

CHINA'S ENERGY SECURITY APPROACH IN CENTRAL ASIA

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Introduction:

Energy security, a relatively new terminology in international relations, implies securing adequate and reliable energy supplies by a country at stable prices. Oil, which at times is used as a political instrument, enjoys a special place in the economic policies of the producing countries and the security-economic strategies of the consuming countries. China is one such country which has a huge and growing energy demand to cater the need for its development. After it adopted the policy of reform and opening up during 1980s, Chinese economy is developing with a high speed and the consumption of oil is increasing considerably. After becoming net importer of oil in 1993 its daily demand in next 10 years grew to 5.5 million barrels to surpass Japan and thus became the second largest international oil consumer after the United States.¹

While China has boosted its own domestic production, demand is outpacing domestic supply and thus energy security has become a major consideration of its foreign policy. It is, therefore, argued that China should “make full

1 Jian Fangng, “Oil Problem in China-Japan Relationship: An East Asia Energy Cooperation Regime”, *Summer Seminar: Creating Cooperation and Integration in Asia*, 2005, available at: <http://finance.sina.com.cn/futuremarket/gjinfo/20050104/10171268822.shtml>

use of international influence and comprehensive national policies to strengthen international cooperation with major oil producing and exporting countries in the fields of politics, economy, trade and diplomacy".² As a result, resource diplomacy—in the form of the diversification of sources of supply, the development of good relations with resource-rich countries, encouraging oil companies to adopt the “going-out” strategy and a strategic alliance for resource cooperation—has become a logical extension of Chinese national interests.³ In some ways this is a repetition of the Japanese experience in the 1970s and 1980s, when there were serious debates about the impact on the world's economic and political structures of Tokyo's pursuit of high economic growth.⁴ China's expanding global outreach, however, is not entirely the result of its growing reliance on imported oil and its efforts to secure supplies globally; rather, it is consistent with this country's overall economic growth and enhanced political standing and as such, energy has influenced Chinese international behaviour but not transformed its foreign policy.

Energy Capacity of Central Asia and its Markets:

The strategic location, energy resources, competition for pipeline routes and the number of regional and global players in Central Asia were sufficient reasons for many to believe that the “New Great Game” is being played there. The race for military bases and the regime change experiments through “colour revolutions” have added a new

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- 2 Han Wenke, deputy director of the Energy Research Institute of China's National Development and Reform Commission, “Energy Supply and Security Guaranteed by Strong Reliance on Domestic Resource and Economic Introduction of International Resource”, speech at the *Seminar on International Energy Security and Cooperation*, Shanghai, June 24-25, 2004.
 - 3 James Tang, *With the Grain or Against the Grain? Energy Security and Chinese Foreign Policy in the Hu Jintao Era*, The Brookings Institute, Center for Northeast Asian Policy Studies, October 2006.
 - 4 Zha Daojiong, “China's Energy Security: Domestic and International Issues”, *Survival*, Vol. 48, No. 1, Spring 2006.

dimension to this assumption. Earlier, it was felt that the real competition was between Russia and the US, however of late, other powers like China, Japan, and the EU countries have created a huge profile for themselves through trade, energy deals, military agreements and the regional and international organisations.⁵

It is believed that securing a stable energy supply from Central Asia will act as a buffer for the supply from the Middle East and as such the new Silk Route of energy transportation will make Central Asia another energy hub of the world. While some view the region's energy reserves with considerable expectations, Central Asia may not promise more than it can deliver because of the difficult economic and political situations existing there.

Estimates of the proved crude oil reserves of the Caspian Sea region vary widely. EIA estimates of the proven oil reserves in the region range between 17 and 49 billion barrels, which is comparable to (OPEC members) Qatar on the low end and Libya on the high end. In 2006, the Caspian Sea regional oil production was 2.3 million bbl/d that is comparable to annual production from Brazil. The region's natural gas potential is, by some measures, more significant than its oil potential as the proven natural gas reserves are estimated at 232 trillion cubic feet (Tcf), comparable to those in Nigeria. Natural gas production from Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan in 2005 was approximately 5.2Tcf, comparable to three quarters of Canada's production.⁶

Whatever the estimate of hydrocarbon reserves of the Central Asian countries, they face challenges in bringing the productions to world markets. All the countries are geographically far from the end-use markets and lack

5 Niklas Swanstrom, "China and Central Asia: A New Great Game or Traditional Vassal Relations", *Journal of Contemporary China*, Vol. 14, No. 45, 2005; Gulshan Sachdeva, "India's Attitude towards China's Growing Influence in Central Asia", *China and Eurasia Forum Quarterly*, Volume 4, No. 3, 2006.

6 EIA, "Caspian Sea Analysis Brief", January 2007.

sufficient pipeline infrastructure to export more hydrocarbon. All of them are eager to diversify export routes for their resources outside of the Russian-controlled pipelines for which they seek to obtain capital, technical assistance, and political support.

For Caspian exporters it would be feasible to pipe oil and natural gas through Iran to the Persian Gulf or through southeast to Afghanistan. With the removal of the Taliban in Afghanistan in December 2001, proposals to build a Trans-Afghan natural gas pipeline have emerged. However, the lack of an international investor, independent verification of Turkmenistan's gas reserves, and security concerns hindered construction from beginning. Development of a southern pipeline through Iran also is problematic as the Iran and Libya Sanctions Act imposes sanctions on non-US companies in investing in the Iranian oil and natural gas sectors. Besides, many of the prime oil deposits are located in disputed areas of the Caspian Sea, and in the absence of an agreement among the Caspian neighbour countries on maritime borders these fields will remain undeveloped.

China's Energy Policy in the Central Asian Region:

In the given scenario the Chinese government has made many initiatives to secure the oil and natural gas from Central Asia to meet her growing energy demands. Beijing's plans are ambitious, costly and have major geopolitical implications as unveiled at the 2000 National People's Congress. The focus is to construct a 4,200 kilometer network of gas and oil pipelines running from China's western province of Xinjiang to the major east coast metropolis of Shanghai. At the 16th Party Congress, China developed a "Go West" strategy to pursue both Russian and Central Asian energy sources. Although China started to pay more attention to Central Asia after the 9/11, increased energy engagement only appeared on the agenda after Japan

emerged in 2003 as a competitor for an extension of the Siberian oil pipeline.⁷

Other factors that spurred Beijing's entry into Central Asia included a wish to reduce the dependency on the sea lines of communication for oil transports. Fearing that conflicts and terrorist attacks could easily choke Beijing's energy supply, especially at the vulnerable Malacca Straits,⁸ therefore, integration into the regional economy would be the most powerful deterrent against an embargo or blockade.

The strategic location of China bordering Central Asian energy supplies, unlike Middle Eastern, Southeast Asian, African or Latin American supplies, do not require maritime security. Given that China has yet to develop a navy strong enough to protect its energy supplies transported along sea, the Chinese land line communication is thus an alternative of crucial strategic significance for China's energy security and overall development. This entails Central Asian countries to obtain an eastward energy pipeline, bypassing Russia and the Caucasus, to reach the Pacific.⁹

The discovery of Kazakhstan's giant Kashagan oil field was an impelling factor that made the Chinese leadership to look to Central Asia and the Caspian. The oil field, located in the north of the Caspian Sea is estimated to

7 Fearing a likely Chinese monopoly of oil supply from Russia, Japan tried to persuade Moscow to extend the pipeline to the Pacific coast when the two countries signed a six-point "action plan" calling for cooperation in economics, energy and international diplomacy; Xuanli Liao, "The Petroleum Factor in Sino-Japanese Relations: Beyond Energy Cooperation", *International Relations of Asia-Pacific*, Vol.7, No.1, 2006.

8 Like a potential Sino-American conflict over Taiwan or a new war in the Persian Gulf would have a devastating long-term effect on China's oil prices; Sonja Davidovic, "China's Energy Policy in the Geopolitical Context", *Atlantic-community.org*, October, 2008.

9 Pan Guang, "China and Central Asia: Charting a new course for Regional Cooperation", available at: www.coscos.org.cn/200703291.htm.

be one of the five largest in the world,¹⁰ has made Beijing to consider for laying Kazakh-China pipeline. While in 1994 the China National Petroleum Company (CNPC) acquired 60% of the shares in the Kazakh Company Aktobemunaj Gaz¹¹ the relationship grew further as in 1997 a joint venture agreement was signed with the company Uzemunigaz to exploit the Uzen field. CNPC also took a 60% share in three large oil fields in northwestern Kazakhstan, with recoverable reserves of 1 billion barrels. Demonstrating the seriousness of its intent, CNPC pledged US\$4.3 billion in investment over 20 years and guaranteed the pensions and housing of around 5,000 employees. In doing so, it outbid Texaco, Amoco and Russia's Yujnimos.¹² In August, 2005, CNPC supported by the Kazakh authorities initiated the acquisition of Petrokazakhstan. In December, 2005, the first section of 998 km long pipeline, linking the oil fields of Kazakhstan to Xinjiang's northeast via the Alashan Pass was completed; the 613-mile-long, 813 mm, and 200,000-bbl/d capacity pipeline from Atasu, in northwestern Kazakhstan, to Alashankou in China's northwestern Xinjiang region became operative in May, 2006 with a total investment of US\$700 million.¹³ The final stage of the project, scheduled to be completed around 2010, will connect Kenkiyak and Kumkol at a cost of around \$1 billion, and will theoretically double the pipeline capacity to 400,000 bbl/d.¹⁴ The aim is to extend this network in the direction of eastern China towards Shanghai. There is, however, still a very long way to go to

10 David B. Ottaway, "Vast Caspian Oil Field Found", *Washington Post*, May 16, 2000.

11 Valérie Niquet, "China and Central Asia", *China Perspectives*, 2006, available at: <http://chinaprospectives.revues.org/document1045.html>.

12 Jacob Townsend and Amy King, "Sino-Japanese Competition for Central Asian Energy: China's Game to Win", *China and Eurasia Forum Quarterly*, Vol. 5, No. 4, 2007.

13 Xuanali Liao, *International Relations of Asia Pacific*, 2006.

14 However, only around 85,000 bbl/d of Kazakh crude flowed through the pipeline during 2007; EIA, "Kazakhstan Country Analysis Brief", February, 2008.

turn round completely in the direction of China and Asia the Kazakh export networks, which are essentially oriented towards Russia and the Caspian Sea. But with the construction of this pipeline, China is increasing Kazakhstan's room for manoeuvre and negotiation, with the latter thus gaining an additional partner alongside Russia and the United States¹⁵ besides allowing China an energy resource that is beyond the striking capabilities of US aircraft carrier battle groups, which have the ability to target Chinese supplies in the Middle East and Sudan.

The successful takeover of Petrokazakhstan (Petrokaz) by China in 2005, an international petroleum company registered in Canada but with all of its assets in Kazakhstan,¹⁶ - the largest independent oil company of the former Soviet Union, was carried out at the whopping cost of \$4.18 billion that spent another \$700 million on a pipeline to take the oil to the Chinese border. Once it reaches its full capacity, the pipeline will provide about 8% of China's current energy needs.¹⁷ This deal allows China full ownership of the oil field Kumkol South, and a joint ownership of Kumkol North with Russia's Lukoil.¹⁸ Since the Kumkol oil fields were located at the midpoint of the China-Kazakh oil pipeline, obtaining Petrokazakhstan's assets not only has enhanced CNPC's oil reserves in

15 Chien Pen-Chung, "The SCO: Institutionalization, Cooperation and Rivalry", *Japan Focus*, October 17, 2005.

16 Stephen Blank, "Can East Asia Dare to Tie its Energy Security to Russia and Kazakhstan?", *Strategic Studies Institute*, US Army War College, October, 2006; Ruhana Harun, "China's Role in the Regional Stability in Central Asia: Some Preliminary Observations", *International Conference of Implications of a Transforming China: Domestic, Regional and Global Impacts*, Institute of China Studies, University of Malaya, August 5-6, 2007.

17 Christopher Pala, "China Pays Dearly for Kazakhstan Oil", *The New York Times*, March 17, 2006.

18 "PetroKazakhstan and LUKoil in Crude Oil Quarrel", *Alexander's Gas & Oil Connections*, January 27, 2005.

Kazakhstan, but also helped improve the efficiency of the pipeline.¹⁹

Besides these gains, at the beginning of November 2008, CNPC and Kaz Munay Gas signed an export agreement for 5 bcm of gas annually to China.²⁰ In addition to these energy resources, in December 2008, China confirmed its nuclear partnership with Kazakhstan as her National Atomic Energy Agency (Kazatomprom) has signed two agreements with the China National Nuclear Corporation (CNNC) and China Guandun Nuclear Power Company (CGNPC) which make provision for multiple bilateral collaborations. Several joint-ventures under 51% Chinese controls will be created to supply Beijing with natural uranium and, after 2013, to collaborate in enriching it.²¹ However, China's role and influence in this country or that in Central Asia will be limited as long as there are many large, capital-rich multinational corporations interested in investing in Kazakhstan, and the Caspian region in general. China's recent agreement to invest approximately \$9 billion to develop the Uzen oil field and connecting pipeline is noteworthy. Nonetheless, it is significantly smaller than Chevron's \$20 billion investment in Kazakhstan's Tengiz oil field, which began operating in 1993.

China's energy cooperation with Turkmenistan was also expanded at the turn of the century. An affiliate of CNPC was awarded a \$151 million 3-year drilling contract for 12 wells in South Yolotan in late 2006. Also, CNPC signed a PSA²² with Turkmenistan in July 2007 to develop the Turkmen sector of the Amu Darya Basin. CNPC anticipates transporting up to 1.1 Tcf/y of gas from these

19 *Financial Times*, June 30, 2005.

20 Sébastien Peyrouse, "China's Recent Advances in Central Asia", *CACI Analyst*, December 10, 2008.

21 Sébastien Peyrouse, *CACI Analyst*, December 10, 2008.

22 Production Sharing Agreement

fields to a proposed pipeline traversing Central Asia to China starting in 2009.²³

The gas import deal with Turkmenistan is linked to a production sharing agreement allowing the Chinese company to develop gas fields in the northeast as well as construct a pipeline across Central Asia to China. On the other hand, CNPC and PetroChina established the Sino-Turkmenistan Gas Pipe Corporation to construct a 2,582 kilometer and 1,060 Bcf/y gas export pipeline from the Amu Darya fields in Turkmenistan to Urumqui in western China and the interconnection with China's West-East pipeline. CNPC signed agreements with Turkmenistan, Uzbekistan and Kazakhstan for this phase of the pipeline. The estimated cost for this project is \$14 billion, to be solely financed by CNPC. Pipeline construction began in 2007 and was anticipated to come online in 2010²⁴ but the gas pipeline projects linking Xinjiang to Turkmenistan have still not gone anywhere.

China's energy search in Uzbekistan also went smoothly. In June 2004, CNPC signed contracts with Uzbekneftegaz, the state oil and gas holding company. In June 2005, CNPC agreed to form a \$600 million, 25-year contract with Uzbekneftegaz to develop primarily small oilfields in Bukhara and Khiva regions that will produce about 20,000 bbl/d by 2015.²⁵ CNPC is also part of a consortium including Lukoil, Petronas, and South Korea's KNOC to explore Uzbekistan's sector of the Aral Sea and central Ustyurt plateau. In June and September 2006, the CNPC signed two more agreements with Uzbekneftegaz to explore and develop prospective petroleum deposits in five onshore blocks of the Aral Sea, with estimated reserves at

23 M. K. Bhadrakumar, "The Geopolitics of Energy: Russia Sets the Pace in Energy Race", September 23, 2006, available at: www.japanfocus.org/products/topdf/2230.

24 EIA, "Central Asia Analysis Brief", February, 2008.

25 EIA, "Central Asia Analysis Brief", February, 2008.

roughly 14 Tcf.²⁶ Also Sinopec rescinded a \$106 million deal to rehabilitate existing oilfields with Uzbekneftegaz in 2007. Besides, China signed an accord with Uzbekneftegaz in May 2007 to participate in a joint gas exploration project in the eastern Namangan province.²⁷ China has even agreed to help Uzbekistan build a 530 km gas pipeline, which would provide a necessary link in any eventual line to Turkmenistan. The final piece of the pipeline puzzle would be in Kazakhstan, and this would probably consist of adding to the pipeline that presently takes gas from Uzbekistan to Almaty.²⁸

Energy in Broadening China's Regional Foreign Policy:

Despite a very pointed effort Beijing remains a minor energy actor in Central Asia. Russia continues to be by far Astana's primary commercial partner. In terms of investment, it is the Western countries (72% of the total) who have taken the lead, with the United States (40% of the total) predominant, followed by Russia and then by China (3% of the total).²⁹ In financial terms, the Chinese oil companies are not strong enough to compete with the international oil giants, but they do enjoy more political privileges and policy support from the Chinese government. That might be part of the reason for the majors, such as ExxonMobil, Total and Shell, to block proposals for Sinopec and CNOOC to purchase Beijing's share in the Agip KCO consortium in March, 2003.

Despite China's price sensitivity in relation to its energy imports from Russia and Central Asia, the import share from these sources is still too small to create long-term vulnerability. In fact, 4/5 of China's imports are coming through the Malacca Straits and a 60% share of oil imports

26 *BBC Monitoring-Energy*, "Chinese Oil Corporation Agrees Two Contracts with Uzbekistan", September 3, 2006.

27 *EIA*, "Central Asia Analysis Brief", February 2008.

28 Jacob Townsend and Amy King, *China and Eurasia Forum Quarterly*, Vol. 5, No. 4, 2007.

29 Valérie Niquet, *China Perspectives*, 2006.

from the Middle East.³⁰ China's potential inclusion in the Iran-Pakistan-India pipeline indicates that the Chinese leadership is still seeking alternative energy supplies. Till it gains a foothold in its neighbourhood the Middle East as well as Latin America and Africa will likely continue to be China's largest source of energy. The oil-refining industry in China has, therefore, to cope with expanding crude oil imports, increasing processing volume for Middle East high-sulphur crude and improving the quality of oil products.³¹ Transporting Central Asian oil and gas to China's eastern and southern regions, where chronic energy shortages exist, would defy economic logic as when gas from Xinjiang reaches Shanghai, it cannot compete in price terms with imported liquefied natural gas from Australia and Indonesia. Increased use of oil and gas from Central Asia could, however, be helpful in altering the energy mix of China's northwestern provinces. This in turn is conducive to improving the environmental and ecological conditions in these localities, thereby providing an important public good for the rest of China and the entire Northeast Asia region.

It is certain that Chinese foreign policy towards Central Asia is not merely energy centric, but also concerns maintaining ethno-political stability in its unstable northwest province of Xinjiang. Separatist movements in Xinjiang have actively and violently pursued independence.³² The stability of China's western region, including Xinjiang, is interlaced with China's energy security and its eastern regional economic development. In terms of improving indigenous supply security, the Chinese government launched a programme of "Developing the West"³³ to put in place a strategy of alliance against separatism, which has

30 Sonja Davidovic, *Atlantic community.org.*, October, 2008.

31 Zha Daojiong, *Survival*, Vol. 48, No. 1, Spring 2006.

32 Kevin Sheives, "China Turns West: Beijing's Contemporary Strategy towards Central Asia", *Pacific Affairs*, Vol. 79, No. 2, 2006.

33 Liyan Hu, and Cheng Ter-Shing, "China's Energy Security and Geo-Economic Interests in Central Asia", *CEJISS*, Vol. 2, Issue. 2, November, 2008.

gradually taken the more established form of the fight against the “three forces of evil” represented by terrorism, extremism and separatism. When Chinese President Jiang Zemin visited Uzbekistan, Kyrgyzstan and Kazakhstan in 1996, he highly commended the efforts of the three governments for their assistance in China's fight against separatism, and expressed his desire to explore new channels of cooperation with these countries. Soon afterwards, the CNPC asserted its presence in Central Asia by courting Kazakhstan.³⁴

It was the first attempt by Beijing to convince the Central Asian states to assist in fighting the separatist movements and prevents them from gaining ground.³⁵ More than 400,000 Uighur are settled in Central Asia, over 300,000 of whom in Kazakhstan alone, where family ties are tight. Moreover, a dozen or so Uighur organisations have been tolerated in Kazakhstan despite agreements signed with Beijing. China has in fact put in place a cooperation network in the military realm and for the maintenance of order. For China, this was essentially a question of turning cultural, linguistic, ethnic and religious community of Xinjiang and the Central Asian republics into a community of interests, linked to the nature of the regimes in power. The recognition of the “common security issues”, foremost among which are terrorism and separatism, which, as Beijing underlines, “pose a threat to the leadership position of the authorities of all the regional powers”, has thus constituted the primary element of the implementation of genuine collaboration in security matters between China and the Central Asian republics.

At the bilateral level, China has instituted with all of the Central Asian countries a series of “strategic

34 Philip Andrews-Speed, “New China's Diplomacy in 50 Years Relationship with Eastern European and Central Asian States”, November 10, 2006, available at: www.amb-chine.fr/chn/zgzfg/zgsg/zc/zgwj/zgwjb/t153151.htm.

35 Philip Andrews-Speed, “New China's Diplomacy in 50 Years Relationship with Eastern European and Central Asian States”.

partnerships”.³⁶ But beyond the concern for stability, for Beijing, there is also the question of expanding its sphere of influence or privileged interest. Indeed, for an initial period, it seemed that the collapse of the USSR would offer China an opportunity to expand its zone of influence or, at least, of “benevolent neutrality” in a region that had until then been inaccessible to it. During 1990s this strategy of reinforcing Chinese influence was limited to the strategic-diplomatic realm, since the beginning of this century, and particularly following the 9/11 which brought with them a real disruption in the strategic situation in Central Asia; Beijing has also placed emphasis on reinforcing cooperation in the economic field. China is trying to improve its regional security by establishing economic interdependence relations with the Central Asian countries. During 1990s, the economic ties between China and Central Asian states were marginal. However, overall levels of trade have grown from a meager US\$500 million in 1992 to \$8.5 billion in 2005, an increase of more than 16 times in 14 years.³⁷ The list of economic cooperation is growing with China investing heavily in these countries and giving generous economic assistance which contributed towards consolidating its relations with them. For the Central Asian countries close relations with China seems to be the best possible option to acquire both economic benefit and security guarantee. China has been able to give generous aid to these.

36 With Kazakhstan, the partnership is termed “strategic”, and is the most sensitive state for reasons relating to its geographic proximity, to the narrow ties that exist with Xinjiang but also to the potential for co-operation in the field of energy. With the other republics, the terms are much less “strategic”. With Kyrgyzstan, there is a “partnership of good neighbourliness and friendly cooperation”, with Uzbekistan a “partnership of friendly cooperation”, with Tajikistan a “partnership of good neighbourliness and friendly cooperation directed towards the 21st century” and with Turkmenistan “relations of friendly cooperation for the 21st century on the basis of equality and the common interest.

37 Pan Guang, “China and Central Asia: Charting a new course for Regional Cooperation”.

The economic strategy that China is pursuing in Central Asia can be analysed at several levels. It appears to be a prolongation of the development strategy for western China, with one aim being the opening up of Xinjiang and the economic development of the province in order to cool tensions there. But Beijing applies the same analysis to the republics of Central Asia, the economic backwardness of which is denounced as one of the causes of the social tensions and the rise of terrorism. Moreover, and this is a relatively new element, Central Asia appears today to be both a market for Chinese products, beyond the border exchanges, but also a source of energy supply, the importance of which has grown considerably for China.

China's economic penetration into Central Asia is also done through enhancing multilateral relations. In September 2003, SCO members signed an agreement to enhance economic cooperation. China proposed a long term objective to establish a free trade area in the SCO. This was followed up in 2004 with an agreement on specific actions to be taken towards the realization of this objective. At the Moscow summit in 2005, it was announced that SCO will prioritize joint energy projects including the oil and gas sector, exploration of hydrocarbon reserves and joint use of water resources.³⁸ As a sign of the SCO's broadening interests, energy ministers of its members met in Moscow on June 29 2006, to discuss what some were terming an "SCO energy club". Energy issues, particularly oil, are growing in profile at SCO meetings, in part as a response to Iranian prodding. Realistically, there is limited scope for deep cooperation in an SCO energy club. The interests of members diverge substantially, made up as they are of major producers, major consumers and insignificant energy market actors. It is likely that the SCO will function more as a multilateral clearing house for plans and deals that are decided outside of the forum.

38 Ruhana Harun, *Implications of a Transforming China: Domestic, Regional and Global Impacts*, August 5-6, 2007.

However, such a partnership could dramatically alter relations in Central and East Asia. It would create the necessary political framework for large-scale investment to flow into a web of pipelines crossing Central Asia and Russian Siberia to China's Pacific coast. Within 10 years, China could emerge as a major distribution hub for oil and gas exports to South Korea and Japan. Nevertheless, such activities have generated international concerns about possible confrontation between China and the West over resources. These concerns include: first, that China would disrupt the existing oil supply through the acquisition of overseas assets in the energy field or purchase of equity oil; second, that China has become supportive of suppressive regimes, such as Uzbekistan, that the West has tried to isolate for humanitarian reasons, and; third, China's interest in developing stronger military capability to protect the safety of oil transportation.³⁹

Human rights activists accuse China of supporting governments that pursue chronic abuses. Critics say that Beijing's aggressive foray into different regions is driven by self-interest and that it is prepared to ignore political and humanitarian considerations in its search for energy resources. They contend that oil wealth could entrench corruption in countries whose elites control natural resources. In fact, China's policy in this region is opposing with any attempt to interfere in the internal affairs of the countries region under the term of "human rights" and only persists on strengthening coordination and cooperation, in accordance with the Shanghai Convention against terrorism, separatism and extremism.⁴⁰ Beyond these preoccupations, Chinese policy with regard to Central Asia possesses a more global dimension related to the reinforcement of the American presence in the region. For Beijing, the risk would

39 James Tang, *With the Grain or Against the Grain? Energy Security and Chinese Foreign Policy in the Hu Jintao Era*,

40 "China, Uzbekistan Issue Joint Communiqué, Pledging to Enhance Bilateral Ties", *Xinhua*, November 4, 2007, available at: www.chinaview.cn

obviously be that in line with the domino theory these destabilisation movements expand to the whole of Central Asia and reach the autonomous region of Xinjiang. Moreover, the Chinese analysts place this American strategy as the continuation of the fight against communism; since the end of Cold War the theory of humanitarian intervention, the war on terror, and the theory of the removal of "tyrannies" are pursued by the US as has been expressed by Condoleeza Rice.⁴¹

Since the NATO war on Yugoslavia and the subsequent occupation of Kosovo, a feature of Sino-Russian relations fears that their own separatist strife as in Chechnya or Xinjiang will be exploited by the US to intervene in the region. Both China and Russia are also bitterly opposed to the development of US missile defense system that would nullify their nuclear deterrent against US aggression. Consequently, the two states are seeking to counter US influence in Central Asia and develop their relations with other key regional players including Iran. In addition, it seems that with respect to the real energy and transformation capacities of the region, the claims about Central Asia's ability to offer the best available option for China to reduce its dependence on the Persian Gulf (as well as Russia) and help to avoid the "Malacca Dilemma" will not be realized in the near future. Therefore, it is not surprising to see that China is investing in energy sector of these countries to increase its presence and use it as an instrument for improving its national security. It is in the interest of regional security issues and also helping it to remain in global competence with other great powers in the new structure of international politics.

Conclusion:

Clearly for China, involvement in Central Asian energy is one way to shore up influence in what is very much its backyard. Working cooperatively and occasionally

41 Valérie Niquet, *China Perspectives*, 2006.

competitively with Russia, China would like to exclude “outsiders” from Central Asia, particularly Western actors. Nevertheless, procurement of oil, gas and uranium is directly proportional to the Central Asian politics.⁴² Accordingly, China is stressing on the regional security for economic and cultural development for safeguarding the security, stability and prosperity in Central Asia.⁴³ In return, given the current strategic situation of the region, China will be an attractive partner for them for the reason:

1. That geographical proximity of the Central Asian countries with China allows them to share common perception with regard to the vulnerabilities, terrorism and violent Muslim movements. For her own reasons China is the most outspoken supporter of the authoritarian Central Asian regimes.
2. China provides financial assistance to the region and makes investments, purely of economic character without any explicit or implicit requirements concerning democratization and human rights. As all the regimes in the countries with potential energy suppliers are authoritarian, cooperation with Russia and China is more preferable for providing political guarantees and possible protection against “colour revolutions”.
3. The SCO provides China with a platform for consistent, high-level diplomatic contact with the Central Asian republics and as such is an effective vehicle for encouraging the alignment of Central Asian and Chinese interests. China’s role is particularly important in the light of SCO’s growing confidence, as reflected in the recent inclusion of Iran, India, Pakistan and Mongolia as

42 Jacob Townsend and Amy King, *China and Eurasia Forum Quarterly*, Vol. 5, No. 4, 2007.

43 Pan Guang, “China and Central Asia: Charting a new course for Regional Cooperation”; Spyridoula-Amalia, Metallinou “Energy Security: The Russian Trans-Siberian Pipeline and the Sino-Japanese Courtship”, September, 2006, http://www.idis.gr/GR/Ekpaideutika/hydra_papers/metallinou_amalia-spyridoula.pdf.

SCO observers and the establishment of the SCO-Afghanistan Contact Group. Such encirclement, if successful, is likely to make the SCO the dominant multilateral organisation in Central Asia.

4. More importantly, the SCO is gradually expanding beyond Central Asia into the wider Eurasian region. Such a development would have great geopolitical implications since the SCO grouping has the potential to develop into a formidable energy bloc within Eurasia with oil and gas from Iran, Kazakhstan, Uzbekistan and Turkmenistan flowing into or through Russia, China and India.
5. On the other hand, Japan's ability to engage and influence the individual SCO-associated states, the Central Asian states and Afghanistan, is going to make an important geopolitical significance. As an ally of the West and for the sake of its own energy security needs, Tokyo is trying not to allow the SCO to have a stranglehold over Eurasia's energy resources.⁴⁴ In spite of that Chinese connection is far deeper and broader in Central Asian regimes, for they are highly sensitive to internal security and are strongly interested in modernizing their military power.
6. China will remain a great power in the region in the years to come, but the competition between China and Russia and also the US efforts to increase its presence in this region could create some barriers. The access to the region's energy basin is not the main aim of China but it is using this card as an instrument to achieve the geopolitical and strategic aims to catch an appropriate place between the other competitors in the region.

44 Christopher Len, "The Growing Importance of Japan's Engagement in Central Asia", *PINR*, February 17, 2006.