region in a more effective and coherent way, without being seen as a too great of a threat in Moscow and the regional capitals. Increased but weak multilateralism in the region, including Russia, was the preferred strategy, as it would give Beijing increased leverage without being too offensive. Criticism has been made, especially in the West, of the SCO and the reluctance of Russia to engage in true multilateralism.<sup>126</sup> In the eyes of Beijing, this is not an issue and in many ways China has accepted the idea that Russia views SCO as simply a control mechanism regarding China's expansion into the region. This is not something entirely negative. Zhao Huasheng, one of China's foremost analysts of Russia and Central Asia, has on the contrary claimed that this is something positive, as it reduces Russian fears and could even prevent more problematic conflicts.<sup>127</sup> It is also important to note that China does not view Russia as a long-term threat in GCA due its relative decline, but they view the possible increased role of the United States and the EU as much more threatening.<sup>128</sup> According to many officials in Beijing and Xinjiang, there is a great opportunity to utilize Russian influence in GCA in the short-term and bypass them naturally and in a non-threatening way over time as China's power grows significantly and Russian power decreases. There is a tendency in Beijing to overstate the U.S. influence and to view Moscow in far too rosy colors; this is also true here, as Moscow most likely will not view this strategy in a positive light.

The foundational work for Beijing's reputation and economic influence was laid during the mid-1990s, even before the creation of the pre-runner of the SCO, the Shanghai Five. China's new diplomatic and foreign policy direction at large at this point in time entailed an increasing emphasis on improving relations with neighboring states, initiating constructive dialogues on border disputes and pursuing a more active multilateralism. This was to no small extent due to the Central Asian vacuum that existed after Russia left the region and was preoccupied with its own internal problems. The GCA states were in dire need of the economic links that the Soviet Union had pro-

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<sup>126</sup> Wu and Lansdowne, eds., *China Turns to Multilateralism*; Wang and Zheng, *China and the New International Order*; Medeiros, *China's international behavior*.

<sup>127</sup> Zhao Huasheng, "SCO and its Impact on Sino-Russian Relations," in Niklas Swanström and Robert Bedeski, eds., *Eurasia's Ascent in Energy and Geopolitics: China, Russia, and Central Asia* (forthcoming 2011).

<sup>128</sup> Swanström, "China: The Silent Giant and Kyrgyzstan's Unrest."

vided earlier. The Chinese strategy was to increase positive perceptions and fill the empty shelves in GCA. The intentions of this charm offensive were three: to moderate some of the “alarmist” concerns in GCA, to create a climate conducive to domestic Chinese development and trade, and to formulate an effective policy response vis-à-vis U.S. hegemony.<sup>129</sup> Trade and in particular providing consumer goods to the population in GCA was an effective tool to improve bilateral relations between China and the GCA states, even if this did go too far, and now China is seen more as an economic threat than a savior, as it has outcompeted many of the local merchants.

The initiation of the Shanghai Five dialogue between China, Russia, Kyrgyzstan, Tajikistan and Kazakhstan in 1996 should be seen in the context of this new multilateralism. This framework, which was subsequently transformed into the SCO, served both as a vehicle to access Central Asian economies and energy resources and to defuse the concerns raised with the “China threat” theory. Multilateral diplomacy, Beijing proclaimed, should be substituted for bilateral military alliances in the region and internationally.<sup>130</sup> The SCO today includes China, Russia, all of the CARs except Turkmenistan, while India, Pakistan, Mongolia and Iran were included as observers in 2005. Afghanistan is engaged with the SCO through an SCO-Afghanistan Contact Group, while Turkmenistan’s policy of “absolute neutrality” has precluded any formalized cooperation with the organization.<sup>131</sup> The success in growth of members is apparent and there are a number of cases in which tremendous success has been attributed to the SCO, at least on paper, such as the Sino-Central Asian border disputes and a number of successful anti-terrorist activities.<sup>132</sup> The case is that many of these border delimitation successes are accomplished by bilateral negotiations on which SCO has had lit-

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<sup>129</sup> Kurlantzick, Charm Offensive; Swanström, “China’s Role in Central Asia: Soft and Hard Power.”

<sup>130</sup> Goldstein, “The Diplomatic Face of China’s Grand Strategy.”

<sup>131</sup> At the heads of state summit in Bishkek, Kyrgyzstan, in 2007, both Afghan President Hamid Karzai and his Turkmen Counterpart Gurbanguly Berdimukhammedov attended.

<sup>132</sup> Kostis Geropoulos, “No stopping the Chinese march towards Central Asia, Russia,” *New Europe*, July 26, 2009, <http://www.neurope.eu/articles/95520.php>; James Bosbotinis, “Sustaining the Dragon, Dodging the Eagle and Barring the Bear? Assessing the Role and Importance of Central Asia in Chinese National Strategy,” *The China and Eurasia Forum Quarterly*, Vol. 8, No. 1 (2010), pp. 65–81.

tle or no impact and the anti-terrorist activities are often little more than a showpiece. The reality is that much of the current activity is not multilateral in nature.

It could be argued that SCO provides a sort of “Rules of the Game,” even if these rules (or for that matter the “game”) are not very well defined.<sup>133</sup> The failure to further intensify the multilateral cooperation is very much due to the relationship between China and Russia and their differing perceptions as to what SCO should be used, and how they view the future at large. Although China and Russia have achieved a notable degree of cooperation within the SCO, the likelihood that the form of cooperation will move beyond anti-terrorism is limited at best.<sup>134</sup>

Besides disagreement in the trade sector, tensions are frequent within related areas of potential cooperation. China is very reluctant to let SCO become a military bloc that could be directed against any outside actor, but Russia has taken a more aggressive policy in its cooperation strategy, and military matters have taken a predominant position.<sup>135</sup> In 2007, there was a joint CSTO–SCO exercise under Russian leadership that made it very clear that Russia views the region from a military perspective, a trend that has been apparent since 2005. China has viewed the SCO with a much broader interest, in which economic development and counter-terrorism are the most prevalent pillars. It is in the area of economic cooperation that SCO has the greatest potential to expand, but where the failure for SCO to step up during the financial crisis was greatly disappointing. The fundamental difference in the perception of SCO and how it should be used is a tremendous stepping-stone for furthering the usage of SCO in regional and international affairs. There are quite numerous discussions focusing on the question of Sino-Russia cooperation in Central Asia. Chinese scholars tend to be more willing to see this relationship as something positive and regard it as a win-win situation. In Russia there is a higher degree of fear (and jealousy) of the Chinese role in

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<sup>133</sup> Zhao, “SCO and its Impact on Sino-Russian Relations.”

<sup>134</sup> Niklas Swanström, *Sino-Russian Relations at the Start of the New Millennium in Central Asia and Beyond* (forthcoming 2011).

<sup>135</sup> Ingmar Oldberg, *The Shanghai Cooperation Organization: Powerhouse or Paper Tiger?* FOI-2301-SE (Stockholm: Swedish Defence Research Agency, Stockholm, 2007), p. 31.

the region, and for its rise at large.<sup>136</sup> This is not to say that China has no military interest in SCO. They do, in very concrete ways, but these interests today are primarily directed at its own Muslim minority in Xinjiang, and the fear of separatism and terrorism, whereas external threats are secondary.<sup>137</sup> Over time it is natural and inevitable that China will step up its military and security interests and cooperation in the region.

It should also be noted that SCO is primarily a Chinese organization, in the sense that China is the main funder. China has lifted up the organization and has clearly put a great deal of political prestige behind it. Russia, on its side, has focused more on the Commonwealth of Independent States (CIS), which has emerged as the preferred Russian choice, without any Chinese involvement. Russia has evidently been increasingly reluctant to give China a presence in the region. This was seen in 2005, when China indicated an interest in establishing military bases in Uzbekistan and Kyrgyzstan. Russia was, at best, diplomatic in its refusal to let China over the border and in most cases blunt.<sup>138</sup> Notably this was not the case when India wanted to establish a new Air Base at Ayni in Tajikistan. Russia, for the first time, made an exception to its staunch refusal to allow foreign bases to be established in GCA (apart from the United States, which Russia could not block). It is striking that Russia attempts to keep China out of what it views as its “exclusive zone of influence” in Central Asia, something that will create problems for Sino-Russian relations over time.<sup>139</sup>

Even if Beijing has attempted to set up frameworks similar to the Shanghai

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<sup>136</sup> Федор Лукьянов. Крепкие объятия соперничества, <http://www.globalaffairs.ru/redcol/o/11848.html>, 18-06-2009 (accessed February 11, 2011).

<sup>137</sup> Swanström “China and Central Asia: A New Great Game or Traditional Vassal Relations.”

<sup>138</sup> Sergei Blagov, “Thorns in the rosy China-Russia relationship,” *Asia Times Online*, August 15, 2007,

[http://www.atimes.com/atimes/Central\\_Asia/IH15Ago1.html](http://www.atimes.com/atimes/Central_Asia/IH15Ago1.html); Fabio Indeo, “Russia and China in Central Asia: growing geopolitical competition,” *Instituto per gli Studi di Politica Internazionale, ISPI Policy Brief*, No. 199 (October 2010).

<sup>139</sup> Frederick Starr, “Moscow Indicates It Won’t Be Ignored in the ‘Near Abroad’” *Council on Foreign Relations*, February 12, 2009,

<http://www.cfr.org/kyrgyzstan/moscow-indicates-wont-ignored-near-abroad/p18523> (accessed April 15, 2011).

Five (and SCO) in Southeast Asia, Northeast Asia and East Asia they have not encountered similar success, making GCA the forerunner for China's new 21st century diplomacy.<sup>140</sup> The literature on the SCO tends, however, to neglect China's actual practices with the members and observers on ground. This pertains particularly to the creation of infrastructure and trade links, which would also be China's primary means to dominate Eurasia's continental interiors should it have such ambitions.<sup>141</sup> Most also tend to forget that the SCO's backbone is found in Beijing's active bilateral diplomacy and not so much in the organization itself. In practice, the SCO could quite well be seen as being less than the sum of its parts but as long as China continues to press for farther usage it will be in existence and if Russian interest collides with the other member states it could even thrive.

To institutionalize bilateral relations with various powers, China has signed a number of "strategic" and "cooperative" partnerships. Of these, the Sino-Russian strategic partnership stands out as being particularly important, both bilaterally and as a foundation for future multilateralism, since it brings together, as argued by Lowell Dittmer, "two large and precarious multiethnic continental empires to form a mutual help relationship that would be uniquely useful to them in the face of a relatively hostile international environment."<sup>142</sup> Russia has become pivotal in the creation of a multilateral energy policy. The international isolation of Iran, combined with the Sino-Iranian "cooperative partnership," has also given Beijing leeway in extracting Iranian energy resources and China has actively attempted to tie Iran to the Chinese energy network. Both the Supreme Leader Ayatollah Ali Khamenei as well as former President Akbar Hashemi Rafsanjani have openly expressed their admiration for the "Chinese model" and have been anything but reluctant to work together with China. China, together with Russia, has also been one of the more staunch supporters of Iran, even if there are indications that China

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<sup>140</sup> Swanström, "China and Greater Central Asia: Economic Opportunities and Security Concerns."

<sup>141</sup> For further qualification of this claim, see Norling and Swanström, "The Shanghai Cooperation Organization, Trade, and the Roles of India, Pakistan, and Iran," pp. 429-44.

<sup>142</sup> Lowell Dittmer, "The Sino-Russian Strategic Partnership," *Journal of Contemporary China*, Vol. 10, No. 28 (2001), p. 413.

has become more critical of the Iranian nuclear policy, something that was seen in the Chinese acceptance of the Security Council resolution against Iran.<sup>143</sup> The Sino-Pakistani strategic partnership, in turn, has provided China with a reliable ally against India and access to the Arabian Sea. Pakistan, which has been a close ally of China, is now facing great problems and the integrity of the very state is under discussion; there are deep concerns in Beijing about how Pakistan will manage this.<sup>144</sup> What is striking in all this cooperation, with the possible exception of Pakistan, is that they are all open for interpretation. This has been a conscious strategy on the part of Beijing, since by keeping all of these agreements open-ended and leaving them intentionally vague, China has managed to keep relations with the United States, Russia, India, Pakistan and Iran on a fairly good footing. This will continue to be the Chinese policy, but it will be increasingly hard as some issues, primarily Iran and Pakistan, are difficult to handle in a neutral way.

Another effect of the Sino-Russian, Sino-Pakistani strategic partnerships, as well as the Sino-Iranian cooperative partnership is that they have facilitated a strong Chinese presence in its counterparts' spheres of influence. For example, the Kremlin has grudgingly accepted a Sino-Russian *modus vivendi* in Central Asia, while Pakistan has few public concerns over China's emerging presence in Afghanistan.<sup>145</sup> Indeed, President Hamid Karzai of Afghanistan has publicly reiterated his ambitions to emulate "America's democracy and China's economic success,"<sup>146</sup> while a China-Afghanistan Comprehensive and Cooperative Partnership has also been signed, leading to much improved relations.<sup>147</sup> Mongolia has been more apprehensive about Chinese domination, fearing that China could assert territorial claims, but is more

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<sup>143</sup> Real Clear World Video - China Agrees to Increase Pressure on Iran, April 15, 2010, [www.realclearworld.com/.../china\\_agrees\\_to\\_increase\\_pressure\\_on\\_iran\\_.htm](http://www.realclearworld.com/.../china_agrees_to_increase_pressure_on_iran_.htm) .

<sup>144</sup> Interviews by the author in Beijing of policy staff in the Foreign Ministry, PLA and think tanks, 2009–2010.

<sup>145</sup> See Nicklas Norling, "The Emerging China –Afghanistan Relationship," *CACI Analyst*, May 14, 2008, <http://www.cacianalyst.org/?q=node/4858> (accessed Marc 11, 2011).

<sup>146</sup> "Karzai Says Afghanistan Wants to Copy American Democracy, China's Economic Success," *Voice of America*, June 20 2006, <http://www.voanews.com/english/news/a-13-2006-06-20-voa6.html> .

<sup>147</sup> "Hu Jintao Holds Talks with Afghan President Karzai," Consulate General of the People's Republic of China in San Francisco, March 24, 2010, <http://www.mfa.gov.cn/eng/wjb/zjzg/yzs/gjlb/2757/2759/t675482.htm> .

and more opening up to Chinese influence. This does not indicate that China is ready to surpass Russia in the GCA in the short-term, on the contrary, China finds Russia both more powerful in the GCA (excluding Pakistan) and more ready to act, as we have seen in Kyrgyzstan.<sup>148</sup> Over time it is another issue and there are few doubts as to who will have the greater influence in ten years time or more.

This being said, there are certainly also limits to China's aspirations in the wider region which trace both to Beijing's intrusion into the spheres of interest of other powers as well as local apprehensions about Chinese dominance. But compared to other regional powers, most notably Russia, China has demonstrated a greater willingness to respect local sovereignty in the region. For example, while China has given a greater acceptance to the Central Asian states' right to organize and form groupings without external powers, Russia has firmly opposed such institutions. The April 2010 political revolution in Kyrgyzstan is a case in point, when Russia was active and directly involved in the political transition but when China refrained from intervening in the internal affairs of Kyrgyzstan. Likewise, China has been far more accommodating in respecting the presence of other regional powers. It seems as if the Chinese placed far more confidence in letting investments and economic bonds do the work for them, rather than relying on coercion and zero-sum thinking, but it also indicates that China realizes its own weakness and the danger of expanding too fast and too aggressively. Beijing is well aware that their economic model is a well respected and sought-after model and that its political model is potentially even more preferred, even if not by the citizens of the GCA states.

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<sup>148</sup> Swanström, "China: The Silent Giant and Kyrgyzstan's Unrest."

## Concluding Discussion

It is beyond all doubt that China has increased its presence and influence in GCA, and its increased role is not only spreading in the economic field or simply in Central Asia and the SCO. China has had a very strong trend of growing its influence in the greater region, but it should also be noted that despite this, the region is not considered to be a top priority in Beijing. The focus from the Chinese government is much stronger towards, among others, cross-Strait relations, Japan, the United States and the EU. This is however not true for all actors inside China. To give one example, for the western regions and in particular Xinjiang, the GCA region is much more important, not to say a lifeline. The differences in perception and action between the regional and national governments is very striking and resembles very much the division of national and regional interest we see in the United States or Europe. However, this has created some misunderstanding outside, as well as inside, China as to what should be expected with regard to foreign policy and economic behavior. The business interests, and in particular the energy and raw-material sectors, have a much greater stake in the GCA region. There is no longer the unitary voice from Beijing that once was in place under Mao Zedong, but China has once more become what it once was and others are today. It is telling that regardless of which official voice is speaking in China, it stresses good neighborly relations and non-intervention in an effort to increase leverage and influence.

It is fairly obvious that China is not inclined today to interfere in these countries' domestic affairs and thus repeat the mistakes Russia has made in the CIS (or those of the United States in Latin America). There is a great deal of fear of a more active Chinese involvement in GCA and beyond, a concern that is normally heard from the West and the U.S. in particular, but also to some extent from the GCA states. The Chinese policy of non-intervention has earned China a great deal of respect, or at least tolerance, in many of the regional governments. This policy does not correlate to an exclusive focus on



government institutions by China; on the contrary, China is increasingly present in all political and social walks of life in the region. It is increasingly evident that China has adopted and improved the policy of the United States of sustaining and paying for activities in a range of institutions to gain influence. As China engages different political and social institutions, it has become more involved in their internal affairs and will be forced to get even more involved in their internal affairs, potentially against China's own will and short-term interest.

The very successful strategy of engagement at all costs will come with a bitter taste for the Chinese government and also the regional actors, as many of the GCA political actors are directly engaged in organized crime and fundamentalism. It is increasingly the case that the Chinese strategy of engagement without strong demands or intervention could increase insecurity at the Chinese borders and in the end for China itself. We have already seen an increase in the flow of narcotics from Afghanistan to China through the GCA states with addiction, prostitution and HIV as well as hepatitis C as a result. Corruption and political cooption of the political establishment and the unholy merger of organized crime and fundamentalist groups will increasingly create an even more volatile and violent region and this will damage the economic fundamentals of the region and threaten the much sought after security in Xinjiang.

From the independence of the GCA states to today, China has not only increased its border security but also resolved a great number of border conflicts. Additionally, China has emerged as the single most important investor and trading partner for the region, with enormous positive results for China's western regions. There is no doubt that the extended region plays an important role for China in a number of areas in which the economic aspect is very important. However, Chinese economic domination is threatened by the regional instability that is spreading, but if that can be controlled, China is in the region to stay as the most prominent economic actor without too great a challenge from other states. On the security side, the Chinese government has been more careful in taking too prominent a place, both for regional concerns but maybe even more so for the sake of Russia. In fact, China has kept too low a profile in relation to regional security, in spite of there having been

minor developments towards a more active regional engagement in the security field. The reason China has kept a low profile is very much the perception of China among other regional powers and the fear of China; therefore dealings with Russia and other regional powers have taken a prominent pace in the Chinese GCA strategy — which may lead to increased insecurity over time as a result — but at the same time, it has fulfilled short-term goals for China.

By maintaining good relations with the neighboring great powers, primarily Russia, but also Iran and Pakistan, Beijing has managed to receive greater acceptance of its expanding influence and it has used partnership as a way to manage relations in the vicinity of these powers. Robert Legvold's observation that the engagement between great powers in the Central Asian space is determined to a large extent by their interactions outside of it appears to be correct in the extended GCA, even if Russia has begun to voice concerns.<sup>149</sup> The geopolitics of the GCA space has been shaped accordingly. Cordial relations between China and the regional great powers have given China an edge against the United States, but this is also something that can be used against China if the United States sees it as necessary. Thus, Beijing's multi-track diplomacy has offered an opportunity for China to expand its influence in the GCA while simultaneously downplaying the fears of a hidden agenda. SCO has in this been an instrument for China to show Moscow that it has no foul intentions and that Russia is always a preferred partner in GCA and even the leading actor, so far. This has not been without problems and Russia has increasingly been concerned with the Chinese expansion in the region but has refrained from too much criticism, as it needs China as much as China needs Russia, or increasingly even more so. The major tension is however not with the external actors or the regional governments but with the populations in the region.

China has been met with an unexpected welcome from the regional leaders, even if they have all been clear that they are not going to exchange one overlord for another. This is of course helped greatly by the Chinese willingness

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<sup>149</sup> Robert Legvold, ed., *Thinking Strategically: The Major Powers, Kazakhstan, and the Central Asian Nexus* (Cambridge: American Academy of Arts and Sciences; MIT Press, 2003).

to assist in economic development and in its resistance to getting involved in internal affairs or criticizing how the regional states run their internal affairs. Criticism of China has more come from the population at large, and not then due to its close cooperation with the governments, as it often has good relations with the opposition and minority groups, but rather due to its economic engagement. Despite the fact that China has provided much needed goods and resources to the regional economies, there is a widespread perception that in the wake of the Chinese economic engagement comes unemployment and massive immigration of Chinese workers. In most cases this is greatly exaggerated, but nevertheless it is a perception that China will have to deal with, something they have not been very good at. It is true that in the wake of the Chinese economic expansion there has been serious immigration and Chinese traders have been very successful in virtually exchanging locally produced goods for Chinese goods in a number of bazaars across the region. On the other hand, these are a relatively small number of cases and their impact is often exaggerated, but they will need to be dealt with if China is not to see more and more fierce anti-Chinese outbursts in the region.

To change any current policies in the GCA region is very difficult for China, partly due to the separation of interest and actions by the different interest groups in China, but also due to the fact that the Chinese government has not realized the long-term challenges it is facing. It will be extremely difficult to control barter trade and small businesses engaging in trade across the border, due mostly to the already existing black and gray markets in the region, but also to the importance of the trade on both sides of the borders. Illegal trade, organized crime and the spread of extremism is tied into this intricate web and it is extremely difficult to manage or even differentiate between criminal, extremist and legitimate structures. In all this it should not be forgotten that the Chinese strategy for GCA so far has been very successful and there is not much to be won today in Beijing by crying wolf, and even less so in Xinjiang and among private business. The reality is that today the free-riding policy in which China has engaged in GCA and especially in Afghanistan is resulting in the West pulling out much of its engagement, particularly the military component, and it will increasingly be left to the regional powers. Whether or not China wants it, Afghanistan is doomed to end up in Beijing.

The strength of the Chinese strategy towards the GCA states is also partly its weakness. The fierce anti-interventionist policy has given China great advantages in the region but will also sustain a growing criminal and militant structure in the region, something that China both detests and fears. China has in many ways reached the potential of its current policy; if the economic cooperation is to sustain itself, there needs to be much more intervention and demands from the Chinese side of the regional governments and even direct intervention. This is not to say that they should engage in regime change; on the contrary, China and other international actors will have to strengthen the current government institutions that are relatively free from criminalization and jointly combat the structures that are corrupt and under the influence of criminal and extremist organizations. This would be an extremely costly policy both monetarily, but also in terms of political capital. There is no possibility for one individual state to manage this, something that is painfully apparent in Afghanistan, where not even a grand coalition has been able to manage an economic and political transition.

Will China then engage in multilateral structures in the region? It seems very clear that China is interested in using multilateral structures to discuss the regional issues but neither China nor any of the other members in such bodies seem even remotely interested in adding political and legal levels to these institutions. Despite the very fact that many of the issues that the extended region faces are multilateral and would need multilateral solutions, steps towards empowering the SCO, or any other organizations, are still very remote. To date most agreements are bilateral and very few if any effective agreements are made in a true multilateral fashion. This is something that will continue to strengthen China's short-term interests, but over time it will be the very weakness that will threaten the Chinese engagement in the region, as there will be few if any structures to manage the regional instability. Unfortunately, the possibility of seeing China working with other major powers over issues of grave concern in "coalitions of the willing" or the UN seems slim in GCA. China will need to accept its growing regional and international role and the commitment to peace and security that follows, even if it is both challenging and might not create immediate profits for itself.

Since geopolitics is mainly about making allies and gaining influence, China's rapid conquering of the wider region has given it the upper hand for the short and possibly for the long haul. What has happened today is that U.S. investments in the region are blunted both by a short-sighted U.S. policy based on "negative goals" and a pro-active Chinese approach that has proven far more successful in winning long-term allies. The growing anti-Americanism and lack of American credibility, combined with conditionalities of political progress have led the regional states to look up to China, not the United States. The EU suffers from a similar fate but is perceived, and is in reality, to be far more separated from the region. The U.S. and European goals are to a high degree separated from the regional actors, something that China's is not perceived to be. As observed by analyst Parag Khanna, "Pakistan sees its national unity and long-term interests far better served by diverting troops from NWFP [Northwest Frontier Province] to quash Baluch separatism — and protect China's port — than by capturing Pashtun militants for the United States."<sup>150</sup> However, China would be better off in the long haul adopting some of the goals of other actors. Otherwise, China might have to face a multitude of failed states in its vicinity, and will have to do this alone. Meanwhile, the Central Asian states look to China as the only viable diversification of economic relations away from Russia. This is, as mentioned, not the same thing as trusting the Chinese (and they do not) but should be seen as a strategy to decrease foreign influence and diversify political and economic ties. The current strategies from all states have their limitations, but it has become increasingly apparent that there will be a need for more cooperation in the political and economic field to keep the region stable and to continue the tedious work of reform and combating organized crime.

Here China, the EU and the United States share a great deal of commonalities over the long haul. To give one example, the infrastructure investments made by the United States, the EU and China in this region are to a great degree complementary to each other. Indeed, U.S. investments in Afghanistan's road network and highways connecting Gwadar dovetail well with

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<sup>150</sup> Parag Khanna, *The Second World: Empires and influence in the new global order* (New York: Random House, 2008), p. 113.

those of the Chinese.<sup>151</sup> The EU is working to strengthen the Black Sea Ports and connecting GCA to the EU. By creating a more effective infrastructure network in the region, it would not only facilitate better economic development but would also be done in consort, which would guarantee long-term political support for GCA, something that is in short supply today.

The only way forward is to coordinate the immense amount of resources and political support needed to finalize the economic and political objects needed. The problem is that there is a great distrust of the interests of the United States and the EU, and also of China. If the United States or the EU fails to persuade the regional states that it is not there to overthrow them or only to achieve “negative goals,” all the significant investments in infrastructure that the West has made may instead accrue to China’s regional policy. The key to a strong EU and U.S. influence in this wider region is to convince the regional states that it has both staying power and patience with political development. A solitary China in the region is also doomed to fail, due mostly to the costs but also due to the fact that without a western presence major issues with political infighting and legitimacy will arise. The prospect of a more coordinated and active policy, however, looks dim at the moment and GCA is to a large degree left to itself and the short-term interests of the West and China.

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<sup>151</sup> Garver, “Development of China’s Overland Transport Links with Central, Southwest, and South Asia.”