NIDS CHINA SECURITY REPORT

NIDS China Security Report 2020

China Goes to Eurasia

National Institute for Defense Studies, Japan

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Preface

The *NIDS China Security Report* is published by the National Institute for Defense Studies (NIDS) to provide analysis conducted by its researchers on China's military affairs and security from a mid- to long-term perspective. The report is widely disseminated both in Japan and overseas. Since March 2011 it has been published annually in Japanese, Chinese, and English editions. The *NIDS China Security Report* has attracted significant interest from research institutions and the media in Japan and abroad, and the analysis offered in these reports has allowed NIDS to promote exchange and dialogue with research institutions and interested parties in a number of countries, including China.

The *China Security Report 2020*, the tenth in this series and subtitled "China Goes to Eurasia," analyzes the content and characteristics of China's strategy toward Eurasia. This report further analyzes how China is deploying its policies in the Central Asian region and how these are impacting energy transactions in the region.

In writing this report, the authors have endeavored to present an objective analysis while taking note of suggestions gained by exchanging opinions with researchers and stakeholders in Japan and abroad. The primary and secondary sources of information referred to for this report are listed in the endnotes.

The *China Security Report 2020* has been written solely from the viewpoints of the individual researchers and does not represent an official view of the Japanese Government, the Ministry of Defense, or NIDS. The authors of this report are Masayuki Masuda (the lead author and author of Chapter 1), Hiroshi Yamazoe (Chapter 2), and Shigeki Akimoto (Chapter 3). The editorial team is led by Tetsuo Murooka, editor-in-chief, and includes Koichi Arie, Masafumi Iida, Hiroshi Iwamoto, Hiroaki Enta, Hiroto Sawada, Ryosuke Tanaka, Yu Harada, and Masahiro Yamashita.

The authors of the *China Security Report 2020* hope that it will promote policy discussions concerning China in Japan and other countries, and at the same time they hope that the report will contribute to a deepening of dialogue and exchange as well as cooperation between Japan and China regarding security.

November 2019

Tetsuo Murooka

Director, Security Studies Department

The National Institute for Defense Studies

Summary

Chapter 1 China's Eurasian Diplomacy

China's diplomacy with Eurasia, and particularly the countries of Central Asia, has come to comprise elements of regionalism and also soft balancing against the United States. From the late 1990s, Beijing began active involvement in regional cooperation in Central Asia and established the Shanghai Cooperation Organization (SCO). At the same time, from the perspective of soft balancing against the United States, China discovered the significance of multilateral cooperation with neighboring countries. However, China did not always find it easy to share its policies with Russia and the Central Asian Republics of Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan on the desirable direction for regionalism and ways of soft balancing against the United States.

From the latter half of the 2000s onwards there was growing discussion among domestic experts in the People's Republic of China (PRC) on the revision of Beijing's conventional diplomatic approaches to addressing regionalism in Central Asia, with it being suggested that China's actual policies should not necessarily be bound by the approaches that had been implemented to date. While Beijing emphasized the importance of regional cooperation on the one hand, it also made specific requests to other countries to ensure that their various development strategies matched those of the PRC. The outcome of China's policy recalibration was the Silk Road Economic Belt (SREB) initiative announced by President Xi Jinping in 2013, which demonstrated the pragmatism inherent in China's diplomacy. The result was that the countries in the region accepted China's initiative, thus improving connectivity in economic relations between China and its regional neighbors. Seeking to protect the foundations of this improved connectivity, Beijing is also advancing functional cooperation in the area of security with Eurasian countries, specifically law enforcement cooperation.

However, as the Belt and Road Initiative (BRI) has continued its global deployment, so too has there been a growing tendency for China's political discourse relating to the international order to incorporate the BRI. This tendency is particularly strong in China's diplomacy with Europe and there is growing recognition in Europe about the political and security risks associated with relations with China.

Chapter 2 The Growing Influence of China as Seen from Central Asia and Russia

Although the five Central Asian Republics gained their independence following the dismantling of the Soviet Union, their ties with Russia remain strong; underlying this is Russian language-based education and various other common systems. Also, given the history of interaction between China's Xinjiang Uyghur Autonomous Region and the Central Asian region, where borders and resident populations have fluctuated over the course of time, it has been necessary for Beijing to pay heed to the intentions of regional countries, including Russia, in order to expand its regional role and influence.

Through the forum of the SCO various cooperation initiatives have been implemented in the Central Asian region relating to stabilization of border regions and countering international terrorism. China is also actively advancing security cooperation in border regions with Afghanistan, Tajikistan and Pakistan. With regard to cooperation relating to the BRI, the countries' acceptance of China's initiatives based on their own development initiatives has led to further advances of the BRI and has also helped to improve distribution in the region. When advancing such cooperation initiatives, China has also been mindful of any concerns on the part of Central Asian countries and Russia and advanced programs that can feasibly be taken forward.

Based on the recognition that improvements in public order have brought with them opportunities for improving connectivity, there is an emerging tendency among Central Asian countries to engage actively in intra-regional interactions and cooperation. Russia has strengthened its security cooperation with the Central Asian Republics and, while asserting its own autonomy in implementing initiatives in former Soviet republics, it is also working together with China in military fields and other areas where it has an advantage and is accepting China's initiatives. When cooperating with China, the Central Asian countries and Russia also exert efforts to grow their own diplomatic autonomy, working to ameliorate any negative aspects China's expanding influence may incur.

Chapter 3　Architecture in Eurasia for Chinese Energy Security

China's demand for energy has grown rapidly in line with its economic growth. It cannot meet its own energy demands and is growing increasingly dependent on imports. Moreover, in recent years China's primary energy mix has also changed against the backdrop of changes in the economic structure that aim for sustainable social and economic development, which has elevated projections for further increases in oil and gas imports. In the face of these trends and with security perspectives in mind, the PRC sought to diversify its procurement sources and routes, focusing in particular on the value of resource-rich Eurasian countries that would enable procurement via land-based routes. From the mid-1990s onwards Beijing made careful attempts to engage in individual negotiations, and from the mid-2000s through to the mid-2010s built business relations.

It can well be said that the energy trade relations that China spent time and money on building with Eurasian resource-rich countries have turned out to be a prized strategic asset. This strategic asset has double implications. Firstly, in order to maintain trade relations with the Eurasian countries that are vital in terms of energy security, it makes sense for Beijing to actively assist the economic development of these resource-rich countries. In such cases it is the way in which the BRI framework is used that attracts attention. Secondly, by using these trading relations as leverage, China gains geopolitical status that enables it to involve itself, albeit in a limited manner, in energy flows that link Europe, Russia, the Middle East and even South Asia. How Beijing will use that status is the second point that attracts attention.

Acronyms and Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CAREC	Central Asia Regional Economic Cooperation
CBM	confidence-building measures
CDCEP 16+1	Center for Dialogue and Cooperation on Energy Projects 16+1
CEEC	Central and Eastern European Countries
CICA	Conference on Interaction and Confidence Building Measures in Asia
CIS	Commonwealth of Independent States
CMC	(China's) Central Military Commission
CNPC	China National Petroleum Corporation
CPC	Caspian Pipeline Consortium
CPC	Communist Party of China
CPEC	China-Pakistan Economic Corridor
CSTO	Collective Security Treaty Organization
EAEU	Eurasian Economic Union
ESPO	East Siberia-Pacific Ocean
EU	European Union
FTA	free trade agreement
G20	Group of Twenty
HGC	Heads of Government Council meeting of the Shanghai Cooperation Organization
HSC	Heads of State Council meeting of the Shanghai Cooperation Organization
IEA	International Energy Agency
IEP	Institute for Economics and Peace
IMF	International Monetary Fund
IMU	Islamic Movement of Uzbekistan
INTERPOL	International Criminal Police Organization
KCP	Kazakhstan-China Pipeline
KMG	KazMunaiGaz
LNG	liquefied natural gas
MFA	Ministry of Foreign Affairs
NATO	North Atlantic Treaty Organization
OPEC	Organization of the Petroleum Exporting Countries
PfP	Partnership for Peace
PLA	People's Liberation Army
PRC	People's Republic of China
PSA	production sharing agreement
RATS	Regional Anti-Terrorist Structure of the Shanghai Cooperation Organization
ROK	Republic of Korea
SASAC	(China's) State-owned Assets Supervision and Administration Commission of the State Council
SCO	Shanghai Cooperation Organization
SIC	(China's) State Information Center
SIPRI	Stockholm International Peace Research Institute
SPA	Sales and Purchase Agreement
SREB	Silk Road Economic Belt
SSD	(Pakistan's) Special Security Division
TAPI	Turkmenistan-Afghanistan-Pakistan-India Pipeline
TFA	Trade Facilitation Agreement
V4	Visegrád Four (the Czech Republic, Poland, Slovakia and Hungary)
WEP	West-East Gas Pipeline
WTO	World Trade Organization
16+1	Sixteen Central and Eastern European countries plus China

Introduction

Masayuki Masuda

Introduction

China has expanded its strategic horizons towards the Eurasian continent. It can generally be understood that the direct stimulus for this move was the espousal of two Silk Road initiatives in 2013, which would subsequently be combined to form the Belt and Road Initiative (BRI). After having been appointed as President of the People's Republic of China (PRC) in March 2013, in September of the same year Xi Jinping set out his vision for a "Silk Road Economic Belt" (SREB) in Astana (currently Nur-Sultan) in Kazakhstan, which was followed in October by the announcement in Jakarta, Indonesia, of a "21st-Century Maritime Silk Road" initiative. Xi declared that these initiatives would be used to improve connectivity with other countries in the region. In terms of maritime-related matters China's ongoing disputes with neighbors over territorial sovereignty, and maritime rights and interests, and its continued critical stance against the United States' military presence in the Asia-Pacific region have meant that China has been unable to fully leverage initiatives towards the construction of a "Maritime Silk Road," particularly in security-related areas. On the other hand, the SREB initiative has reaped relatively significant outcomes in its vision to improve connectivity across Eurasia, and international cooperation is now also being functionally promoted in security areas. This has resulted in discussion both domestically and internationally about the emergence of China as a "Eurasian Power."[1]

Domestically in China it was around 2012 that assertions started to be made from a geopolitical perspective that China's strategic direction should be to look towards Eurasia. In particular, it was Professor Wang Jisi, Dean of the School of International Studies at Peking University, who in October 2012 attracted attention with his "Marching Westwards" theory that appeared in the *Global Times*.[2] Wang's "Marching Westwards" theory was based on the premise that the "Asia-Pacific rebalancing" proposed by the U.S. Obama administration had resulted in "this new round of geopolitical and geo-economic competition between the great powers becoming increasingly intense," and emphasized that China should engage in its own geopolitical "rebalance." Given that competition was intensifying with the United States to China's "east," or in other words in East Asia, Wang stressed that, "China should not limit its sights to its own coasts and borders, or to traditional competitors and partners, but should make strategic plans to 'march westwards'," arguing for the political, diplomatic and economic significance of such a strategy. Noting that while on the one hand "Sino-U.S. competition in East Asia is already increasingly becoming a 'zero-sum situation'," Wang observed that "there have been almost no conflicts between China and countries in West Asia," and that "there are also very few points of contention between China and these countries," leading him to conclude that in order to China to gain a favorable position geopolitically and geo-economically, "marching westwards" was not only possible, but necessary.

It remains unclear as to the degree to which such arguments had a direct influence on the

proposal of the BRI. Xi Jinping himself stated that, "the BRI is an initiative for economic cooperation, instead of a geopolitical alliance or military league," denying any kind of geopolitical elements to the initiative.[3] If we look into the actual details of the formulation process of the BRI, it becomes apparent that its primary purpose was to link the development of the western region of China, which had lagged behind the rest of the country until then, to the development of neighboring countries and the further development of China's eastern seaboard. The aim therefore was to realize balanced development in all regions of China and as a result the initiative was strongly oriented towards economic cooperation with neighboring countries.[4]

However, as the BRI project advanced and came to take on a more globally oriented character, new political discourse came to feature in discussions of the BRI. This was a discourse relating to the construction of a new international order predicated on "reforming the global governance system" and "building a community with a shared future for mankind." In October 2017, in a speech delivered to the 19th National Congress of the Communist Party of China (CPC), Xi Jinping raised the example of the BRI, stating that, "China champions the development of a community with a shared future for mankind, and has encouraged the evolution of the global governance system."[5] In August 2018, at a roundtable discussion held to commemorate the fifth anniversary of the BRI, Xi pointed out that, "the BRI was not only aimed at economic cooperation but also an important pathway to improve global development patterns and global governance and promote the healthy development of economic globalization."[6] At the Second Belt and Road Forum for International Cooperation in April 2019 he also positioned the BRI as offering, "new ways for improving global economic governance."[7] What can be said of these statements is that by advancing the BRI Beijing sought to strengthen efforts to construct an international order. In other words, for China, Eurasia represented a space in which diverse significance could be found, in terms of connectivity, geopolitics and also the construction of a new international order.

Naturally, the expansion of strategic horizons towards Eurasia would not be realized unilaterally only through areas of significance to China. Mutual relations between China and countries in the region would be needed to make this aim a reality. The geopolitical thinking inherent in the BRI and China's intentions with regard to changing global governance could also not be brought to the fore without the consent and support of counterpart countries and regions. In terms of economic cooperation, China would have to ensure that supply and demand with countries in the region were well-balanced. The BRI in Eurasia, or in other words the SREB construction was the result of domestic economic imperatives in China—namely expanding the export market to eliminate excess production capacity and securing stable energy supplies—dovetailing with the demand for infrastructure construction and the like in countries in the region.[8] Of similar importance in diplomatic terms was that China's efforts to build and develop relations with Russia and the Central Asian Republics following the dissolution of the Soviet Union had resulted in the groundwork being laid for these countries to be accepting of a Chinese initiative.

This report aims to identify the factors that enabled the expansion of China's influence in Eurasia. Accordingly, by analyzing the mid- to long-term changes in mutual relations, particularly the development of policies since the dissolution of the Soviet Union from the early 1990s onwards, the report describes the real nature of efforts by China to develop relations and portrays the dynamism that has been developed with countries in the region.

Chapter 1 analyzes the process leading to the establishment of the Shanghai Cooperation Organization (SCO), which saw China emerge as a regional actor in Eurasia and particularly Central Asia, and also subsequent changes in China's approach to Central Asia. It also considers the current status, whereby promotion of the BRI has improved connectivity between China and Central Asian countries, and the potential for the formation of security-related networks that go beyond Central Asia to encompass Eurasia. Chapter 1 also discusses China's growing influence in Europe, the exit point for a China that is looking to Eurasia.

Chapter 2 analyzes how Russia and Central Asian countries have accepted and managed China's expanding influence throughout the post-Soviet region of Central Asia. Chapter 3 analyzes in detail energy transactions between China and countries in the region, and describes the architecture that is actually being constructed in the energy sector.

(Author: Masayuki Masuda)

Chapter 1
China's Eurasian Diplomacy:
Regionalism, Balancing, and Pragmatism

Masayuki Masuda

1. China as Regional Actor

(1) From the Shanghai Five to the Shanghai Cooperation Organization: Regionalism and Balancing

China emerged as a regional actor in Central Asia with the establishment of the Shanghai Cooperation Organization (SCO) in 2001. Until then China's Central Asia policy had basically been low profile and bilateral relations had dominated China's approach with its neighbors. During his visit to four Central Asian Republics in April 1994, Chinese Premier Li Peng enunciated the major principles governing China's relations with the Central Asian countries.[1] The first of these was to maintain good-neighborly relations and peaceful coexistence. Li emphasized that China was not seeking to expand its sphere of influence in Central Asia and that even if China were to become rich and strong in the future it would not engage in hegemonism or power politics. The second principle Li stated was to promote economic and trade relations, upholding the principles of equality and mutually beneficial cooperation in economic relations without appending political conditions. Thirdly, he stated that China would respect the choice of the peoples of Central Asia and would not interfere in internal affairs. The final principle was to respect the sovereignty and independence of the countries of Central Asia and seek to preserve stability in the region. Li Peng's speech was low-profile in its entirety.

China made great efforts to stabilize border regions and improve the conditions of communication and transportation to develop trade relations.[2] With regard to the former, China engaged in negotiations with Russia and the Central Asian Republics on border demarcation and confidence-building measures (CBM).[3] By 1997 borders had been demarcated with Russia and Kazakhstan, Kyrgyzstan and Tajikistan. In terms of CBM, leaders of five states signed an agreement on the CBM in Shanghai in April 1996, and in April 1997 another CBM agreement in the military field in the border area was signed by the heads of states in Moscow.[4] This gathering of five countries on matters relating to border issues would eventually be referred to as the "Shanghai Five." At the leaders' summit meeting and foreign ministers' meeting in Almaty in July 1998, the five countries agreed to aim to institutionalize the process.[5] In other words, it was decided to "expand and enhance multilateral cooperation" that had been targeted specifically on border-related

issues, advancing the framework of the "Shanghai Five" to go beyond simply confirming the execution status of the CBM, and extending it to include collaborative activities to combat the so-called "three evil forces" of "terrorism, separatism and extremism" and economic cooperation.

From 1999 onwards a mechanism of meetings was institutionalized for ministers of foreign affairs, ministers of national defense, and heads of law enforcement agencies of the "Shanghai Five," and Uzbekistan was welcomed as an observer. At the summit meeting in Dushanbe in July 2000 the member nations agreed to further enhance the "Shanghai Five" mechanism in order to effectively respond to the "three evil forces." At the 2001 summit held in Shanghai, Uzbekistan was formally admitted as a member. It was at this 2001 summit meeting that Chinese President Jiang Zemin declared that, "A new regional multilateral organization on the Eurasian continent has been established, namely the Shanghai Cooperation Organization."[6]

China was proactive in the process of institutionalizing the "Shanghai Five," or promoting the establishment of the SCO and its development. Firstly, this was because in security-related aspects, in order to deal effectively with the "three evil forces" in particular, Beijing recognized the critical necessity of improving cooperation in related areas with the countries of Central Asia.[7] From the 1990s onwards separatists in the Xinjiang Uyghur Autonomous Region of China had repeatedly engaged in terrorist activities and Beijing was increasingly alert to the possibility that such "three evil forces"-related activities could be linked to similar activities in Central Asia.[8] Secondly, in order to develop economic cooperation, including in the energy sector, Beijing believed in the effectiveness of multilateral rather than bilateral initiatives.[9] Thirdly, it was also because in 1997 China's leadership had positioned the "Shanghai Five" as the means to put into practice a "new security concept" that had been proposed to "discard the mentality of the Cold War."[10] What can be said from this is that Beijing found benefit in multilateral cooperation, from multidirectional and regionalist perspectives.[11] The establishment of the SCO represented a major turning point for China's diplomacy, which until that point had been based on bilateral interactions.[12] To put it another way, China emerged as a regional actor in Central Asia.

Just three months after the establishment of the SCO, the 9/11 terrorist attacks occurred in the United States, prompting the SCO to increasingly emphasize the importance of counterterrorism within the context of the "three evil forces." A serious issue for China was the United States' moves to embark on military action in Afghanistan. At an internal meeting of the People's Liberation Army (PLA) in October 2001, Jiang Zemin gave a speech as chairman of the Central Military Commission (CMC) in which he underlined the need to build an advantageous strategic position in the international climate following 9/11 and American military action in Afghanistan, focusing on three diplomatic arenas: (a) relations with the major powers; (b) regional relations; and (c) multilateral diplomacy.[13] Specifically, with regard to the U.S. military presence in post-9/11 Central Asia, Jiang emphasized the significance of "relative stability in strategic direction" by "strengthening cooperation with Russia and the countries of Central Asia," and in that context indicated his understanding

that multilateral diplomacy, including the forum of the SCO, would be an "important route for a major power to play such a role." In other words, Jiang was underlining the importance of soft balancing against the United States, by maintaining and expanding its influence in relations with neighboring countries and regions. The SCO was highly regarded for its geopolitical value.

As the post-9/11 deployment and stationing of U.S. military forces in Central Asia became increasingly long-term, Beijing adopted an "assertive diplomatic stance" in the arena of the SCO in the context of soft balancing against the United States.[14] Since 1997 all five of the Central Asian Republics had taken part in the Partnership for Peace (PfP) of the North Atlantic Treaty Organization (NATO), implementing military exercises together with NATO and the United States. While China had its concerns about such interactions, it also noted that the main competitor for the United States in the region was Russia and that the Central Asian countries had pursued a sophisticated strategy of balance between the major powers, leading China to conclude that it would not be easy for the United States to enhance its military presence in Central Asia.[15] However, the long-term deployment and stationing of U.S. forces in Central Asia created a new situation that conflicted with this recognition of the security environment. The situation aroused discussion domestically in China that there was a "possibility that the security structures of Central Asia and the strategic balance could be destroyed."[16] It was for this reason that in the forum of the SCO too, China strengthened its anti-U.S. stance in order to "hold the American penetration into Central Asia in check."[17] The SCO member states demanded at their July 2005 Astana Summit that the United States should set a timeline for withdrawing its troops from the region. At the same meeting, a decision was made to reject the United States' application for observer status, while at the same time granting observer status to Pakistan, India and Iran.[18]

However, it is questionable as to whether the SCO member states were joining forces to oppose the military presence of the U.S. Experts of Russian and Central Asian affairs have observed that as members and new observers have joined the SCO, so too has the focus for interest in the SCO and the degree of interest differed largely from country to country, with the result that while members and observers may share similar views on broad-based issues, when it comes to specific matters the views and directions taken by them are diverse.[19] It could at best be said that China was the country that was most active in its opposition to the U.S. military presence. Although Russia was opposed to the long-term presence of the U.S. military in the region, it was accepting of U.S. military deployment in Central Asia. In addition, in engaging in military action in Afghanistan the United States not only improved its relations with the Central Asian Republics, but also with India and Pakistan. This led many Chinese experts to conclude that the United States had emerged as the "country with the greatest influence" in Central Asian security, which presented China with the difficult challenges of how to maintain momentum among the member nations of the newly-established SCO, and in particular the Central Asian members, and also how to maintain the role and status of the SCO.[20] Following the collapse of the Taliban regime in Afghanistan in December 2001 China emphasized

the critical necessity for long-term, comprehensive measures and regional cooperation in order to thoroughly eliminate the "three evil forces," and worked to elevate the role and status of the SCO.[21]

However, China itself was also of the view that it would be difficult to maintain an anti-U.S. stance in the forum of the SCO. In October 2002 China was already reaching out to make tentative diplomatic contact with the U.S.-led NATO, seeking out possibilities for dialogue on terrorism and Central Asian security issues.[22] In addition, with regard to the matter of how to proceed with relations vis-à-vis the U.S., on which it had not been possible to reach consensus among SCO members, from the late 2000s onwards China worked to advance concept formulation and institutional design that would enable the establishment of relations between the SCO and the United States. The result of these efforts was the establishment of the Dialogue Partner mechanism that was ratified at the SCO summit meeting in August 2008, and which provided that the "status of partner shall be granted to a state or an organization to establish relations of equal and mutually beneficial partnership."[23] At the time, Chinese President Hu Jintao stated that China "highly evaluates" the dialogue partner mechanism, and "welcomes relevant countries and international organizations, through the dialogue partner platform, to join efforts with the SCO to promote stability and development in the region."[24] Chinese Foreign Minister Yang Jiechi also expressed China's support for the SCO's efforts to "accept new dialogue partners in accordance with relevant rules of the dialogue partner mechanism."[25] Many Chinese experts understood the dialogue partnership to be one that envisaged the involvement of the U.S., and in actual fact, at the Special Conference on Afghanistan convened under the auspices of the SCO in Moscow at the end of March 2009 both the United States and NATO were invited.[26] In other words, while recognizing the role and value of the SCO given the necessity of soft balancing against the United States, Beijing adopted a pragmatic approach that sought to build relations with the United States.

(2) Pragmatism in Bilateral Approaches

From an early stage Beijing underlined that the advancement of economic cooperation was one of the priority areas for the SCO. At the May 2003 SCO Summit meeting in Moscow, President Hu Jintao stated that, "Economic cooperation is the basis for and a priority of the SCO," and expressed his hope that a breakthrough would be made in regional economic cooperation at the meeting of the SCO Heads of Government Council (HGC) in September 2003.[27] At that September 2003 meeting of the SCO HGC, Premier Wen Jiabao proposed the establishment of a free trade zone within the SCO.[28] In addition, with a view to achieving "substantive outcomes" in economic cooperation, at the 2004 SCO summit President Hu Jintao announced that the Chinese government had decided to offer US$900 million in preferential buyer's credit loans to the SCO and its member states.[29]

Within the SCO, in addition to the Heads of State Council (HSC)/Summit and HGC meetings there are several mechanisms in place for regular ministerial-level meetings.[30] To further encourage functional cooperation in economic and trade areas, working groups have been established in a

number of specific areas, including e-commerce (chaired by China), customs (Russia), quality and inspection (Kazakhstan), investment promotion (Tajikistan), and development of cross-border potential (Uzbekistan), with each SCO member state chairing a group and taking responsibility for planning cooperation in the relevant field.[31] In working-level consultations, China has continued to table proposals, such as on expanding bilateral cooperation in priority fields such as energy, power, transport and communications to the multilateral level, and forming networks for oil and natural gas, power, transportation and communications that will link the countries in the region, as well as initiating joint research on the feasibility of a SCO free trade zone.[32]

The reasons behind China's focus on economic cooperation were a desire to halt the tendency within the international community to view the SCO as an anti-U.S. body, and also the positioning by the Hu Jintao administration of "Neighboring Diplomacy" as a pillar of China's diplomatic strategy. China's leadership sought concrete results in the SCO, as a symbolic framework for neighboring diplomacy.[33] However, it became apparent that there were differences of opinion among SCO members, particularly between China and Russia, on the direction that the organization ought to take. Russia sought to focus on security and military cooperation, including counterterrorism. Moscow also countered Beijing's initiatives for economic cooperation with a proposal in June 2006 for the establishment of a "SCO Energy Club." This is considered to have been a proposal reliant on interests in a priority sector for Russia, as a resource exporting nation.[34] In 2011 China once again proposed the launch of joint research into the establishment of a free trade zone, but as had been the case previously, this was coolly received by other members.[35] In 2010 Russia established a customs union with Kazakhstan and Belarus that would subsequently lead to the inauguration of the Eurasian Economic Union (EAEU) and in 2012 an agreement was reached on the "Common Economic Space." This represented an attempt by the major countries of the SCO, with the exception of China, to achieve Russian-led economic integration.[36]

This situation obliged Beijing to find new approaches. In other words, while continuing to place importance on the SCO framework, Beijing clearly turned its focus to the promotion of economic relations on a bilateral basis, in search of concrete results. In September 2013 at a time that coincided with the SCO summit in Bishkek, the capital of Kyrgyzstan, Chinese President Xi Jinping visited all but Tajikistan of the countries of Central Asia, seeking out the possibilities for promoting bilateral economic cooperation. The Silk Road Economic Belt (SREB) initiative that formed the basis for the BRI was first announced by Xi Jinping during this visit to Central Asian countries. China's new initiative was not announced in the forum of the SCO summit, but rather in a speech delivered at Nazarbayev University in Kazakhstan.[37] In addition, Xi made no direct mention of his SREB vision at the SCO summit, restricting his comments to stating that SCO members and observers "bear a responsibility to carry forward the spirit of the Silk Road" in the context of developing practical cooperation.[38]

It could probably be said that this move to focus on bilateral approaches was a sign of Beijing's

frustration at a lack of progress in economic cooperation at the multilateral level in the SCO. In addition, from a relatively early stage, Chinese experts suggested that the multilateral approach in the SCO and the initiative for a free trade zone should be reconsidered. For example, in a book published in 2006 Professor Pan Guang, director of the SCO Studies Center at Shanghai Academy of Social Sciences observed the following seven factors behind the lack of progress in economic cooperation:[39] (1) the low level of current items for cooperation and their negligible effect; (2) the weak capacity of SCO member countries to engage in external investment and the limits to mutual investment; (3) differences among members in the liberalization of trade and investment; (4) the existence of multiple economic cooperation organizations in Central Asia that are negating the attractive force of the SCO; (5) the psychological barriers, particularly in Russia and Kazakhstan, about the impact of expanding economic relations with China; (6) differences among SCO members about initiatives for external economic cooperation and gaps in priorities for economic development; and (7) competitive relations among member countries in various sectors. One logical conclusion that emerged from these observations was that "bilateral cooperation is the foundation for multilateral cooperation," and that from the perspective of seeking effective cooperation, it was proposed to engage in cooperation in the large-scale energy and transportation sectors.[40]

Professor Zhao Huasheng, director of the Center for SCO Studies at Fudan University recommended a rethink of China's policy towards the SCO. For example, he noted that while regional economic integration would be "in both China's interests and also in line with trends toward regional cooperation," and was as such a "natural and sound target," the proposal by China for a free trade zone initiative "lacked consideration of the political elements involved."[41] In other words, there was a lack of recognition on the part of China about the unease among SCO members regarding the potential for China to rapidly expand its influence.

Xi Jinping's proposal for an SREB in Kazakhstan in 2013 was the result of reconsideration of existing policies and approaches, based on such expert observations. Firstly, there was the fact that Kazakhstan had been chosen as the venue to announce the initiative. Kazakhstan is Central Asia's largest country and policy coordination with it would be key to China's Central Asia policy. In addition, many Chinese experts underscored the presence of "China threat" theories not only in Russia, but also in Kazakhstan, which required a careful response. Secondly, the proposed initiative demonstrated China's readiness to compare notes with Central Asian countries on their respective economic development strategies and policies. Having voiced China's willingness to engage fully with the countries of Eurasia on "economic development strategies and related policies," Xi observed that through "even closer economic partnership among countries" an SREB could be built together.[42] Although Xi's speech did not deny the importance of the SCO, it sought to gain more concrete outcomes from cooperation, by advancing practical cooperation in the bilateral relations. To put it another way, the proposal of building an SREB can be understood as a pragmatic approach by China.

2. China's Expanding Initiatives

(1) Improving Connectivity in Central Asia

China's initiatives were basically received favorably by the countries of Central Asia. For example, President Nursultan Nazarbayev of Kazakhstan announced that the BRI was in line with Kazakhstan's new economic policy "Nurly Zhol" (The Bright Road) that he had himself proposed in November 2014.[43] In addition, when Chinese President Xi Jinping proposed the establishment of the Asian Infrastructure Investment Bank (AIIB) at the 21st Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting in October 2013, three Central Asian countries—Kazakhstan, Tajikistan, and Uzbekistan—were quick to announce their intention to participate. A further factor providing favorable winds for China's initiative was the Ukraine crisis of 2014. Economic sanctions imposed by the U.S. and European Union (EU) restricted Russia's access to external capital markets.[44] The Central Asian countries also lost the option of turning to Russia as a source of capital. The result was that both Russia and Central Asian countries focused greater expectations on the BRI. China responded by establishing the Silk Road Fund, to which it provided US$40 billion in order to meet demand for construction in the countries along the route of the BRI.

The May 2015 Sino-Russian Joint Statement on Cooperation of Connection between the SREB and EAEU was symbolic of these moves by countries in the region towards closer ties with China.[45] This statement made clear the two countries' mutual support for their respective roles in these two frameworks, and announced that they would promote connectivity between the SREB and EAEU in order to "ensure the sustainable growth of the regional economy, enhance integration of the regional economy, and protect regional peace and development." The statement also indicated support for mutually complementary relations between regional mechanisms and that the two countries would advance bilateral and multilateral cooperation, particularly in the forum of the SCO. It was not just a simple declaration of intent to crystallize cooperation in fields such as trade, investment and infrastructure construction. It also called for the creation of working groups under diplomatic leadership to advance collaboration in various sectors, and to oversee the status of progress towards cooperation on connectivity through existing cooperation mechanisms, such as regular summit meetings.

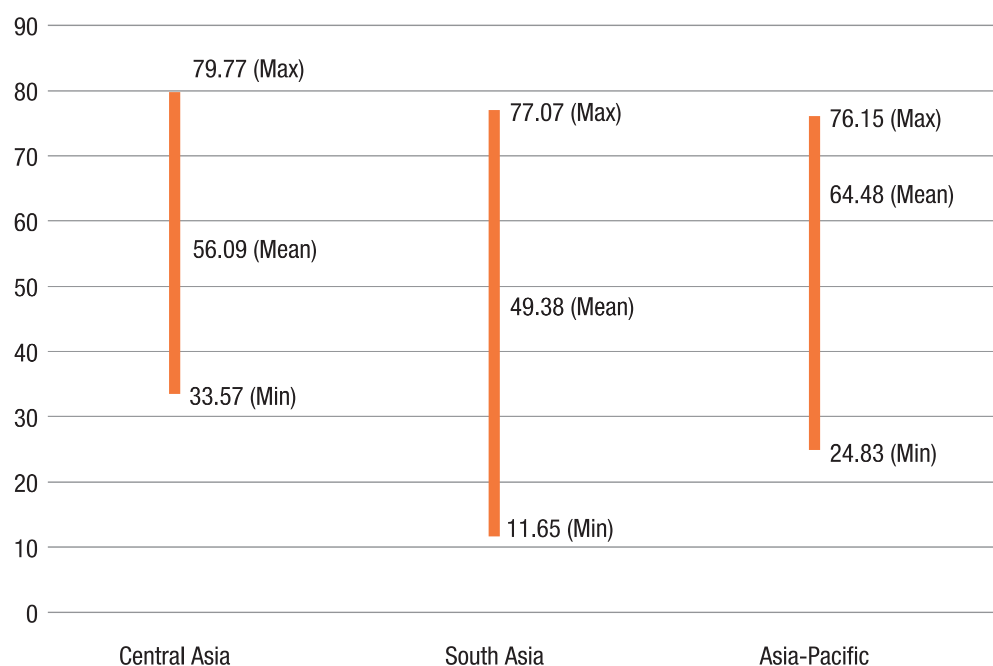
To what degree has the BRI contributed to closer cooperation between China and the countries of the region? To gain an insight on this point it is helpful to look at China's assessment on connectivity. In October 2016 the State Information Center (SIC) published the *Belt and Road in Big Data 2016*, which was compiled under the supervision of the General Office of Leading Group of Advancing the Building of the BRI. Based on more than 300 billion pieces of data collected from domestic and foreign statistics agencies, news websites, social media and various other forums, the report uses an index evaluation model constructed by the SIC to examine the status of progress on the BRI in China and overseas.[46] This report establishes a subset of indices under the "Five Connections" of the Silk

Road (policy coordination, infrastructure connectivity, unimpeded trade, financial integration and people-to-people bonds) and provides quantified information on the degree of cooperation between China and the 64 countries involved in the BRI.[47] According to the report, Russia, Kazakhstan, Thailand, Pakistan and Indonesia are the five most cooperative countries in advancing the BRI.

China's relations with Russia and Kazakhstan were classified as "deep cooperation."[48] Specifically, the report noted the links being forged in policy aspects through high-level mutual visits and the compilation of cooperation-related documents. It also went on to positively evaluate connectivity in infrastructure, focusing on the construction of oil and natural gas pipelines, as well as financial cooperation, including investment and the regional distribution of the renminbi. In particular, in terms of infrastructure connectivity, the assessments that were published in 2017 and 2018 also ranked Russia and Kazakhstan number one and number two, respectively, from which it can be surmised that infrastructure construction projects had been consistently advanced.[49] However, it is still not the case that there is adequate infrastructure connectivity, meaning that China will likely seek to continue initiatives of infrastructure construction. In terms of connectivity with other Central Asian countries, although not as advanced as Russia and Kazakhstan, in comparison with other neighboring regions there is scant difference between the Central Asian countries in terms of their degree of cooperation with China (see, Figure 1.1). In 2016 China became the largest trading partner for Kyrgyzstan and Turkmenistan and it could well be said that economic relations between China and countries in the region are becoming ever closer.

As relations are growing closer between China and countries in the region in line with the progress being made on the advancement of the BRI, China is finding itself facing new challenges. Chinese experts have pointed out that as cooperation deepens over the course of time, it will be of critical importance in China's relations with Central Asian countries to respond to issues, including increasing external debt, trade imbalances, and increases in Chinese laborers.[50] In April 2019, at the Second Belt and Road Forum for International Cooperation President Xi Jinping was seen to include frequent reference in his speeches to "sustainable development" and "following general international rules and standards." At the same meeting the Chinese Ministry of Finance announced a new analytical framework relating to debt sustainability for low-income countries participating in the BRI.[51] This framework was based on the International Monetary Fund (IMF) and World Bank Debt

Figure 1.1 Neighboring Countries' Degree of Cooperation with China on the BRI



Note: Figures show each country's degree of cooperation with China on the BRI. Figures are compiled independently by the State Information Center, which is affiliated to the National Development and Reform Commission of China.

Source: Compiled by the author, based on 国家信息中心 "一带一路" 大数据中心 [SIC Belt and Road Big Data Center], "一带一路" 大数据报告 (2018) [*Belt and Road in Big Data Report 2018*] (Beijing: 商务印书馆 [The Commercial Press], 2018), p. 32.

Sustainability Framework for Low Income Countries and sought to implement macroeconomic projections and stress tests for countries scheduled to receive financing, analyze risk and provide a rating. As of April 2019, already 28 finance ministries including China are sharing this framework. It remains to be seen how new initiatives such as this one can contribute to assuaging international concerns about how China's promotion of the BRI could be leading countries into so-called "debt traps."

(2) Expanding Influence in Europe and Its Reactions

The original concept for the BRI was a grand one, envisioned as "running through the continents of Asia, Europe and Africa, connecting the vibrant East Asian economic circle at one end and the developed European economic circle at the other," thereby promoting connectivity between China and these regions.[52] In that sense, Central Asia and Russia encompassed an intermediary zone linking China with Europe. China engaged in active diplomacy with Europe, which from China's perspective was one of the destination of the Silk Road initiative. What should be noted here is that in recent years China's Europe policy, and in particular its policy toward the EU, has been predicated on emphasizing its context in the international order and international systems.

China's proactive stance toward Europe has been particularly notable from 2013 onwards.

2013 marked the 10th anniversary of the China-EU Comprehensive Strategic Partnership and in November that year at the China-EU summit meeting, the China-EU 2020 Strategic Agenda for Cooperation was announced.[53] This agenda specified a total of 92 items for cooperation in four priority areas, comprising peace and security, prosperity, sustainable development, and people-to-people exchanges. At the end of March 2014 Chinese President Xi Jinping made his first-ever visit as the President of the People's Republic of China (PRC) to EU headquarters in Brussels. On that visit Xi stated that "the two sides should view China-EU relations from a strategic perspective," and emphasized that China and the EU should "combine the two powers, two markets and two civilizations of China and the EU" to jointly forge "four major partnerships for peace, growth reform and civilization." Xi also noted that it would be advantageous to advance cooperation at both the Eurasian and global levels.[54]

The following month the Chinese government issued its second policy paper on the EU, following on from the first in 2003. This policy paper formally set China's EU policy target as the construction of the "four major partnerships" for peace, growth, reform and civilization.[55] Specifically, to (1) cooperate in reforms of the international order and international systems (partnership for peace), (2) work with the EU to bring the two major markets closer to build a China-EU community of interests (partnership for growth), (3) work with the EU and draw upon each other's research experience, share reform dividends, jointly improve the ability of reform and governance, and actively participate in the formulation of and reform of the rules of global governance (partnership for reform), and (4) bring the two major civilizations in the East and West closer and set an example of different civilizations seeking harmony without uniformity (partnership for civilization). China's ambitious goals implies its intention to increase the global impact of China-EU relations. This resulted in the formulation of this policy paper, in which the Chinese government demonstrated its intention to promote comprehensive and more concrete cooperation across ten areas.

Of course, during this period there were also trade disputes occurring between China and the EU over such matters as trade imbalances, dumping, and the EU's treatment of China as a Non-Market Economy (NME). However, China's stance of seeking to avoid disputes and its announcement of a comprehensive strategic partnership with the EU were also positively received in Europe, which was in the midst of a debt crisis.[56] In his meeting with President Xi, President Herman Van Rompuy of the European Council noted that the European economy was stepping out of recession and that it was vital for the EU to further push forward reform and enhance economic competitiveness in an all-round way. It was in this context that Van Rompuy expressed appreciation to the Chinese side for always supporting the Euro and European integration, adding that the EU "hopes to strengthen cooperation with China in a comprehensive manner."[57]

In addition, Beijing moved to strengthen its relations with EU member countries, among them Germany and the United Kingdom. At the end of March 2014 Chinese President Xi Jinping visited Germany, where the two leaders announced that they were upgrading bilateral relations to

an "all-round strategic partnership."[58] Until that point China had built a "comprehensive strategic partnership" with the EU and countries of Europe. The epithet being appended to "strategic partnership" with Germany was now not "comprehensive" but rather "all-round." The meaning implied by "comprehensive" was that the partnership encompassed a wide range of areas. An "all-round" partnership on the other hand indicated a partnership that in addition to a broad range of areas for cooperation, focused on the formation of "strategic interactions."[59] In October the same year the governments of both countries formulated the Program of Action for China-Germany Cooperation, agreeing on 110 items for advancing bilateral cooperation in a variety of areas, including politics, security, economy, science and technology and culture.[60] It was actually the case that bilateral relations made remarkable progress. It has been noted that the primary outcome of what Chinese strategists referred to as an "all-round strategic partnership" was that China and Germany came to mutually regard each other as states with major regional and global influence, and this spurred cooperation in areas where both countries bear a joint responsibility for the stability of the international order and international systems.[61] Economic outcomes were also significant. In 2016 China became Germany's largest trading partner, accounting for one-third of total China-EU trade. This was also larger than the combined total of China-UK and China-France trade.

In terms of the growing closeness of China-UK ties, there is a strong sense that it was the UK that was making overtures to China. In October 2015 President Xi Jinping visited the UK. The Joint Declaration that was issued following a summit meeting between Xi and UK Prime Minister David Cameron referred to a "golden era" of relations opening up.[62] During this visit almost £40 billion worth of deals between the two countries were concluded.[63] In the year prior to the visit the two governments had confirmed their intentions to engage in large-scale investment, and at the time of Xi's visit these intentions were made concrete with agreements to engage in cooperation on large-scale and long-term projects, including Chinese investment in nuclear power station construction in the UK, the joint development of Liquefied Natural Gas (LNG) and overseas oil fields, and the participation of Chinese companies in the construction of high-speed rail in the UK. The characterization of this era as a "golden era" is said to have been originally proposed by the UK side.[64] The Cameron administration considered it to be important to extricate the UK from traditional structures of dependency on European markets and instead look to enhancing relations with emerging markets, including those in Asia. Chancellor of the Exchequer George Osborne stated that the British economy should develop in a way that is more export-driven, adding that, "I think exports to an economy the size of China is one place we should be looking."[65] Symbolic of such moves was the announcement by the UK in March 2015 that it intended to become a prospective founding member of the AIIB. This prompted a rush of European countries to express their intention to join the AIIB, including France, Germany, Italy and Luxembourg, with the result that of the 57 founding members of the AIIB, 20 were European countries, and of those 14 were EU members.

One point that should be noted at this point is China's cooperative relations with the Central

and Eastern European Countries (CEECs). In 2011 Premier Wen Jiabao visited Hungary, where he attended the first China-CEEC Economic and Trade Forum. In April 2012 the first China-CEEC Summit was held in Poland, which was also attended by Wen Jiabao. This dialogue framework would subsequently come to be known as the 16+1, but at its inception it was not called as such, being positioned by China as a platform for "pragmatic cooperation" in order to promote trade and investment relations.[66] When launching efforts to cooperate with the CEECs, there were voices in China that pointed out the need to proceed with caution. This was in particular because of the possibility that any attempt by China to invigorate its economic activities in the region, and in so doing expand its influence, might provoke a negative reaction from the EU and some member countries. It was in consideration of such a possibility that when compiling the joint communique of the first China-CEEC Summit held in 2012, China and CEECs consulted in advance with the EU about a draft communique. It is said that the EU was opposed to the framework becoming "permanent" or "institutionalized."[67]

Notwithstanding the concerns of the EU, Beijing pressed ahead with efforts to institutionalize China-CEEC cooperation. In September 2012 the Secretariat for China-CEEC cooperation was established in Beijing and the first National Coordinators' Meeting was held.[68] This secretariat was placed within the PRC Ministry of Foreign Affairs' (MFA) Department of European Affairs, with senior posts under the Secretary-General being assigned to senior officials in the MFA.[69] At the second China-CEEC summit meeting in November 2013 parties agreed to hold a summit meeting to review cooperation achievements and set the direction for future cooperation.[70] At this summit meeting Premier Li Keqiang elicited three principles for advancing China-CEEC cooperation, which were: (1) mutual respect and equal treatment; (2) mutual benefits, win-win results and common development; and (3) moving in the same direction as China-EU cooperation. Based on these principles Li put forward a six-point proposal to: (1) intensify economic trade and cooperation; (2) speed up connectivity; (3) enhance green cooperation; (4) expand financing channels; (5) further tap into potential cooperation at the local level; and (6) enhance people-to-people and cultural exchanges.[71] When Beijing started to institutionalize cooperation with the CEECs, the main objective was the development of trade and investment relations. In other words, it can be understood as an extension of economic diplomacy.

A turning point came at the fourth China-CEEC summit meeting in November 2015 in Suzhou. In a meeting with CEEC leaders Chinese President Xi Jinping referred to the framework as

"16+1" cooperation, noting that a "new path" for development of China's relations with its traditional friendly partners had been opened up, an "innovative practice" for China-EU relations had been adopted, and that a "new platform" of South-South cooperation had been established.[72] In addition, the Chinese government had announced its "Vision and Actions" for the BRI in March 2015 and Xi observed that the first challenge would be to fully connect the 16+1 cooperation with the BRI construction.[73] The medium-term agenda relating to 16+1 cooperation that was adopted at the summit meeting set out the objectives of the 16+1 as being to make full use of the opportunities offered by the BRI to steadily expand cooperation and in turn contribute to the BRI.[74]

In 2015 the Xi Jinping leadership clearly positioned the BRI as one means of reforming the global governance system. During an October 2015 study session of the CPC Politburo was held on global governance at which Xi emphasized the importance of "developing the global governance system in a more fair and rational direction, and creating more advantageous conditions for China's development and global peace."[75] One element that is considered to be central to this process is the development of emerging and developing countries, which would further enhance such countries' international influence. This objective was duly appended to the BRI. This was the context in which Xi Jinping positioned 16+1 cooperation, and China moved to further boost its involvement in the Central and Eastern European region, with the outcomes of 16+1 cooperation being used as a model for global governance and new state relations.[76]

However, China's active moves to advance into Europe caused a sense of alarm within the European region.[77] Although this alarm was expressed in various ways on the part of Europe, there is heightened concern about the security implications of China entering strategic European industries. In 2016 the German robotics group Kuka was bought out by a Chinese company. Kuka's technologies are believed to be used in the construction of fuselages for the U.S. military's F-35 stealth fighter, and worries about the outflow of technology to China heighted in both Europe and the United States.[78] This prompted Germany to tighten its acquisition screening measures in 2017 and the EU also initiated moves to introduce a screening system. There was also a growing view in Europe that the development of 16+1 cooperation and the CEECs increasing economic dependence on China could challenge the integrity of the EU. For example, it was noted that China's economic presence was expanding in the "Visegrád Four" (V4) group of countries (Slovakia, Hungary, the Czech Republic and Poland), and that the V4 group and Germany "have become much more independent of intra-European trade."[79]

In December 2018 China issued its third policy paper on the EU.[80] This paper could be said to take into account the growing sense of alarm in the EU about China's actions. The 2018 paper reconfirmed the objectives of building the "four major partnerships," which had been set out in the policy paper of 2014, and emphasized that China's stance is "support the European integration process." In other words, China's policy towards Europe sought to maintain a balance, and the paper itself noted that China "remains committed to developing ties with EU institutions, member states

and other European countries in a comprehensive, balanced and mutually reinforcing manner." With regard to 16+1 cooperation it was first noted that, "Based on common interests and needs, China and the CEECs have conducted win-win, open and transparent cross-regional cooperation," after which the paper declared that the support and constructive participation by the EU and other parties would be welcomed.

For China the importance of relations with the countries of Europe, including the EU, is already no longer limited to merely the context of economic diplomacy. China has positioned the EU in particular as an "indispensable partner" for building a "new type of international relations" and "a community with a shared future for mankind." The results of China's active engagement with Europe have not been insignificant. On the other hand, China still faces the challenge of how to manage negative reactions to its expanding influence in Europe.

3. The Belt and Road Initiative and International Security

(1) Role of the People's Liberation Army

The expansion of China's influence under the banner of the BRI is unequivocally focused on economic concerns. China has positioned the BRI as a "road for peace" and a "road for prosperity." At the opening ceremony of the first Belt and Road Forum for International Cooperation held in May 2017 President Xi Jinping stated that the BRI was a "road for peace," and emphasized that China would work with all countries and regions to "forge partnerships of dialogue with no confrontation and of friendship rather than alliances."[81]

As the BRI progressed, so too did China's "overseas interests" rapidly expand. Accordingly, the Chinese government was required to engage in new initiatives. As Premier Li Keqiang noted, the Chinese government would "move faster to strengthen our capacity for safeguarding China's overseas interests."[82] Moreover, at a symposium held in August 2018 to mark the fifth anniversary of the BRI, Xi Jinping referred to "key issues" such as risk management and safety relating to the BRI project, noting that "high attention must be paid to forestalling risks overseas" and that "every effort must be made to comprehensively improve capacity to respond to overseas safety and risks."[83]

Such initiatives can be expected to include measures to enhance military strength and also expand China's military presence overseas. In the *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018* released by the U.S. Department of Defense, the BRI is mentioned together with the following observation. "The growth of China's global economic footprint make its interests increasingly vulnerable to international and regional turmoil, terrorism, piracy, serious natural disasters and epidemics." The result of this vulnerability is the need for the PLA to respond to such threats, and there is a possibility that China could access

infrastructure that would “allow it to project and sustain military power at greater distances.”[84]

As the BRI has continued to take a tangible form, there has also been discussion domestically in China about its security aspects. In December 2015, the PLA National Defense University held a symposium on the security dimensions of the BRI. The symposium was attended by experts from the military, state organizations, companies and think tanks, who discussed the security-related risks for the BRI and how best to tackle them.[85] At this gathering many of the participants referred to the importance of the role of the military in the context of responding to security risks for the BRI. For example, Dr. Zhao Changhui, Chief Country Risk Analyst at the Export-Import Bank of China discussed the risks for the BRI from the perspectives of international security, geopolitics, safety and politics. Furthermore, while one of the basic premises discussed at the symposium was for companies that were expanding overseas to improve their capacity to prevent or control risks, the importance of improving intelligence and the “role of the military” was also noted in order to deal with security risks.[86]

The required role of the military was comprised largely of the following two points. Firstly, the BRI entails the construction of critical infrastructure, particularly overland, including energy, transport and communications-related infrastructure, the protection of which presents a major challenge. Dr. Sun Xiansheng, President of China National Petroleum Corporation (CNPC)’s Economics & Technology Research Institute, having first noted the security risks associated with overseas projects in the oil and natural gas sectors, proposed the need for greater coordination between government departments, including the PLA and companies, concerning the collection and provision of safety information relating to overseas projects, and also the provision of safety training to company personnel and the provision of related equipment.[87]

The second point is the role of the PLA in external negotiations to secure the safety of the BRI. Many of the countries incorporated into the BRI project are developing countries and the military plays a relatively large role in maintaining political and social stability in these countries. In negotiations relating to the establishment of a Special Security Division (SSD) in Pakistan for the purpose of protecting critical infrastructure and Chinese companies involved in the China-Pakistan Economic Corridor (CPEC), which is considered one of the flagship projects of the BRI, the Pakistani military and intelligence authorities indicated their desire to build direct cooperative relations with the PLA. The negotiating counterpart on the Chinese side was not a government or military agency, but rather the China Overseas Interests Protection Center. This center appears to have liaised with the military and intelligence authorities of countries other than Pakistan about the protection of China’s “overseas interests,” a number of which are thought to have indicated a similar desire to interact directly with the PLA.[88]

In addition to responding to these individual security risks, in the general context of expanding “overseas interests” the necessity has been highlighted for overseas bases of the PLA, particularly naval bases. In August 2017 China’s first overseas base began operation in Djibouti. This base is

termed a "logistical base," and Chinese government explained that it would provide effective support to the Chinese military's naval escort, peacekeeping and humanitarian missions in Africa and western Asia, in addition to which it would be also utilized for international military cooperation, joint exercises, emergency evacuation and overseas rescue.[89] Following the start of operations at this naval base in Djibouti, the strategic functions of overseas bases came to be referred to in positive terms among Chinese scholars, in the context of ensuring safety of the BRI and in particular the Maritime Silk Road and providing international public goods.[90] For example, experts at the PLA Naval Command College had the following to say:[91]

> As well as starting to bear increasingly large international responsibilities, China is also charged with the task of protecting its overseas interests. This requires China's armed forces to "go out" more quickly and efficiently, and for the PLA to execute its duties in ever broader spheres and spaces to protect peace and development. In that sense the construction of overseas bases will likely provide the most effective strategic assistance to China's armed forces "going out" and it is an inevitable choice in order to realize the dream of a great power and the dream of building a powerful military.

For many years China has adhered to the principle of non-interference in others' internal affairs. The possession by the nation's military of bases overseas had also previously been opposed as part of the principle of non-interference. The principle was that China would not station troops overseas, nor would it construct military bases. Naturally, this is a declared policy of the PRC, therefore does not necessarily require any clear legal basis. The National Defense Law of the PRC is the basic law that governs national policy on defense and it contains no provisions that directly prohibit the establishment of military bases overseas.[92] In recent years Chinese legal scholars have emphasized that the law provides legitimacy to establishing bases overseas. In other words, given that Article 28 of the abovementioned law stipulates that, "The State, in light of the need of defense of the frontiers, seas and air space, has *defense installations built* for military operation, command, telecommunications, protection, traffic, logistics, etc." (italics added by author for emphasis), then if activities are to be implemented based on the five principles of peaceful co-existence and in compliance with international law (as set forth in Articles 65 to 67), then it can be understood that it is possible for China to establish military bases overseas.[93]

However, it will likely not be a simple matter to normalize the overseas deployment of the PLA through the construction of military bases under the pretext of responding to BRI-related security risks. First and foremost, the objectives and means do not match. Many "overseas interests" that need protecting are economic in nature. In other words, there is a significant disjoint between the "objectives," which could be described as non-traditional security, including responding to economic losses brought about by terrorism, etc., and protecting critical infrastructure and ensuring people's

safety, and the “means,” which involves the use of military forces deployed for the primary purpose of engaging in traditional security safeguards. Furthermore, military experts in China have observed that the power projection capabilities of the PLA are still insufficient, which limits overseas deployment. The Djibouti naval base is also likely a part of efforts to enhance Chinese naval presence, predominantly in the Indian Ocean.[94] However, in its current state the base lacks sufficient naval berthing spaces, and it is believed that there will be limits to the degree to which China can use the Djibouti base to continue to enhance its military presence across a broad area beyond the Indian Ocean region.[95]

While observing such points, many Chinese domestic experts emphasize the difficulty of “normalizing overseas military deployment,” concluding that such deployment would “not lead to effective long-term protection for China’s overseas interests.”[96] Although PLA officials do not deny the possibility of further overseas deployment of units, they are cautious about the means to implement such deployment. At the abovementioned symposium held by the PLA National Defense University a participant who was then a member of the General Staff Department spoke about “advancing the military ‘go out’ strategy steadily and moderately.”[97] Behind this cautious statement lies the dilemma that is vexing China’s leadership and military authorities, namely, how to balance domestic and external factors. Given the deep-seated suspicion in the international community concerning the overseas deployment of the PLA, any hasty moves to deploy would provide the excuse to expound the “China threat” theory. Conversely, and as the participant at the symposium stated, if the “go out” strategy for the PLA makes only laggardly progress and momentum is lost, then the military will be unable to respond to the ever-growing need to protect national interests. It can well be said that China’s leadership and military authorities face the difficult challenge of how to respond to rising domestic expectations for the PLA, without provoking international concerns about any threat posed by China.

(2) Advances in Functional Cooperation

While it is recognized that the role of the military will remain limited for the time being in regard to responding to security risks relating to safeguarding overseas interests and the BRI project, the need for risk management continues to increase. As already noted, Xi Jinping has himself referred to the necessity to “comprehensively improve capacity to respond to risks.” On this point something that is gaining attention is China’s moves to engage in functional cooperation in the field of law enforcement in Eurasia.

In September 2015 representatives of law enforcement agencies of 12 countries, including China, together with representatives of the SCO Regional Anti-Terrorist Structure (RATS) and the International Criminal Police Organization (INTERPOL), met in the port city of Lianyungang in Jiangsu Province to hold the “International Law Enforcement Cooperation Forum on Secure Corridor of the New Eurasian Land Bridge” (Lianyungang Forum). The participating organizations

confirmed their shared goals as being to move to institutionalize the forum and respond to cross-border crime and terrorism, and confirmed a common vision to seek to construct a practical cooperation mechanism and improve response capacity. To achieve these goals it was noted that it was critical to build law enforcement capacity, for which China announced that it would establish the New Eurasian Land Bridge Law Enforcement Security Cooperation Training and Research Center in Lianyungang, receiving the support of participating countries and organizations.[98]

Thereafter the Lianyungang Forum moved towards becoming institutionalized. The annual meeting became a regular event and when the second annual meeting was held in September 2016 it was attended by 31 countries and three international organizations, with the level of participation also being raised to the vice-ministerial level. The third annual meeting in December 2017 was attended by 33 countries and three international organizations and the September 2018 fourth meeting saw representatives of 30 countries and four international organizations gather in Lianyungang.

From the third meeting onwards the forum members started to discuss the modalities for cooperation on more specific issues. During the third meeting, members that had participated from the first meeting (China, Russia, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan) and one country that was participating for the first time (Myanmar), held the First International Cooperation Conference on Transnational Oil and Gas Pipelines Security and issued a joint statement. The statement confirmed that the participants had reached consensus on: (1) establishing an international cooperation platform for transnational oil and gas pipeline security as a mechanism of the Lianyungang Forum and holding annual meetings; (2) building mechanisms for regular consultations, information exchanges, risk evaluations and emergency response, and mechanisms to facilitate cooperation between law enforcement agencies and companies; (3) conducting bilateral and multilateral joint enforcement actions and joint exercises as appropriate and establishing offices to enable cooperation between police forces and companies in critical areas for pipelines; and (4) strengthening the security capacity building and cooperation for transnational oil and gas pipelines. Furthermore, China expressed its willingness to provide assistance for capacity building.[99] At the fourth meeting in 2018 a Ministerial-level Round-table on Building Law Enforcement Capacity towards the Future was held, resulting in the formation of consensus at a high level. Also at the fourth meeting a sub-forum at the director-general-level on international cooperation among law enforcement agencies was held, which agreed to establish a director-general-level liaison mechanism relating to international cooperation.[100] It was also agreed to establish a governing board and executive committee for the forum, thus further advancing its institutionalization. An exhibition was also held in tandem with the forum, which provided an opportunity for business talks on police equipment, including for use in counter-terrorism activities, as well as safety equipment.[101]

The provision by China of capacity building training has already started. In May 2017 training was provided to police officers from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Belarus.[102] From the end of June to July 2018 specialized training on safety for pipelines was

Table 1.1 Annual Meetings of the Lianyungang Forum

	First	Second	Third	Fourth
Year	Sep. 2015	Sep. 2016	Dec. 2017	Sep. 2018
Participating Countries	12 countries, 2 international organizations	31 countries, 3 international organizations	33 countries, 3 international organizations	30 countries, 4 international organizations
	China, Russia, Italy, the Netherlands, Republic of Korea, Poland, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan	China, Russia, Italy, the Netherlands, Republic of Korea, Poland, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Angola, Austria, Bulgaria, Belgium, Bosnia and Herzegovina, Germany, France, Fiji, Ghana, Czech Republic, Georgia, Kenya, Estonia, Latvia, Lithuania, Romania, South Africa, Nigeria, Serbia, Slovakia	China, Russia, Italy, the Netherlands, Republic of Korea, Poland, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Angola, Bosnia and Herzegovina, Germany, Fiji, Latvia, Nigeria, Serbia, Argentina, Pakistan, Ecuador, France, Cambodia, Madagascar, Mongolia, Bangladesh, Myanmar, Portugal, Japan, Saudi Arabia, Sri Lanka, Spain, Iran, Indonesia	(Not announced)
Participating International Organizations	Shanghai Cooperation Organization Regional Anti-Terrorist Structure (SCO-RATS) International Criminal Police Organization (INTERPOL)	SCO-RATS INTERPOL European Police Office (EUROPOL)	SCO-RATS INTERPOL Lanchang-Mekong Integrated Law Enforcement and Security Cooperation Center (LMLECC)	SCO-RATS INTERPOL EUROPOL LMLECC
Composition of Annual Meeting (Major components)	(1) Plenary meeting (2) Police Equipment and Public Security Facility Exhibition (3) Observation of Anti-terrorism Emergency Drill	(1) Plenary meeting (2) Police Equipment and Public Security Facility Exhibition	(1) Plenary meeting (2) First International Cooperation Conference on Transnational Oil and Gas Pipelines Security (3) Police Academy Presidents Sub-Forum (4) Think Tank Sub-Forum (5) Police Equipment and Safety Facility Exhibition	(1) Plenary meeting (2) Round-table on Building Law Enforcement Capacity towards the Future (ministerial level) (3) Sub-forum at the director-general-level on international cooperation among law enforcement agencies (4) "Cooperation for Security, Security for Prosperity" Sub-Forum (5) Police Equipment and Safety Facility Exhibition
Major Outcomes	Five-point Joint Vision	Five-Point Action Plan	(1) Joint Statement of the Lianyungang Forum (2) Joint Statement of the First International Cooperation Conference on Transnational Oil and Gas Pipelines Security (eight countries)	
Notes		Raised to vice-ministerial level		Participation of ministerial-level delegates

Sources: Lianyungang Forum Official Website (http://1041112.ycwlkeji.com/index.php); 江苏法制报 [*Jiangsu Legal Daily*], September 25, 1015; 连云港日报 [*Lianyungang Daily*], December 12, 2017; Liao Jinrong, "4th Lianyungang Forum," August 1, 2018; 人民公安报 [*China Police Daily*], September 12, 2018; 江苏法制报 [*Jiangsu Legal Daily*], September 13, 2018; 连云港论坛秘书处 [Lianyungang Forum Secretariat], "感谢信 [Thank-you Letter]," September 21, 2018; 人民网 [*Renminwang*], October 30, 2018; 张敏娇 [Zhang Minjiao], "30国齐聚连云港论坛: 加强国际执法安全合作 共同提升执法能力 [30 Countries Gather at the Lianyungang Forum: Strengthening International Law Enforcement Cooperation and Jointly Improving Law Enforcement Capacity]," 现代世界警察 [*Modern World Police*], No. 10 (2018), pp. 10-12.

conducted at the Lianyungang City Police Training School for specialists from Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan and China.[103] Up until September 2018 more than 30 training courses for overseas police officers had been conducted, with a total of more than 400 participants.[104]

The Lianyungang Forum has very strong characteristics of being a body originally established as a local initiative. At the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA) held in Shanghai in May 2014 President Xi Jinping called for efforts to "foster sound interactions and synchronized progress of regional economic cooperation and security cooperation," noting that, "China is ready to discuss with regional countries the creation of an Asian forum for security cooperation in law enforcement and an Asian security emergency response center to deepen security cooperation in law enforcement."[105] Quick to respond to these comments was the Lianyungang Municipal Public Security Bureau, from a city that serves as a logistics hub for the BRI. The Lianyungang Municipal Public Security Bureau proposed the establishment of an international forum to higher authorities, given what it perceived as the increasing security-related pressures brought on by advances in the construction of the BRI.[106] This proposal was approved by the Ministry of Public Security, leading to the establishment of the Lianyungang Forum.

Secretariat of the Conference on Interaction and Confidence Building Measures in Asia (CICA), situated in Nur-Sultan, Kazakhstan. (Photo: Masayuki Masuda)

As the Lianyungang Forum continued to develop, central leadership moved to strengthen its position. In October 2016 the forum was positioned as a "state strategic platform" and in March 2017 it received approval from interagency coordinating bodies under the State Council as a "body to supplement the blanks in BRI security-related areas."[107] In September 2017 President Xi Jinping gave a keynote speech at the opening ceremony of the 86th INTERPOL General Assembly in Beijing, in which he stated that, "China has actively participated in global law-enforcement cooperation and global security governance and issued proposals." One of the examples he cited in this context was the establishment of the Lianyungang Forum.[108] China's public security authorities are also confirmed to be further strengthening international cooperation in law enforcement. At the end of February 2019 in a meeting attended by public security officials from all regions of China, Wang Xiaohong, Executive Vice Minister of Public Security, called for comprehensive deepening of practical cooperation in all fields through the implementation of international law enforcement cooperation, noting

that the provision of training to police officers of other countries would be enhanced, as part of "ceaseless efforts to enhance the international influence of China's public security activities."[109]

The major regions to which China has provided law enforcement cooperation through the Lianyungang Forum to date have been predominantly the countries of Central Asia that are linked by oil and natural gas pipelines. Wang Yongsheng, Deputy Mayor of Lianyungang and Chief of the Lianyungang Municipal Public Security, has stated that in the future in addition to pipeline safety, practical cooperation will be expanded to also include rail logistics and port security as priority areas.[110] If that is the case, there is a high possibility that the countries and regions that receive law enforcement cooperation under the auspices of the Lianyungang Forum will expand in the future as the areas for cooperation increase.

Such functional cooperation has been formed according to necessity among nations that share interests. In contrast to the overseas deployment of the PLA, it is unlikely that such developments will arouse negative reactions in third countries or the international community. Furthermore, as the institutionalization of the Lianyungang Forum has progressed it has had the added benefit of increasing opportunities for dialogue and consultation among participating countries and international organizations, thus enabling the formation of more specific agreements. For example, at the first International Cooperation Conference on Transnational Oil and Gas Pipelines Security in 2017 not only did the eight participating countries issue a joint statement, a more specific agreement was reached between China and Russia, with both countries signing a Transnational Oil and Gas Pipelines Security Cooperation Protocol.[111] From this perspective the countries and organizations involved in the Lianyungang Forum view it in a positive light.[112] It can be said that a functional network for ensuring safety and security is gradually being formed across Eurasia.

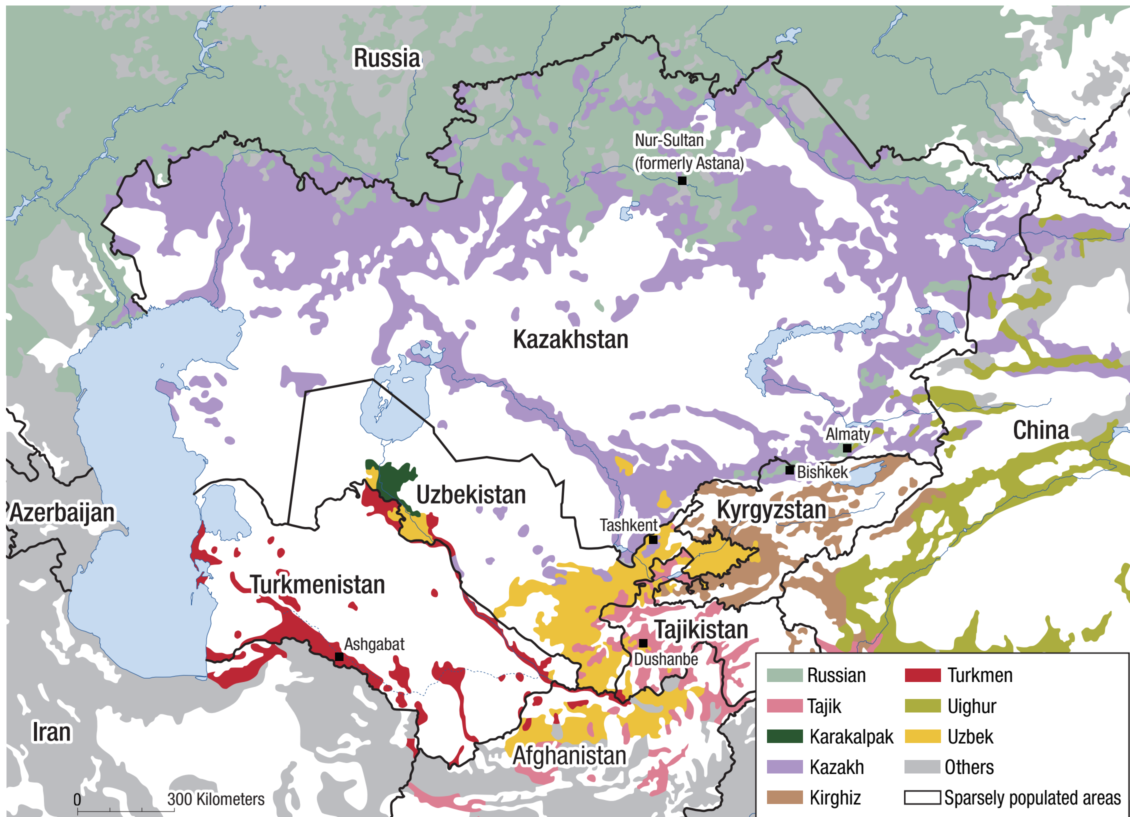
(Author: Masayuki Masuda)

Chapter 2
The Growing Influence of China as Seen from Central Asia and Russia:
Cooperation in Eurasian Space and Pursuit of Autonomy

Hiroshi Yamazoe

1. The Post-Soviet States and the Concept of Eurasia

Figure 2.1 Distribution of the Major Ethnic Groups in Central Asia



Source: Compiled by the author, based on United States Central Intelligence Agency, "Major Ethnic Groups in Central Asia," 1993.

(1) Rule of Central Asia by the Russian Empire and the Soviet Union

This chapter deals with the states in the Central Asia region located west of China, as well as Russia, and discusses the significance of these countries in China's foreign policy. The Central Asia region is composed of the five countries of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, which are new countries that emerged after the dissolution of the Soviet Union in 1991. To understand the current state of these five countries and China, the section below will briefly touch on their history.

The current territories of the five Central Asian countries and the territory of China were not originally clearly separated but were rather in a continuous space, and there are cases even now of people living on both sides of borders sharing identities. Former oasis cities in the south of this region (Kashgar, Samarkand, Bukhara, etc.) were within Persian language and culture spheres, spreading to the current territories of Iran, Afghanistan, Pakistan, and India ("stan," meaning land, derives

from the Persian language). Because the Turkic nomadic power moved south from the steppe area, ruled, and assimilated into the oasis cities, the region is widely known as "Turkestan." Although the geography tended to be separated into the east and west sides of Turkestan, cultural similarities still remain due to the coming and going of people and goods, and some states in history extended their rule across both sides of Turkestan.

The current dividing line between the east and west of Turkestan mostly stems from the establishment of the rules by the Qing dynasty and the Russian Empire by the 19th century. The Qianlong Emperor of the Qing dynasty in the 18th century, in a struggle over the legitimate authority as the Great Khan in the steppe, overthrew the Dzungar Khanate and turned the lands it had ruled into "Xinjiang" under the Qing. During the mid-19th century, the Russian Empire subdued the Kazakh Khanate, and later its advance to the south resulted in western Turkestan becoming part of Russia. A border had not been established in the Eurasian Steppe between the Russian Empire and the Qing dynasty for a long time, but delegations from both countries conducted a field survey in accordance with the Convention of Peking in 1860, and a border treaty was concluded in 1864. In the process regarding the border treaty, the Russian side promoted setting the national border based on geography rather than on where the local peoples lived and moved, and therefore, both sides of the border became inhabited by Kazakh nomads.[1] Later as well, the issue of the lack of stability for the national border and citizens' residence areas continued due to the emergence of the rule of Yaqub Beg that expanded its dominion from the Central Asia side to Xinjiang, the border revision due to the occupation of the Ili region of Xinjiang by the Russian military, and mass migration to the Russian Empire's territory by citizens accompanying the Muslim uprising in the northwest domain of the Qing dynasty.[2]

Following the Bolshevik Revolution in 1917 and the establishment of the Soviet Union in 1922, the modern ethnic groups and five Soviet republics were also formed in Central Asia. Although the process involved the development of identities and the actions of political leaders in each area,[3] the entire system of politics and society was formed and established mostly under the central control of Moscow. In addition, the local inhabitants received training as citizens and workers of modern industrialized nations under the Soviet system. Under the communist ideology, the role of religion was restrained, nomadic lifestyles were changed to settled ones, livestock and farming livelihoods were forcibly transferred to commercial production under the national distribution system, and the newly adopted industrial society transformed regional resource utilization methods.

Phenomena extending across the Central Asia region and China were also seen during the time of the Soviet Union. In the 1920s, Xinjiang lacked well-connected transportation and the sense of unity with eastern China; it rather actively engaged in trade with the Soviet Union due to a trade agreement between the two, and goods from the Soviet Union were in circulation.[4] During the Great Purge in the 1930s, some people fled from the Soviet Union to Xinjiang. The Xinjiang Uyghur Autonomous Region was established in 1955 under the People's Republic of China. In the 1960s, the Soviet Union and China advanced border negotiations for the eastern and western parts

of China while having ideology disputes. Amidst this, 67,000 people fled from the Xinjiang Uyghur Autonomous Region to the Soviet Union in 1962, and the Sino-Soviet bilateral relations cooled.[5] A conflict eventually arose between border troops at Zhenbao/Damansky Island on the eastern sand-bank of the Ussuri River in March 1969, while a conflict also occurred in the western part in August within the border area between the northern part of the Xinjiang Uyghur Autonomous Region and the Kazakh Soviet Socialist Republic. Both conflicts resulted in casualties. Following this, with China afraid of the militaristic mechanization of the Soviet Union and the Soviet Union afraid of China's massive military manpower, both sides stationed heavily-armed troops in the border area, leading to a period of continued severe confrontation, being square off against each other for close to 20 years.

In 1989 Soviet General Secretary Mikhail Gorbachev visited Beijing, and achieved reconciliation by accepting China's demands. However, following the dissolution of the Soviet Union in 1991, its constituent republics became independent, and many of them formed the Commonwealth of Independent States (CIS). Although the CIS initially aimed to maintain specific joint functions, it has gradually shifted its function to the role of a dialogue framework. The Collective Security Treaty concluded in 1992 to maintain security cooperation within the CIS sphere transitioned into the Collective Security Treaty Organization (CSTO) in 2002, and its member states as of 2019 are Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan.

The five republics in the Central Asia region were formed on the premise of being under control by Moscow during the time of the Soviet Union, and suddenly in 1991 turned into independent states. Therefore, while they maintain strong connections with Moscow, relations between the countries in the region did not become close for a long time. The border lines established by the Soviet Union divided the Fergana Valley in a complex way among Kyrgyzstan, Tajikistan, and Uzbekistan, which has caused a serious ethnic conflict.[6] Confrontations over the control of water resources have also long continued between Kyrgyzstan and Tajikistan, which are located upstream of the river, and Uzbekistan, which is located downstream. The Central Asian countries have major trade with Russia, and in 2013, trade among the countries in the region only amounted to 6.2% of the total.[7] In the case of Kyrgyzstan and Tajikistan, the amount of remittances by their nationals who work in Russia using the Russian language accounted for a considerable proportion of the countries' gross national incomes, peaking at 31.1% in 2013 for Kyrgyzstan and 49.3% in 2008 for Tajikistan.[8]

What should be confirmed from the above historic background is the connection between the Central Asia region and Russia. Despite some negative memories of the Soviet Union possessed by the residents of Central Asia, it was easier for the Soviet social system, education, and culture to be internalized and established in Central Asia as the modern civilization that appeared in a stratified way following ancient nomadic culture, oasis culture, and Islamic civilization, in comparison with European tradition in the three Baltic states. In addition, the reality is that the bureaucratic organizations and public safety agencies handed down from the Soviet Union mainly help maintain stable

rule through authoritarian systems, and practical relations and worldviews remain still common through the Russian language.[9] In addition, from the perspective of Xinjiang, the Central Asia region has been the area whose inhabitants are connected racially and culturally, and stability crossing national borders has been often shaken. To China, Central Asia is an important neighbor in terms of maintaining its domestic stability, and it is necessary to pay attention to the connection with Russia and maintain relations with Central Asian countries.

(2) The Concept of "Eurasia" and the Eurasian Economic Union

The concept of "Eurasia," which stems from the connection with Russia, maintains influence in the Central Asia region. The continent of "Eurasia" refers to a massive area of about 55 million square kilometers; but when talking as a political map, it covers diverse regions including East Asia, South Asia, the Middle East, and Europe, meaning it is difficult to think of it as a single region. However, there are many examples in the post-Soviet states of referring to the entire former Soviet region as "Eurasia," and area studies on this region in Japan and China often follow this as well. This also applies in this section in that "Eurasia" will be treated as being limited to the sphere that is self-proclaimed in the former Soviet Union region.

The concept of considering the former Soviet Union region to be Eurasia, that is, the area including Europe and Asia, goes back to the period of the Russian Revolution. The linguist Nikolai Trubetskoi, a Russian émigré in Western Europe, criticized treatment of Russia as a late addition to Europe, and asserted that Russia was a "Eurasian" country that had originally inherited both Asian and European civilizations. This view, then, became to be known as "Eurasianism."[10] In fact, the steppe area widely extends across the east and west of the continent, which became an integral part of Chinese history during the Ming and Qing dynasties.[11] Russia's contacts with the Qing dynasty and other steppe nomads were also an important axis for its history.

Although there was little attention to Eurasianism during the Soviet Union era, it was revived in a new form in Russia following the dissolution of the Soviet Union. Namely, the perception of an integrated Eurasia covering the former Russian empire and the former Soviet Union sphere frequently emerged, which led to many statements calling for promotion of integration projects to enhance unity of the region under Russian leadership. This is the political "Eurasianism" in modern Russia.[12] The term Eurasia also incorporated the hopes for Russia to insist on unity among former Soviet states, which have significant ethnic-Russian population, and increase influence in geopolitically important areas in Eastern Europe, the Caucasus Mountains, and Central Asia. In addition, Russians use such expression as "Russia is a Eurasian nation" to emphasize the distinction between Russia and Europe when they want to reject some specific standards which other Europeans demand.

However, the unique identity of "Eurasia" is not solely something for Russia to assert its leadership in the former Soviet space. President Nursultan Nazarbayev of Kazakhstan enthusiastically called for the promotion of integration in the Eurasian space in the beginning of the 1990s. He

advocated the establishment of a Eurasian Union to remove trade barriers between former Soviet countries, but at the time Russia could not afford to promote such an integration plan. He founded L. N. Gumilyov Eurasian National University in the capital city of Astana, which was named to memorialize the historian Lev Gumilev who reinterpreted the Russian and Soviet history as "Eurasia" to include inheritance of eastern and western civilizations in the late Soviet era. Nazarbayev intended to develop the newly independent country of Kazakhstan by connecting not only with Russia to the north but also to the east and west, and suggested characterizing the country with the name "Eurasia." While using the same term, "Eurasia," the implication in Kazakhstan was different from Russia. He persistently kept a stance of promoting integration that would ultimately not harm Kazakhstan's sovereignty, respecting Russia not as its suzerain but as its neighboring country, and being consistent in connecting Kazakhstan with Europe and East Asian countries.

When Russian President Vladimir Putin advanced an integration plan under the name Eurasia starting with the closer post-Soviet states, Kazakhstan President Nazarbayev also agreed on a Eurasian integration plan within a scope that complied with the above-mentioned stance. The Eurasian Economic Community was established in 2000 with member states of Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. With its development based on the Union, the Eurasian Customs Union was established between Belarus, Kazakhstan, and Russia in 2010, and tariffs were gradually eliminated. Furthermore, the same three countries concluded a treaty in May 2014 to establish the Eurasian Economic Union (EAEU) in January 2015. With two countries added to this, as of 2019 the five member states are Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia. Although Russia hoped to be the leading force for Eurasian integration, the decision-making of the EAEU was designed in such a way that it would not be concluded only with Russia's intentions. It is a union that ultimately has a scope agreed upon and hoped for by the main member states such as Belarus and Kazakhstan, and thus the reality of Eurasian integration will not lead to the path toward centralized rule by Moscow as it was in the former Soviet Union.

Russia's direction for its desired Eurasian integration had to be modified due to major diplomatic changes from 2013 to 2014. Ukraine, which decisively confronted Russia during the Ukraine Crisis, rejected the EAEU and concluded the EU-Ukraine Association Agreement, making the division between the West and Russia long-term and structural. Kazakhstan and Belarus, which have many Russian minorities, also had a heightened sense of caution about possible scenarios similar to an infringement by Russia on Ukraine's sovereignty, and the path toward political integration became distant.

Following this, President Putin has frequently called for "Greater Eurasia" (*Bol'shaia Evraziia* in the Russian language). This is an idea of realizing the "Greater Eurasia" through promoting the integration and cooperation not only by the former Soviet spaces of "Eurasia in a narrow sense," but also by the regional integration schemes such as the Shanghai Cooperation Organization (SCO), the Association of Southeast Asian Nations (ASEAN), and the European Union (EU). Putin advocated

this idea during his Presidential Address to the Federal Assembly at the end of 2015, at the St. Petersburg International Economic Forum in June 2016, and other occasions. However, all officials in the Putin administration do not consistently advocate it, and there have been no indications of any specific targets to be achieved or a path toward them.

In this way, the "Eurasia" called for by Russia has various implications and scopes, and different implications of "Eurasia" also exist in Kazakhstan and other former Soviet countries. Nevertheless, the word "Eurasia" still has a meaning as a symbol of the remnants inherited from the Soviet Union in these countries, and it seems that China is working to build relations taking this into consideration.

2. International Cooperation in Central Asia

(1) Cooperation for Regional Stability

One of China's first security issues in the post-Soviet era was about the border lines in relation to its neighboring states. The Soviet Union and China achieved a reconciliation during the time of General Secretary Gorbachev and border negotiations were resumed. As a result of adopting the principle of making the major river routes the national borders, an agreement was reached on most borders, and the 1991 Sino-Soviet Border Agreement was concluded. However, the Soviet Union collapsed at the end of the year, and China's negotiation counterparts for the remaining disputed areas became the four new states of Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. All five countries gathered in Shanghai in 1996 to discuss the border issues, and were known as the "Shanghai Five." They took the time to achieve agreements regarding border demarcations, border troop reduction, and confidence-building.

In 2001, the Shanghai Five formed the Shanghai Cooperation Organization, which Uzbekistan also joined. This organization then became a forum for handling extensive issues including counter-terrorism cooperation and economic issues mainly in the Central Asia region. Tashkent, the capital city of Uzbekistan, has hosted the headquarters of the Regional Anti-Terrorist Structure (RATS) of the SCO since 2004, and has become an information-sharing hub for counter-terrorism measures. The member nations at the time set "terrorism, separatism, and extremism" as their shared threats, and prioritized achieving stability through authoritarian systems, rather than promoting ethnic rights and political freedom that might foster those threats. Later, two South Asian countries joined the SCO in 2017, making the total of the member states eight, which are India, Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, China, Pakistan, and Russia.

Security cooperation beyond counter-terrorism is also carried out under the SCO framework. The "Peace Mission" joint military exercises have become military exercises with a scale exceeding counter-terrorism measures, while it has also become opportunities for land-based military exercises

between the two major countries of China and Russia as well as confidence-building opportunities including the other member nations. India and Pakistan participated in the Peace Mission 2018 exercise, and Uzbekistan dispatched observers rather than troops.

Terrorism has been a major issue concerning the Central Asia region, but what is the level of terrorism risks in the region today? According to the Global Terrorism Index from the Institute for Economics and Peace (IEP), the terrorism risk level ranks Afghanistan second, Russia 34th, China 36th, Japan 67th, Tajikistan 74th, Kazakhstan 75th, Kyrgyzstan 80th, Uzbekistan 132nd, and Turkmenistan 138th.[13] In the 1990s terrorist activities were serious due to the political instability and the fundamentalist Islamic revival in the Central Asia region, but now these ranks indicate that the later governmental regulation and stability as well as counter-terrorism measures have lowered the risk level in the region. The Islamic Movement of Uzbekistan (IMU) is one of the few religiously-motivated violent organizations from the region, but its power has declined and its activities are now centered in Pakistan and Afghanistan.[14]

However, there are hotbeds of extremism in Central Asian countries; due to many cases of people from this region joining and participating in terrorist organizations in other countries, there is significance for international cooperation regarding terrorism countermeasures. For example, there are young people from Central Asia, who fell into poverty after they migrated to Russia to work there, being recruited by extremists, and they have been participating in destructive activities in the south of Russia and the Middle East. It is reported that the suspects in the bombing of Istanbul Airport in June 2016 were nationals of Russia, Uzbekistan, and Kyrgyzstan with a history of activities within Russia and Syria.[15] Russia and China, where these activities have resulted in major destruction, have a strong motive for international cooperation on terrorism countermeasures, and Central Asian countries do such cooperation to respond to the interests of the two big neighbors, as well as to prevent terrorism participants from returning to their countries and deteriorating the public order.

In addition to improving public order through such security cooperation extending over the entire Central Asia region, China has also put efforts into cooperation concerning the specific location of the Badakhshan region that is adjacent to China and extends over Afghanistan and Tajikistan. In August 2016, chief-of-staff-level military leaders from Afghanistan, China, Pakistan, and Tajikistan met in Urumqi, the capital of the Xinjiang Uyghur Autonomous Region, and the four countries established a coordination mechanism for information-sharing, capacity building, training, and other purposes related to counter-terrorism.[16] In the strategic studies community in Kazakhstan, the idea has emerged that the "division of labor" model, in which China has the initiative only in economy, is no longer practical, and there is a possibility that Russia will lose its preferential position for security maintained in the former Soviet states.[17] Furthermore, there is also an opinion that, while China is careful not to threaten Russia's security role, it commenced cooperation with individual countries, considering the existing CSTO and SCO insufficient to achieve China's security benefits.[18]

Figure 2.2 The Outpost of the People's Liberation Army within the Territory of Tajikistan

Source: Compiled by the author, based on Gerry Shih, "In Central Asia's Forbidding Highlands, A Quiet Newcomer: Chinese Troops," *The Washington Post*, February 18, 2019.

On February 18, 2019, the *Washington Post* reported that troops of the People's Liberation Army (PLA) were stationed within the territory of Tajikistan by publishing onsite photographs by reporters as well as satellite photographs. The Chinese outposts are located near the southeast corner within the territory of Tajikistan adjacent to China, as well as to the south in the Wakhan Corridor, a long and narrow corridor extending east within Afghan territory up to the border with China. According to PLA soldiers shopping in Murghab about 100 km to the north of the stationing areas, they had been secretly stationed for 3-4 years. The governments of both China and Tajikistan denied the existence of "Chinese military bases." In 2016, a German mountaineering team testified that they were interrogated by the Chinese troops. Additionally, in 2017, a Beijing-based think tank invited Russian researchers and explained that the Chinese military was in Tajikistan for training and logistics purposes.[19] According to a news report in Tajikistan, members of the Government of Tajikistan commented that in October 2016 the two countries agreed to jointly establish a military outpost, and that it was customary to have the Chinese flag and Chinese language shown in the building built through cooperation with China.[20]

Presumably, China established a small military outpost in the region in accordance with the four-country counter-terrorism mechanism in August 2016, and started expanding monitoring activities of people coming and going, while carefully avoiding threatening Russia's position. As the Chinese media has recently been introducing PLA activities of patrolling the mountainous area around the Wakhan Corridor,[21] it is considered that China places importance on monitoring suspicious people in terms of security entering Chinese territory and within this scope advances cooperation spanning the border. That cooperation is still limited to a remote section of Tajikistan, and China's security presence is still not so much as to strongly influence Tajikistan, compared to

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its growing economic presence. Alexander Gabuev, Senior Fellow at the Carnegie Moscow Center, who appeared in the above-mentioned *Washington Post* article, comments that China needs a tool to grasp the situation, and sought to gauge where Russia would indicate rejection by implicitly letting it known to Russia, and there is a possibility that Russia would permit it even if China had a certain presence.[22] This suggests that, in the case of China taking a small step, it shows consideration for Russia, which might develop a sense of caution.

(2) Connectivity Projects and the Belt and Road Initiative

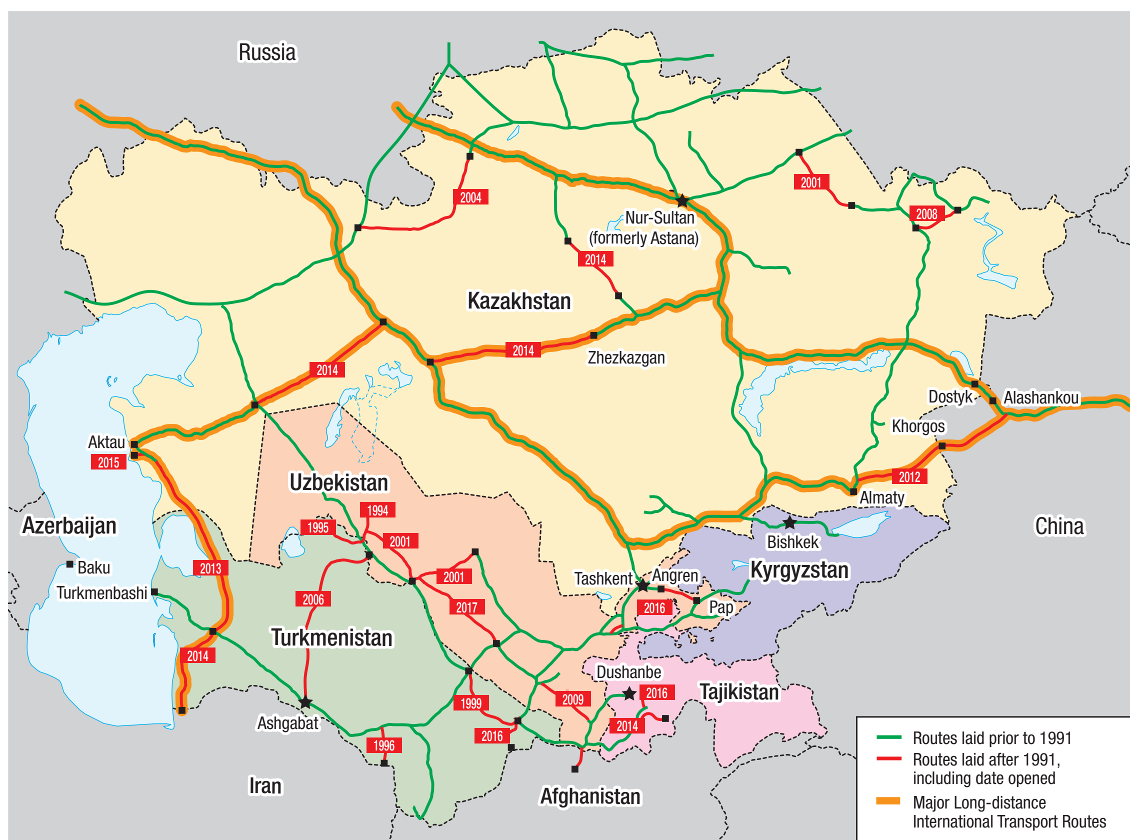
Connectivity projects under the Belt and Road Initiative (BRI) have been the subject of attention in recent years as China's international cooperation in Central Asia. However, these follow China's previous efforts for regional stability and development cooperation, and are promoted as long as they also match the concepts of connectivity on the part of Central Asian states.

The five countries of Central Asia are all landlocked, and distribution access to the ocean is an important issue for post-Soviet national development. Broadly, there are the eastern route leading to the harbors of the Russian Far East and China, the western route leading to the Black Sea and the Baltic Sea harbors passing the Caspian Sea and European Russia, and the southern route toward the harbors of Pakistan and Iran. As a project to enhance access to these routes by improving distribution around the Central Asia region, the Central Asia Regional Economic Cooperation (CAREC) framework was launched in 2001 with the appeal of the Asian Development Bank (ADB). With the participation of the five Central Asian countries as well as Afghanistan, Azerbaijan, China, Pakistan, and others, CAREC aims for infrastructure improvement and reduction of border barriers.[23]

The "Silk Road Economic Belt" initiative announced by Chinese President Xi Jinping in September 2013 during his visit to Kazakhstan was one of the large-scale projects aiming to improve such distribution, which would later become a main axis of the BRI. For Central Asia it is a major opportunity to improve existing distribution systems, while for China it has significance for the promotion of a distribution network spanning China's east coast region to Europe. If the railroad route, which spans from China's east coast region to Central Asia and Russia, can be properly managed, it will enable transportation faster than maritime transportation and bring the pass-through regions transit benefits.[24] However, rail transportation is a niche market between cheap, slow maritime transportation and expensive, fast air transportation. The Trans-Siberian Railway's performance in 2015 showed only 2.9% of east-west transportation, and its sudden expansion is not expected so far.[25] Nevertheless, it has great significance for growth opportunities for infrastructure improvement in China's inland areas and the Central Asia region.

The BRI can include all connectivity enhancement projects, but it is selective in what is actually developed. Development of the route that extends west from the southern part of the Xinjiang Uyghur Autonomous Region to the Fergana Valley (Uzbekistan, Kyrgyzstan, Tajikistan) is delayed, partly due to the low distribution demand and the plateau geographical features. Meanwhile within

Figure 2.3 Selected Railway Routes in Central Asia



Source: Compiled by the author, based on Andrei Gorbunov, "Transsib proigryvaet gonku," *Ekspert*, No. 13, March 26, 2018.

Uzbekistan, the Angren-Pap railway line, which extends from Tashkent to the Fergana Valley by passing the mountainous area without crossing the border, was completed through the opening of the Kamchiq Tunnel in June 2016.[26] In addition to this, Uzbekistan and China opened the Peng Sheng Industrial Park in the Sirdarya Region, where companies and workers from both countries are active and welcomed in the local area.[27] On the other hand, it has been pointed out that Tajikistan is not important in China's initiative and also depends on trade with China.[28]

In comparison, the routes that pass from the northern part of the Xinjiang Uyghur Autonomous Region through Kazakhstan, which use the existing railroad and on the relatively flat terrain, have become a focus of connectivity improvement. These routes consist of two different passes: one goes from the Xinjiang Uyghur Autonomous Region via Kazakhstan and Russia, while the other travels over the Caspian Sea from the ports in Aktau in Kazakhstan and Turkmenbashi in Turkmenistan, to the port of Baku in Azerbaijan.[29] According to a research report by the Stockholm International Peace Research Institute (SIPRI), the main Belt plans in Central Asia include the China-Central Asia-West Asia Corridor, the Eurasia Land Bridge, and the Khorgos-Aktau-railway. Because these all pass through Kazakhstan, it is said that the country received over 27 billion dollars from China by 2016.[30]

In reality, such logistics infrastructure improvement plans by China were also carried out before 2013. One of them was the Special Economic Zone in Khorgos. Khorgos is a border special economic zone developed by both China and Kazakhstan, and is located about 90 km from Yining City to the east on the Chinese side, about 670 km from Urumqi, about 35 km from Zharkent to the west on the Kazakh side, and about 380 km from the economic and finance central city of Almaty.

Chinese President Hu Jintao suggested the “Khorgos International Center for Boundary Cooperation” during the summit meeting with President Nazarbayev in June 2003, and construction began in March 2006 following the conclusion of an agreement. The background to this was that the transport capacity was approaching the limit with only Alashankou (northeast of Khorgos), a railroad gateway on the border of both countries.[31]

President Nazarbayev began a new economic policy known as “Nurly Zhol” (The Bright Road) in November 2014 after China’s announcement of the “Silk Road Economic Belt” initiative in 2013, called for its development as a transportation route linking to East Asia and Europe, and planned expenditure at 9 billion dollars between 2015 and 2019.[32] A logistics terminal was built by both China and Kazakhstan in Lianyungang City in Jiangsu Province, an eastern starting point for the east-west transportation network.[33] In this way, both Kazakhstan and China made efforts to plan the east-west connection project initiative, begin work, and renew the initiative. At the Chinese Pavilion at Expo 2017 Astana held in the summer of 2017, an operation simulation was exhibited for the high-speed railway starting in Xian City in Shaanxi Province and arriving at the Astana Expo venue.[34]

The transported volume through Khorgos toward Europe increased with products from international companies such as Hewlett-Packard and Toyota, increasing 17-fold in five years. In 2015 and 2016, international freight trains achieved transportation through Dostyk, Zhezkazgan, and Aktau Port in Kazakhstan, and across the Caspian Sea to Baku Port, Tbilisi, and Kars. With these achievements, there is a positive evaluation in Kazakhstan that the implementation of the “Silk Road Economic Belt” and “Nurly Zhol” initiatives will not only increase transit income but also enhance domestic transportation connectivity.[35]

President Nazarbayev, who resigned from office in March 2019, still holds some power as Kazakhstan’s first president, and he attended the Second Belt and Road Forum for International Cooperation in China instead of the current president, receiving China’s Friendship Medal in appreciation for his contributions to the Belt and Road projects. He pointed out on April 26th that the BRI had promoted cooperation between different civilizations in addition to economic development, and was therefore expanding connectivity between the EAEU and China. He also emphasized the results of his “Nurly Zhol” for expanding distribution connected with the “Silk Road Economic Belt.”[36]

Generally, the governments in Central Asia find it easier to accept the “Silk Road Economic Belt” initiative, because it does not require membership and would support their access to global economies from this inland region.[37] However, some people say that even if the Government of Kazakhstan is treating China positively as a friend, those who remember the border clashes in 1969

are still fearful of China.[38] The influx of Chinese workers accompanying economic cooperation and other matters have also been the source of tensions, and protest demonstrations have occurred in Kazakhstan.[39] In this way, Central Asian countries are paying attention to the risk of what might happen following the growing influence of China, and pursuing cooperation with China while maintaining as much autonomy as possible.

Some of the feelings of opposition toward China in Central Asian countries are related to the opposite side of the border. The problem of reeducation facilities and other restrictions for Muslims in the Xinjiang Uyghur Autonomous Region has been taken up in Kazakhstan, and the opposition parties pick up this issue to criticize the government's stance toward China. In relation to this, Kazakhstan's Ministry of Foreign Affairs announced in January 2019 an agreement with China that would allow 2,000 Kazakh people to emigrate from the Xinjiang Uyghur Autonomous Region to Kazakhstan. China has not officially acknowledged this, but it is assumed that it was an informal agreement that would enable the Government of Kazakhstan to maintain smooth cooperative relations in consideration of public opinion.[40] In this way, the stable rule and development of the Xinjiang Uyghur Autonomous Region as well as development of international cooperation are difficult issues requiring China's careful treatment.

(3) Diplomatic Trends within the Central Asia Region

The leadership by actors outside the Central Asia region has stood out in the cooperation in the region discussed thus far. However, there is also a trend of enhanced diplomatic initiatives by the Central Asian countries themselves. One opportunity for this has been the BRI. As seen in the case of President Islam Karimov of Uzbekistan who made remarks that the BRI would bring opportunities for development including mutual transportation infrastructure among the countries in Central Asia, it is pointed out that the regional countries have begun to pay consideration to their mutual economic benefits.[41] Experts in Kazakhstan and Uzbekistan also point out that the BRI is promoting not only cooperation between China and the regional countries, but also cooperation among the countries in the region.[42]

President Karimov of Uzbekistan passed away in September 2016, and the new path set by President Shavkat Mirziyoyev (the former prime minister), who was elected and took his post at the end of the year, is also promoting this trend. The Mirziyoyev administration perceives that the serious concerns about public order from the 1990s have been successfully reduced to a considerable extent, and takes an approach to promote cooperation with foreign countries to develop economy by lifting the tighter government control by the previous administration. Dialogue had stalled with its neighbors, Kyrgyzstan and Tajikistan, but President Mirziyoyev tried to improve relations by promptly visiting four countries in the region including the two countries above.

On March 15, 2018, a working-level meeting at the summit level was held in Astana, Kazakhstan. This was the first summit-level meeting in 10 years without the participation of Russia,

and was attended by the top leaders of Uzbekistan, Kazakhstan, Kyrgyzstan, and Tajikistan, as well as the Chairman of the Assembly of Turkmenistan. President Nazarbayev avoided using the name "summit" to support the idea of not making decisions on many matters without Russia, but stated at the meeting, "We will resolve regional problems."[43] In addition, at the Turkic Council Summit held in Kyrgyzstan in September 2018, Prime Minister Viktor Orbán of Hungary and President Mirziyoyev of Uzbekistan participated for the first time. Partly due to the new diplomatic path developed by President Mirziyoyev, an expert in Uzbekistan considers that the opportunity has arrived to strengthen integration of the Central Asian countries.[44]

There has also been specific development around Uzbekistan. A transportation cooperation agreement was concluded between Uzbekistan, Kyrgyzstan, and Tajikistan in May 2018, which streamlined distribution in the Fergana Valley.[45] In August 2018, President Rahmon of Tajikistan visited Tashkent, and a bilateral strategic partnership agreement was signed, accompanied by the signing of documents on joint development of a hydroelectric power plant within Tajikistan. Moreover, in July 2018, Uzbekistan and Kazakhstan conducted their first joint military exercises, and additionally signed documents regarding bilateral transportation and security cooperation at the summit meeting on April 18, 2019.[46]

In addition, the Central Asian countries are respectively working on developing extensive partner relations with the countries including the West. In fact, the EU is the largest trading partner of Central Asian countries, followed by China.[47] President Mirziyoyev visited the United States in May 2018 and further promoted activities by U.S. companies in Uzbekistan. In April, Kazakhstan agreed to accept non-military goods from the United States at Aktau Port on the Caspian Sea to transport them to Afghanistan.

These developments around the countries in Central Asia show the reality different from the conventional one-sided understanding of the perceived weakness of cooperation between Central Asian countries and the condition of being in Russia's sphere of influence. The Central Asia region is not only the subject of competition between the major powers, but can also exercise its own dynamics. Although there has been a relatively downward trend of Russia's influence, this does not mean that there has been an immediate shift to Chinese influence, or that there is a conflict of interest between China and Russia. Instead, Central Asia itself is strengthening connections with Western and various other countries and diversifying its foreign relations. Even in cases that China is accelerating its

external action, some examples show that China is being careful in controlling the condition so that its influence will not be seen as becoming dominant, and its local activities will not be disturbed. The movements of Central Asian countries will probably play a part in determining the future trend of China's position.

3. Central Asia and China from Russia's Perspective

(1) Security Cooperation with Central Asian Countries

In this section, Russia's relations with Central Asian countries and China will be discussed from the perspective of Russia. Focusing on the relationship with these countries, Russia's goals can be classified roughly into the following three categories: (1) calling for cooperation contributing to economic development of Russia, (2) maintaining leadership over the former Soviet region, and (3) resisting the leadership by the Western countries in the international order. Facing the reality of China's entry into Central Asia, Russia will be able to achieve (1) and (3) if it strengthens cooperation with China, but it would yield on (2). If Russia focuses excessively on (2) and confronts China, it would lose (1) and (3). Therefore, it is presumed that Russia should be seeking to avoid a confrontation with China and working on relations with Central Asian countries and China in a way that contributes to (2).

Now, what can Russia do to maintain its leadership in Central Asian countries? One method is leading economic integration, and the previously-mentioned EAEU corresponds to that. However, the effects of the EAEU utilize the past legacy, and are on a declining trend compared with the new development and growth opportunities offered by China.

Therefore, there is significance for Russia to put efforts into security cooperation. This also utilizes the same legacy of the former Soviet system, but the decline of the effects is slower. Furthermore, if China places importance on and respects Russia's role in security, China will be careful not to damage relations with Russia. Although China's above-mentioned security advances are movements for China's benefit, it is considered that they encompass certain consideration of Russia.

As a military cooperation organization, while the CSTO cannot fully realize the collective defense functions, it is the most effective framework for

cooperation in the military field with Russia for the Central Asian member countries. The military technology and knowhow of former Soviet countries originated in the Soviet Union, and the other CSTO member states owe a lot to the most advanced Russia's capacity development. The continuance of military training and technology based on Russian language as a standard is a prerequisite in most countries, and joint military exercises are important opportunities to improve their military capabilities together. Uzbekistan, which suspended its activities in the CSTO, also maintains its capacity through bilateral military cooperation with Russia. In addition, under the CSTO framework, cooperation between law-enforcement authorities is also advanced for countermeasures against illegal drug dealing.

In addition, Russia was involved in ending the civil war in Tajikistan, and since then has stationed troops at its 201st Military Base in the west near Afghanistan. Russia's airbase in Kyrgyzstan is also an important hub for its regional presence, and it was agreed to expand the base's functions when President Putin visited Kyrgyzstan in March 2019. For the regional countries, Russia has a large presence in the field of fundamental military cooperation, which China has not caught up on.

(2) Vigilance and Cooperation towards China

Russia's relations with China are often called a "marriage of convenience," and it has been pointed out that there is a limit to cooperation due to a difference in benefits.[48] Such a viewpoint is common in the West as well as Japan, where vigilance on the riskiness of cooperation between Russia and China is also being increasingly discussed. On the other hand, in Russia and China, there are many discussions emphasizing consistent benefits for both countries.[49] It can be said that the respective arguments reflect one aspect of the truth, but in reality such truths are complexly linked. When we look at China-Russia relations as some sort of criteria, it is important to appropriately set the right questions and seek appropriate answers to them.

The first question here is whether the relationship between Russia and China will lead to a serious confrontation. According to international relations theory from the perspective of offensive realism with the idea that nations maximize their power, if China's power increases, it is likely that its neighbor countries would balance against it by forming a coalition to mitigate the threat. Professor John Mearsheimer's *The Tragedy of Great Power Politics* expands on that theory, arguing that the countries neighboring China would take the balancing option in a competitive environment between the United States and China because China is more of a threat to them, but it is not clearly stated as to how Russia would act.[50]

Professor Mearsheimer later stated in 2016 that if the Trump administration approaches Russia, it could obstruct the formation of an alliance between China and Russia.[51] On the other hand, John S. Van Oudenaren, a researcher at the National Defense University in the U.S., argues that we cannot expect a confrontation between China and Russia.[52] In 1969, the Sino-Soviet border conflict occurred, and the United States and China grew closer. However, it was nearly 15 years after the

beginning of the Sino-Soviet dispute that China came to recognize that the most serious threat was the Soviet Union instead of the United States.

For China to present a threat to Russia, the following conditions will be required, in addition to developing superior military capacity: China perceives Russia to be its primary opponent, and there must be important necessity and benefits that China seeks even if it has to abandon the merits available through cooperative relations with Russia. Currently China's primary stage of competition is the Western Pacific Ocean, and it needs to stabilize its neighbor countries on the continent and the Xinjiang Uyghur Autonomous Region. If Russia feels a major threat from China trying to become dominant in the Russian Far East or Central Asia, Russia would not offer any cooperative benefits to China, which would even cause instability along the Chinese border and in the Xinjiang Uyghur Autonomous Region. As long as China places importance on stability in Eurasia in this way, it should avoid deterioration of relations with Russia. If an unfortunate future of a clash with Russia were to come, that would take place only after historic structural changes.

Assuming that Russia and China can avoid a conflict, the next question should be whether their relations will gradually worsen so as to cease their cooperation, or gradually deepen so as to advance their cooperation. If Russia became unhappy with a growing presence of China without a serious clash of interests, then would Russia reject cooperation with China, or submit to cooperation with China accepting the role of a junior partner? For Russia to avoid being servile to China as much as possible, the first condition would be that Russia would build cooperative relations with partners other than China, and the second would be that China would keep finding benefits in courting Russia. Russia's efforts to advance relations with countries in Asia such as India, Viet Nam, the Republic of Korea (ROK), and Japan are likely to be motivated by the incentive to prepare for the above-mentioned first condition. For example, Russian Asia experts in a research report treat Russia's relationship with Japan in the context of efforts to enhance its position in the complex strategic environment in East Asia.[53]

Meanwhile, for the second of the conditions mentioned above, namely the situation in which China continues to consider Russia's interests, it would be effective for Russia to keep offering what would be beneficial to China. Russia's willingness to cooperate with China, does not necessarily mean that Russia trusts China and is attempting to grow stronger together with China; rather, it is possible to understand that Russia wants to continue to make China recognize its worth because it cannot trust China. Director Dmitri Trenin of the Carnegie Moscow Center criticizes that Russia has failed not only to improve relations with the West, but also to increase its allies, and that excessive hopes for relations with China were futile. What he proposes as the realistic prescription is to continue possible steady cooperation with China without a confrontation.[54]

This way of thinking will make it possible to consider that Russia's cooperation with China in the military field is to maintain better relations, taking its vigilance for granted. Pavel K. Baev, Research Professor at the Peace Research Institute Oslo (PRIO) points out that Russia's cooperation

President Putin of Russia delivers an address at the Second Belt and Road Forum for International Cooperation in Beijing (April 26, 2019). (Photo: Official website of the President of Russia, trimmed)

with China on military technology is to make its position slightly higher, amidst Russia's economic dependence on China.[55] The Chinese military is said to have been able to learn from the Russian military's combat experience in Syria when they participated in the military exercise Vostok 2018 in the Russia's Eastern Military District in September 2018. China purchased Su-35 fighter aircraft from Russia, and this came after China had tried but failed to achieve engine development and production for the Russia-originated model aircraft.[56] Even though the contract with China does not have the ideal conditions for Russia, China's continuing reliance on Russia for a part of the technology can help Russia to retain more of a voice. In addition, Russia's defense industry sells products to India and Viet Nam, whose defense posture concerns China, and also to both Armenia, a CSTO member country, and Azerbaijan, which is in a conflict with the former. Thus, Russian arms sales do not necessarily mean their close relations for trusting and strengthening specific countries.[57]

Furthermore, Russia is cooperating with China on development of the Arctic Ocean region. A liquefied natural gas (LNG) project in Russia ranks sixth among other China's foreign direct investments,[58] and Russia's national project for LNG development on the Yamal Peninsula and exports in Artic Ocean routes would not have been realized without Chinese investment. On the other hand, in order to retain the important roles for ensuring navigation security, Russia is in a rush to enhance its military security capacity in the Arctic Ocean region.

In this way, Russia works to enhance its autonomy by cooperating with China rather than refusing it, in a disadvantageous situation in maintaining leadership in the former Soviet Union region, Goal (2) among the three previously stated. In addition, accepting China's initiative is also beneficial for Goal (1), calling for cooperation contributing to development of Russia and economic development.

Although the LNG project can be described as a major success for Russia, cooperation with China has not brought an optimistic outlook for Russian hopes in such projects as distribution volume expansion for the Trans-Siberian Railway and the high-speed railway between Moscow and Kazan. Accordingly, President Putin is emphasizing Goal (3), namely, resisting the leadership by the West in the international order. In his speeches in May 2017 and in April 2019 at the Belt and Road Forum for International Cooperation, he focused on the significance of non-Western initiatives such as the BRI, rather than individual projects for Russia.

President Putin stated the following points in his speech on April 26, 2019. The BRI promotes economic development of the Eurasian space, and is in agreement with the concept of Russia's Greater Eurasia Partnership. The Greater Eurasia concept aims for a Eurasia with co-existence and co-prosperity in collaboration with regional organizations such as the SCO, ASEAN, and the EU, as well as in cooperation with the BRI. It opposes trade protectionism and unilateral sanctions set by the United States. The EAEU will make an agreement with China come into force, and its five member countries support the BRI.[59] To interpret the President's words, it is possible to understand that, because it is difficult for Russia to materialize the Greater Eurasia concept, it chose a path of linking with the EAEU and the BRI.[60] On the other hand, by calling for a Greater Eurasia, President Putin was able to insist that cooperation with the BRI can promote his own international integration concept.

In this way, President Putin's argument suggests that the BRI has something more important than Russia gaining substantial benefits from individual cooperation; that is, it is an assertion that the BRI involves a prospect for development of the international community not based on only the rules decided by the West, and Russia can also exhibit leadership at a massive conceptual level. Russia perceives its main opponent to be the United States, and considers that the United States obstructs its advantageous management of the international order by leading European countries and others. If China has the same stance on these points, it would be advantageous to Russia to gain China's voice of approval when Russia criticizes the United States, while somehow managing differences with China. In this way, while China is gradually playing more roles, Russia conveys its own assertions, controls a fall in its position utilizing its national specialty fields, and attempts to maintain its autonomy to the highest possible level.

If China's strategic goals for the Central Asia region and Russia are to maintain regional security, gain approval for diplomatic initiatives such as the BRI, and promote development cooperation, then it is on course to gradually, if not completely, achieve them. These countries generally understand that China brings what they could cooperate on with pragmatic methods, instead of coercively imposing them, in their countries, and are advancing collaborative work in response to this. If China's current or future strategic goal is to become a dominant regional power, then the consequence of it will depend on whether Central Asian countries and Russia could maintain their autonomy or not. As the author discussed above, these countries have been taking the best measures available to them to maintain their autonomy, and China is maintaining its cooperative relations while showing certain consideration for local opposition. However, if Central Asian countries and Russia become incapable of increasing their value relative to growing China's influence, there is a higher possibility that they would lose their autonomy and have to accept Chinese regional superiority. It would depend on how relations are built with partners outside the region, in addition to each country's development quality and progression of cooperation in the region.

(Author: Hiroshi Yamazoe)

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Chapter 3
Architecture in Eurasia for Chinese Energy Security

Shigeki Akimoto

1. Resource-rich Eurasian Countries in China's Energy Policies

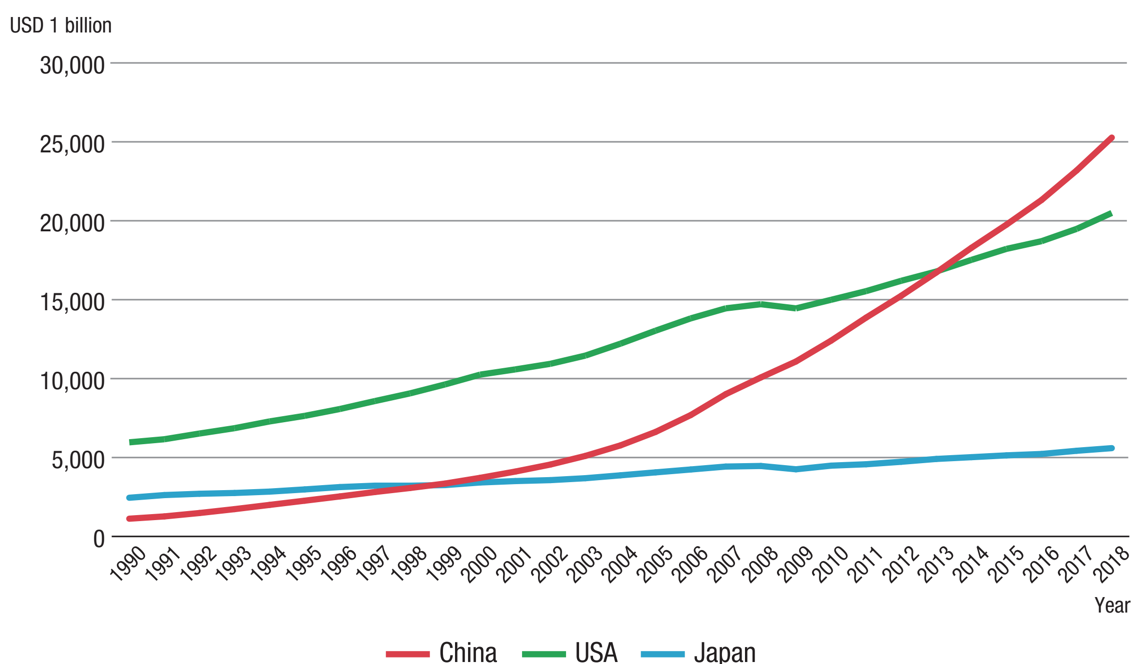
(1) Trends in Supply and Demand for Energy in China

China seeks to construct connectivity towards Eurasia; one of the main reasons for this is to secure energy resources. How is China, then, attempting to secure energy resources from Eurasia, and to what extent? And what kind of energy architecture is China trying to create to accomplish this?

Energy resources are essential to the social and economic activities that support a country's existence and prosperity, and thus it can be said that energy policies for securing energy in a stable fashion are among other important policies that compose its national security policies. It is not enough for a country to merely provide the necessary volume of energy resources domestically at the cheapest prices; they must be provided with "uninterrupted availability" and at "an affordable price" that does not impede social and economic growth.[1] In other words, energy policies are developed with a balance between economic rationality, which is indicated by price, and national security demands that prevent the interruption of supply.[2]

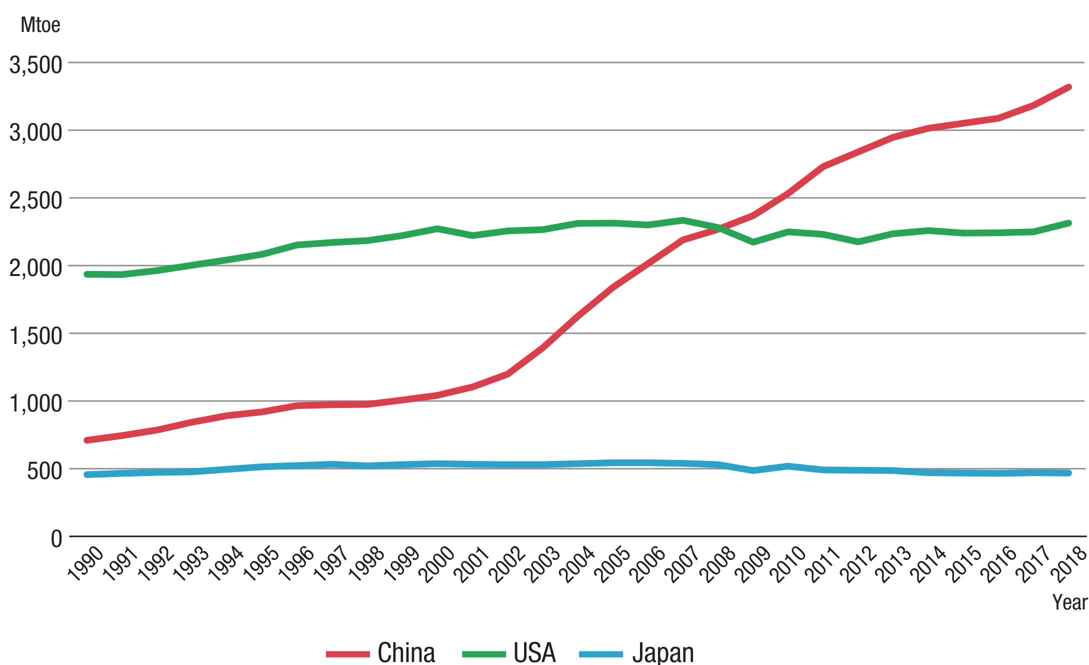
Notably, it is reasonable for countries that rely on importing energy resources to foster favorable relationships with foreign suppliers, and to limit the vulnerabilities that accompany a dependence on imports by retaining reserves in preparation for any interruption of supply, and by diversifying foreign suppliers and supply routes, among other security measures. It is also necessary for these countries to develop comprehensive policies, including appropriately controlling the degree to which they rely on imports by maintaining and enhancing domestic energy development and production. In China, which is continuing to experience economic growth, energy consumption is surging; in 2009, China became the world's biggest energy consumer, overtaking the United States (Figures 3.1 and 3.2). As of April 2019, while China is the greatest coal-producing country in the world and its biggest consumer, it is also the world's largest oil-importing country; its increase in natural gas consumption is already the greatest in the world, and the degree to which it relies on both oil and gas imports is growing.

Figure 3.1 GDP Growth Trends in China, the United States and Japan (PPP)



Source: Compiled by the author, based on IMF, *World Economic Outlook*.

Figure 3.2 Changes in Primary Energy Consumption in China, the United and Japan



Source: Compiled by the author, based on BP, *Statistical Review of World Energy*.

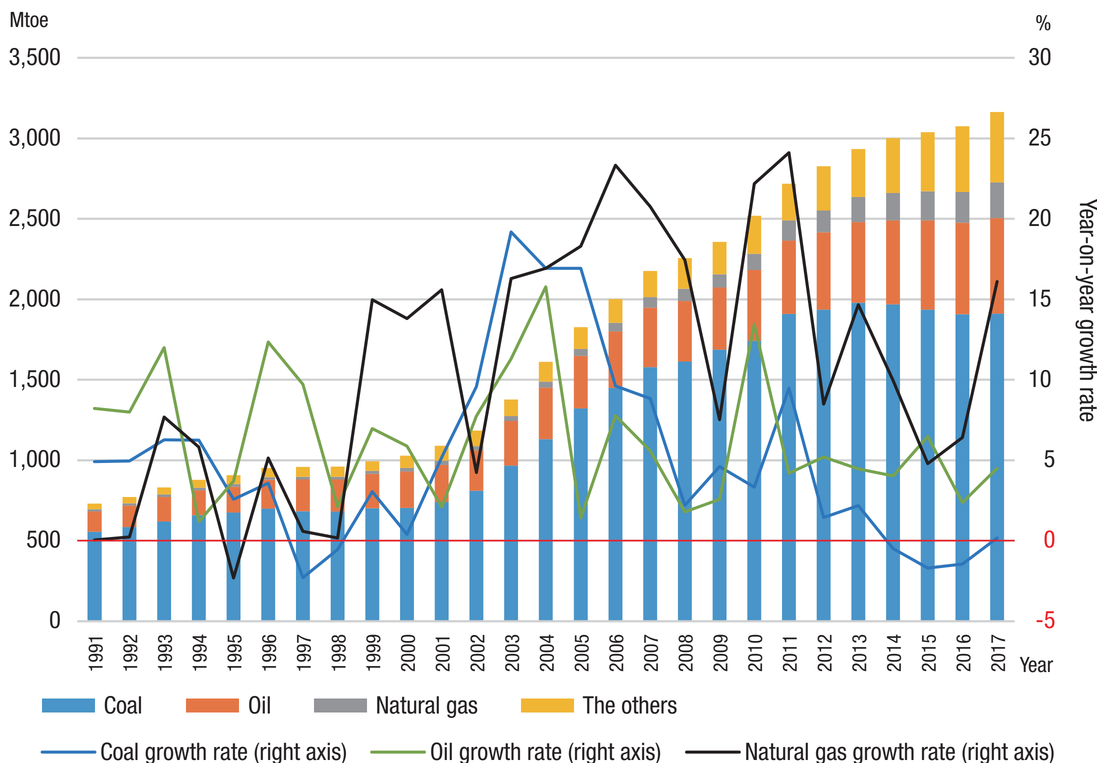
The International Energy Agency (IEA) published a comprehensive analysis and evaluation

of Chinese energy policies in 2007. According to this, by 2006 China, which became a net importer of crude oil in 1993, had become reliant on importing 3.7 million barrels of oil per day, equivalent to approximately 50% of its oil consumption.[3] Moreover, the IEA predicted that the volume of oil imports to China would further increase and its reliance on imports would rise to as much as 80% by 2030. Meanwhile, in 2006, the Middle East and Africa made up 80% of China's foreign suppliers; notably, the greatest suppliers were Saudi Arabia and Angola, accounting for 16% each. The next-largest supplier after these two countries was Russia, supplying 11% of China's oil, but the drastic rise in China's import dependence and its excessive dependence on the Middle East and Africa as of 2006 was a serious concern from the perspective of national security. Ten years later in 2017, the IEA published another comprehensive analysis and evaluation of China; according to this, while the daily volume of crude oil imports had increased to 7.6 million barrels and reliance on imports had risen to 70% in 2016, China's dependence on the Middle East and Africa had fallen to below 70%.[4] Although some progress concerning diversifying suppliers is indicated, China's control of the degree to which it is reliant on imports continues to be a serious issue to be addressed in China's energy policies, along with the way that China consumes energy.[5]

As is shown in Figure 3.2, in recent years the growth of energy demand in China has somewhat slowed. During this period, the demand structure has seen major changes, accompanying changes in the structure of the Chinese economy. More specifically, while the Chinese economic growth model is gradually reducing the country's reliance on heavy industry, which consumes large amounts of energy, a shift is taking place towards a domestic consumption-driven model or a model driven by the high added-value communication electronics industry and service industry; as energy efficiency increases, the pace of energy demand growth will fall below the pace of economic growth. Furthermore, in terms of the structure of demand categorized by primary energy, the shares of coal and oil, which have made up a large proportion of China's energy, are falling (Figure 3.3) as the country has come to prefer natural gas and renewable energy, which have a smaller impact on the environment, from the perspective of realizing sustainable economic growth.

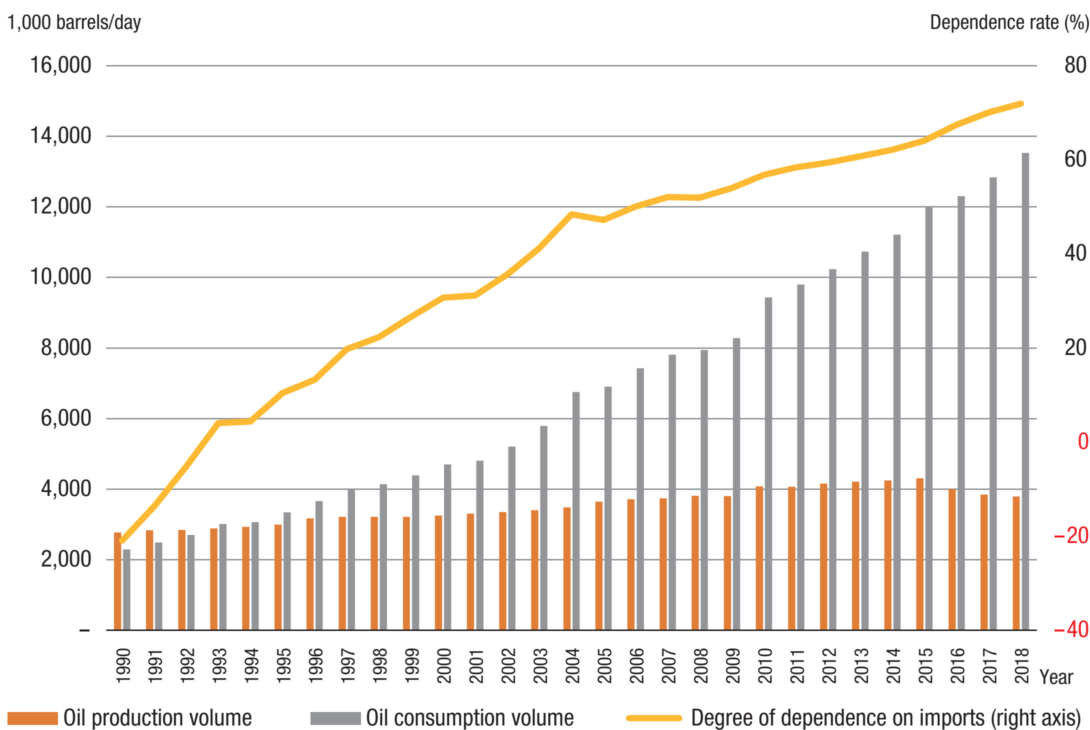
Meanwhile, such changes in the composition of demand are widening the gap between consumption and domestic production volume; in fact, reliance on both imported oil and gas is increasing (Figures 3.4 and 3.5).

Figure 3.3 Changes in the Composition of Chinese Primary Energy Demand



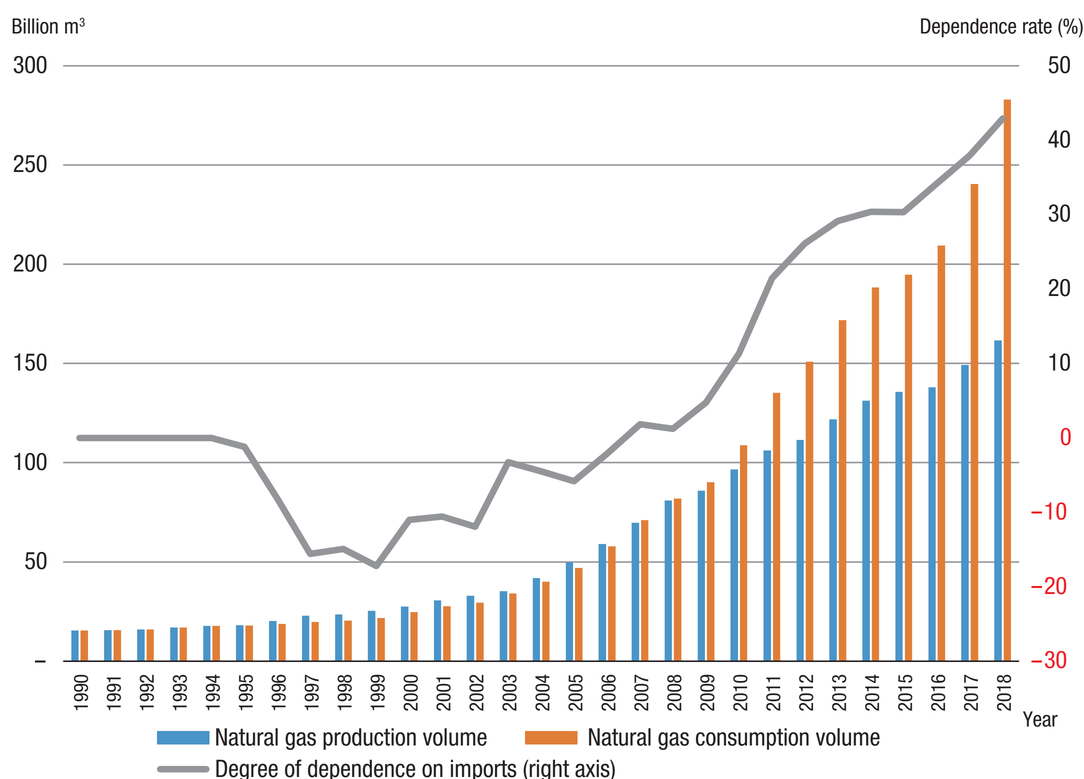
Source: Compiled by the author, based on data of the National Bureau of Statistics of China.

Figure 3.4 Gap Between Oil Supply and Demand in China



Source: Compiled by the author, based on BP, *Statistical Review of World Energy.*

Figure 3.5 Gap Between Natural Gas Supply and Demand in China



Source: Compiled by the author, based on BP, *Statistical Review of World Energy*.

(2) China's Energy Policies and Reliance on Imports

How is China attempting to manage its dependence on imported energy? First, a simple question: during the period of rapid economic growth from the second half of the 1990s to the mid-2000s when the issue of its reliance on imports started to gain attention, why did China choose to increase its consumption of oil and natural gas and raise its dependence on imports, rather than controlling the degree of dependence on imports by increasing the production and consumption of its rich coal reserves? Above all, this arose due to the characteristic limits of coal transportation.[6] The increased demand for fuel for automobile freight transportation that accompanied the rapid popularization of automobiles and the intensification of economic activity could only be met by oil. In addition, while coal reserves are present mainly in northern and western China, there are constraints on the transportation needed to supply this coal to the urban areas in which China's population and industry are concentrated,[7] making oil or natural gas necessary to the industrial sector in particular. Meanwhile, the consumption of coal itself continued to increase, with greater demand for coking coal, a raw material for the creation of cement and crude steel, consumed in great quantities in the heavy industry and construction sectors, and a rise in demand for steam coal for electricity generation. In other words, the rapid economic growth in China from the second half of the 1990s to the mid-2000s was achieved by simultaneously increasing the consumption of coal, oil, and natural gas, as is shown in Figure 3.3.

It was a shift in economic policy in the second half of the 2000s that brought about great changes in the energy supply and demand structure, and further increased the shares of oil and natural gas within China's primary energy consumption. This policy shift intended to reform China's economic structure in order to realize long-term, sustainable social and economic development, based on the understanding that the economic structure that had supported China's high economic growth would likely impede economic growth in the future.[8] More specifically, it was energy-intensive industries, especially the heavy industry sector, including iron and steel, and the chemicals sector, including cement and ammonia, that drove economic growth from the second half of the 1990s to the 2000s, and at the same time these became China's main export products. During this period of high economic growth, there was a large influx of foreign capital and excessive investment in the strong export sector. However, the export-driven economy was vulnerable to falls in external demand and sudden jumps in prices of raw material imports, and the excessive investment posed a significant risk. Moreover, as the massive consumption of energy caused rapid environmental deterioration, there were serious concerns about the vast potential costs to social and economic activities.[9] This recognition was already shared among Chinese leadership from the first half of the 2000s; specific policies to reform the economic structure were discussed and incorporated into the 11th Five-Year Plan published in 2007.[10]

The objectives that were thereby set out can be summarized as follows. First, to curb the rather excessive investment centered on export-based industry so as to reduce the country's vulnerability to external shocks, and to improve energy efficiency to increase resilience to the risk of price fluctuations in imported energy resources. Next, to curtail the volume of coal consumed, a major burden on the environment, in order to contain the costs that accompany environmental deterioration. Then, to enrich the service sector, especially in regional China, and improve the quality of life, so as to mitigate social unease stemming from the regional disparities and income divides that had rapidly widened in the shadow of the high economic growth.

These objectives were reflected in China's energy policies as follows. First, the country set the collective, legally binding goal of reducing energy consumption per unit of GDP by 20% by 2010. Through this, it intended to encourage both corporate and individual energy-saving efforts. Next, the country established a primary energy mix to be used until 2010 to improve quality of life while curtailing the consumption of coal. More specifically, the target share of coal increased from 62.8% to 66.1%, which gives the reverse impression. However, this was based on the assumption that energy consumption centered on electricity generation and transportation would increase, and so this target was set on the basis of expanding coal-fired power plants to meet demand for electricity, and extending demand for oil. Furthermore, increasing the share of natural gas meant that the use of gas would increase in the service sector and for temperature control inside buildings from the perspective of reducing the environmental burden.[11]

Thus, in 2006, China resolved to reform the structure of its economy to enable long-term,

sustainable social and economic development. To accomplish this, it is likely that the country judged that it must increase imports of oil and natural gas, and consequently had no choice but to increase its reliance on imports.

(3) China's Perspective on Resource-rich Countries in Eurasia: From Peripheral to Central Interest

During the period of China's high economic growth from the 1990s to 2000s, it met the rapidly increasing demand for oil by allowing a surge in imports. The country's state-owned oil companies made every effort as vanguards to secure energy; however, the Chinese state-owned companies, who entered the global energy market late, could only secure either the resource-rich countries into which the major European and American companies had not made inroads, or those from which they had withdrawn.[12] As a result, not only did the country's dependence on the Middle East as a foreign supplier continue to grow, but their reliance on politically-unstable Africa also increased, and China faced the issue of its transportation routes from these areas passing through chokepoints in maritime routes such as the Strait of Hormuz and the Strait of Malacca.[13]

Since China had to further increase imports in the future, as stated above, it needed to tackle this issue. However, there was a difference between its approach to oil, the import volume of which needed to increase urgently, and natural gas, for which there was comparatively more time. Specifically, when it came to oil, there was a rapidly growing gap between supply and demand, with domestic production plateauing as in Figure 3.5, and there was substantial need to quickly compensate for this through imports. It was thought that if there was a supplier who could reduce not just the volume of imports but also China's reliance on the Middle East and Africa, or at least contribute to limiting said reliance, a quick agreement with them was to be prioritized, even if it had some unfavorable conditions. On the other hand, there was still scope to enable China to control the degree of dependence on imported natural gas; it could do so by increasing domestic production, as in Figure 3.5. The volume of natural gas imports was less than that of oil, as in Figure 3.3, and so it is deemed to have been possible to proactively choose suppliers with whom China could conclude agreements with more favorable conditions.

From these perspectives, the remaining part of this section will consider the value of resource-rich countries in Eurasia in the 2000s. One of the characteristics of oil is the ability to transport it from the producing country over land. This meant that even if the conditions of an agreement were somewhat unfavorable, certain producing countries in Eurasia were considered reasonable partners for concluding quick agreements.[14] Natural gas also has the characteristic of possible over-land transportation from the country that produced it, and thus gas-producing countries in Eurasia were important trading partners in the same way they were for oil.[15] However, due to the available time to consider a balance in terms of security, including diversifying providers and economic rationality such as pricing, it is inferred that the Eurasian energy-producing counties were reasonable partners

with which China could continue negotiations while taking domestic production trends into account.

China has several over-land trade agreements to date with resource-rich countries in Eurasia. In terms of oil, there is trade through the crude oil pipelines between Kazakhstan and China and Russia and China. As of 2016, this accounted for 19% of the total volume of crude oil imports, and according to the IEA this was contributing to reducing China's reliance on the Middle East and Africa to 70% or less by 2016, when it was 80% in the 2006 stage.[16] Furthermore, BP data indicates that in 2017 China's dependence on the Middle East and Africa was dropping to 62%.[17] Moreover, China's main over-land natural gas trade is through pipelines from Central Asia; as of 2016 gas imports through pipelines made up 45% of China's natural gas imports.[18] As natural gas imports are around 40% of natural gas consumption, it can be calculated that China is reliant on Central Asian natural gas for nearly 20% of its supply.

In this case, what is China thinking about its future energy policies? According to its (current) 13th Five-Year Plan published in March 2016, China is aiming to shift its economic structure from an economy driven by an export-oriented manufacturing sector to one driven by a service sector based on domestic consumption, while adjusting continuing overcapacity in the coal industry and heavy electric sector.[19] This Five-Year Plan for Energy Development has been drawn up to include this objective; given the downward trend of energy prices, and following estimations that domestic productivity will decelerate, it is strengthening supervision and guidance from the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) to optimize the activities of state-owned energy companies.[20]

Having analyzed the trends in this policy and the trends in the global energy market, the IEA is predicting that resource-rich Eurasian countries will hold the following status from China's perspective.[21] First, additional imports of 4 million barrels of oil per day will become necessary in China by 2040 as its demand for fuel for transportation continues to increase. The IEA estimates that a daily volume of 1 million barrels, one quarter of this additional demand, can be fulfilled through increased imports from Kazakhstan and Russia. Next, natural gas imports will expand from the current yearly volume of 70 billion cubic meters to 280 billion cubic meters by 2040, as demand increases dramatically compared to production volume. It is estimated that this enormous demand for additional imports can be met without changing China's current degree of diversification, through increased

volumes of imported pipeline gas from Central Asia, beginning to import pipeline gas from Russia, and increasing liquefied natural gas (LNG) imports. In other words, from the Chinese perspective, resource-rich countries in Eurasia are trading partners that can provide the energy necessary for the future at affordable prices and in a diverse manner. It can be said that maintaining stable energy trading relationships with these countries is extremely important in the balance between the economic rationality and security requirements in China's energy policy. The next section will review how China has been building these crucial relationships with resource-rich countries in Eurasia.

2. Energy Trade Negotiations between China and Resource-rich Countries in Eurasia

(1) Oil Trade Negotiations

As was previously stated, it can be surmised that there were differing levels of urgency for oil and natural gas trade negotiations, and that China's priorities when negotiating also differed. With this in mind, this section will detail the development of the country's trade negotiations. Russia and Kazakhstan are China's oil suppliers, providing oil over-land from resource-rich countries in Eurasia. Myanmar may also be included as a supplier, but as it mainly passes on crude oil sourced in the Middle East and Africa, it will not be analyzed in detail here.

In 2017, Russia supplied China with 1.2 million barrels of oil per day, which accounted for 14.2% of China's 8.48 million barrels of daily oil imports.[22] Kazakhstan provided 400,000 barrels per day, 4.7% of imports. In 2006, China was importing 2.9 million barrels of crude oil per day; Russia provided 320,000 (11%) barrels of this daily by rail, but Kazakhstan was not yet involved in full-scale exports to China. Over the next decade, the increased volumes of oil export to China from Russia and Kazakhstan can be explained by the operation of the Kazakhstan-China Pipeline (KCP) connecting Kazakhstan and China, which started in May 2006, and the operation of the East Siberia-Pacific Ocean (ESPO) trunk pipeline from Russia, which began in December 2009. Moreover, it is expected that these oil exports will increase in response to predicted rises in China's crude oil imports in the future. However, not everything has progressed smoothly until this point.

China became a net importer of crude oil in 1993, and crude oil trade negotiations between China and Kazakhstan began in 1994; the construction of a pipeline to China was agreed in 1997. The situation between China and Kazakhstan at that time can be summarized as follows. Kazakhstan, whose economy was greatly dependent on oil exports, sought to change the status quo of its exports being limited to Russia, whose economy was in chaos. In an attempt to accomplish this, it diversified its export destinations by establishing new export routes to Europe, and at the same time promoted the privatization of its energy industry. At first, there was great interest from European and American capital, and an international consortium, the Caspian Pipeline Consortium (CPC)

was formed to construct a new pipeline and increase production of large-scale oil fields around the Caspian Sea. However, due to resistance from Russia, which was concerned about the threat to its exclusive position, and sluggish international crude oil prices through the 1990s, these new projects did not necessarily progress smoothly. In addition, some energy-related assets were sold off at cheap prices in the course of privatization, and Kazakhstan's economy faced a significant slump.[23] Given such a situation, Kazakhstan focused on China's energy market, where demand was surging. More specifically, by indicating the possibility of exports to China, it stirred interest from its preferred candidate of European capital, while supplementing its lack of funds with Chinese capital.[24]

Meanwhile, in order to meet the surging demand for petroleum products, China was considering strengthening development and production in the Xinjiang Uyghur Autonomous Region, which is endowed with crude oil, while providing the petroleum products refined in Xinjiang to inland and coastal zones. China expected this to be supplemented by crude oil imports from neighboring Kazakhstan, in the role of a crude oil supplier.[25] Thus, the interests of both countries were aligned. The issue was that even if Kazakhstan constructed a great pipeline to China over more than 3,000 km, it was unable to ensure sufficient supply volumes at that time, and even if it developed a new oil field or increased production to solve this, there was no guarantee of economic performance to cover the vast initial costs. This was due to the fact that while there were large, major oil fields in the western part of Kazakhstan, there were only medium and small-sized oil fields in the eastern and central parts near to China, and there was no east-west pipeline due to the country's harsh mountain terrain; to build a new pipeline would cost a huge amount.

Figure 3.6 Crude Oil Trade Negotiations between China and Kazakhstan

Sources: Compiled by the author, based on U.S. Energy Information Administration (EIA), *Country Analysis Brief: Kazakhstan*, p. 8; Kazakhstan National Gas (KazMunaiGaz), *Annual Report 2018*, pp. 6-7.

China tackled this issue in the following ways, in accordance with Kazakhstan's demands, as if it were placing Go stones.[26] First, in the bilateral agreement made in 1997, the China National Petroleum Corporation (CNPC) acquired the rights to the existing Aktyubinsk oil field in Kenkiyak in the central region of Kazakhstan, and invested in Kazakhstan's upstream operations sector (Figure 3.6 [1])[27] while taking on the responsibility of constructing a pipeline to China. Then, China decided to construct the pipeline in three stages, and started work on stage 1 of the pipeline's construction (Figure 3.6 [2]), from Aktyubinsk oil field in central Kazakhstan to the port of Atyrau that ships crude oil on the northern part of the Caspian Sea, in 2002. From 2003, when this pipeline was completed, CNPC acquired interests in oil fields around the Caspian Sea and proactively developed these, steadily expanding their reserves and production capacity. Further, in 2005 they succeeded in acquiring an interest in the major Kumkol oil field in the east of the country (Figure 3.6 [3]), and started constructing a new pipeline from Atasu, connected to the existing pipeline, to Alashankou in the Xinjiang Uyghur Autonomous Region in China as the second stage of pipeline construction (Figure 3.6 [4]). This pipeline went into operation in May 2006, and pipeline exports to China began.

Meanwhile, the Kazakhstan government considered the hasty privatization of the 1990s to have hemorrhaged their national assets, and so in 2002 they established the state-owned, vertically integrated energy company KazMunaiGaz (KMG),[28] which would take on a production sharing agreement (PSA) on behalf of the government.[29] Moreover, in 2004 the government revised its resource legislation, stipulating that for a company to be acknowledged as a partner of KMG, they should be responsible for all development costs and that KMG should have an interest of 50% or more. With this in place, when the European and America capital that had controlled the rights of the huge oil fields around the Caspian Sea was withdrawn, half of this was acquired by KMG, which expanded its share in the oil fields in the area around the Caspian Sea. CNPC also had to sell 50% of its interest in the oil fields in the east of Kazakhstan, acquired in 2005, to KMG in order to fulfill this strict condition. On the other hand, CNPC's cooperative attitude towards KMG led to the future construction of a pipeline between CNPC and KGM in 2007; the two agreed to invest 50% each in the construction of the remaining pipeline traveling east-west, which was completed in 2009 (Figure 3.7 [5]).[30]

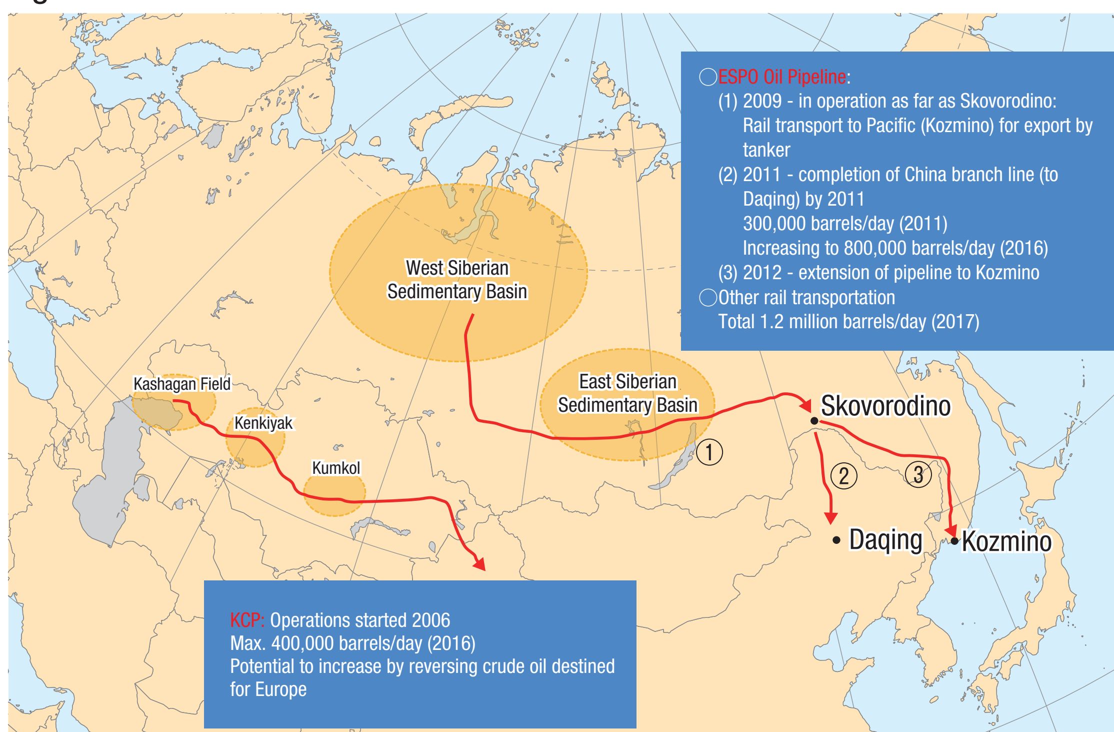
Cooperation relating to the production and export of crude oil between Kazakhstan and China further increased, and in 2013, following the sale of the interests of European and American capital in the vast Kashagan offshore oil field in the Caspian Sea to KMG, KMG sold 50% of them to CNPC. Through this, China acquired interest in Kashagan, which it had previously been unable to access (Figure 3.7 [6]). This means that should it become necessary for China to increase the volume of crude oil to be purchased from Kazakhstan in the future, it would be able to import the crude oil of the Caspian Sea primarily for export to Europe, by operating the east-west pipeline in reverse.[31]

Meanwhile, in April 2009, China concluded an intergovernmental agreement with Russia concerning cooperation in the oil sector, and construction started on the Chinese branch line of the

ESPO trunk pipeline that had been pending for years. Negotiations for final pipeline construction and the conclusion of a supply agreement had stalled up to this point; this was because once the pipeline, which would have fixed supply destinations and transportation capabilities, was constructed, it could not be put to any other use, and problems after-the-fact could easily arise, such as price negotiations when renewing the agreement. Due to the aforementioned characteristics of this pipeline, the final destination of the ESPO was not decided until 2009. To be more precise, after the idea of the ESPO trunk pipeline was raised in 1998, the decision to build was made in 2004, construction of the trunk line started in 2006, and the pipeline was completed up to the Chinese border by 2008. However, thereinafter it was not made clear whether to build a branch line to China, or to extend the line seeking entry into the Asia-Pacific energy market. Why then did Russia end up prioritizing the construction of the branch line to China? One likely reason was that its ability to negotiate with China had comparatively declined due to the completion of the abovementioned pipeline to China from Kazakhstan.[32] Another was that the 2008 international financial and economic crisis had impacted Russia's entry to the Asia-Pacific energy market.[33]

Up until this point, Russia had intentionally obscured its order of preference for export destinations, and attempted to carry out advantageous negotiations with China, where demand was rapidly growing. Furthermore, the state-owned oil company Rosneft and the state-operated pipeline monopoly business Transneft, the core businesses of the ESPO trunk pipeline, initially prioritized constructing the pipeline and developing oil fields with their own capital, and entering into the Asia-Pacific energy market in order to avoid excessive reliance on China. However, it became difficult to achieve this plan due to a slump in their main European market and a sharp drop in crude oil prices caused by the financial and economic crisis in 2008, which resulted in worsening financial conditions. Thus, Russia put off extending the pipeline to the Pacific coast and chose to prioritize developing East Siberian oil fields. It then accepted financing from China, and signed an agreement concerning the construction of the China branch line and long-term crude oil exports. In February 2009, the two countries provisionally signed an agreement for a loan totaling 25 billion dollars and a long-term crude oil export agreement lasting 20 years. At the end of April in the same year, the construction of the China branch line began, with a completion target of the end of 2010. Eventually, the extension of the pipeline to the Asia-Pacific coast was postponed to 2012,[34] but even after this crude oil trade between China and Russia progressed in a stable manner in response to the growing demand in China, with increased volumes of crude oil being supplied via the ESPO oil pipeline, and the enhancement of the ESPO oil pipeline capacity.[35]

Figure 3.7 The Flow of Oil from Kazakhstan and Russia



Sources: Compiled by the author, based on Transneft, "Scheme Pipelines Transneft"; Kazakhstan National Gas (KazMunaiGaz), *Annual Report* 2018, pp. 6-7.

(2) Natural Gas Trade Negotiations

Kazakhstan, Turkmenistan, and Uzbekistan in Central Asia, and Myanmar are China's over-land suppliers of natural gas among the resource-rich countries in Eurasia. In 2017, China imported 89.8 billion cubic meters of natural gas, importing 40.2 billion cubic meters (44.8%) of this through pipelines from resource-rich countries in Eurasia. By producing-country, this included 32.2 billion cubic meters (80%) from Turkmenistan, 4 billion cubic meters (9.9%) from Myanmar, 3 billion cubic meters (7.5%) from Uzbekistan, and 1 billion cubic meters (2.5%) from Kazakhstan.[36] In short, pipeline imports from three Central Asian countries make up 36.2 billion cubic meters (90.0%), and these are combined and exported through the Central Asia-China Gas Pipeline.[37] This pipeline began operations in December 2009; with the expansion of the pipeline the volume transported increased in stages from an initial 2.1 billion cubic meters, reaching the present-day export volume.

In addition, there are plans to expand the pipeline and increase production in response to the predicted future growth of Chinese natural gas imports; the main increase in production would be in Turkmenistan. It is estimated that the share of natural gas imports from Turkmenistan will not fall much below the current figure of 35%, even if China increases LNG imports in the future and develops policies to diversify its suppliers, including new pipeline imports from Russia.[38]

China made the following meticulous preparations in order to realize the Central Asia-China Gas Pipeline.[39] The three Central Asian countries explored the possibilities of exports to Asia

immediately after their independence following the collapse of the Soviet Union in 1991. In response to this movement, in 1992 CNPC and Mitsubishi Corporation collaborated and began discussing the possibilities of gas exports to China, the Republic of Korea, and Japan, and, together with the Turkmenistan government, commenced research concerning the feasibility of these exports. However, in 1996 it was concluded that constructing a long pipeline over the 7,000 km through Uzbekistan and Kazakhstan to China and then to Japan could not guarantee economic performance considering the sluggish energy prices at that time. Additionally, the uncertainty of the data regarding reserves led to harsh evaluations regarding this export project. Notably, despite the expectations for Turkmenistan to be the main provider of gas for export, it refused to undergo an evaluation of its reserves by an outside party. Therefore, even after the country's discovery of the huge South Yolotan/Osman gas field from 2003 to 2006, its reserves were uncertain until it accepted an evaluation in 2008 based on the International Financial Reporting Standards.[40]

Regardless of the uncertain situation, China remained committed to gas imports from Central Asia. CNPC temporarily suspended negotiations with Turkmenistan, and continued negotiations concerning a gas pipeline to China from Kazakhstan at the same time as the abovementioned crude oil pipeline negotiations with Kazakhstan. In June 2003, Chinese President Hu Jintao visited Kazakhstan and concluded an agreement to evaluate the business potential of the pipeline's gas exports;[41] Turkmenistan once again approached China on the subject of cooperation in developing its upstream operations sector, and in response CNPC immediately resumed negotiations.[42] It is viewed that the advancement of China's negotiations with Kazakhstan was an incentive for Turkmenistan.[43]

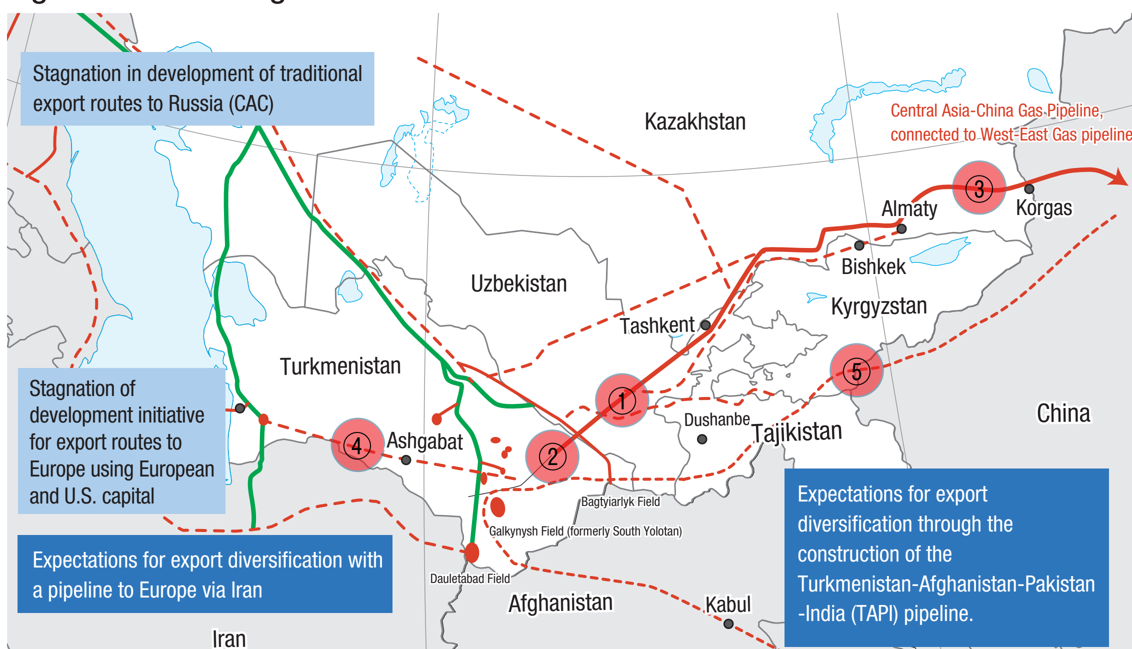
In fact, during this period Turkmenistan had reasons that it strongly desired to advance its negotiations with China. Although Turkmenistan was endowed with abundant natural gas when compared to other Central Asian countries, its agriculture sector was limited to the production of raw cotton due to its harsh natural environment. Additionally, domestic consumer-driven economic growth was difficult to achieve in a small domestic market of 5 million people, and it was also difficult to convert to an economy driven by exporting industrial manufactured goods due to the geographical constraints of being inland. Ultimately, Turkmenistan had to rely on natural gas exports, and so it was important to the government that it could export natural gas in a long-term and stable manner, and the income could be redistributed in the country to stabilize and develop its society and the economy.

However, due to the geographical constraints, actual exports were limited to Russia, the former Soviet Union countries via Russia, and, on a small scale, to Iran. Going into the 2000s, the export volume to Turkmenistan's mainstay, the former Soviet countries, was recovering from the decline caused by the economic stagnation of the 1990s, but payments were in arrears and were turning into bad debt. In these circumstances, Turkmenistan was facing major external risks, including price issues with Russia, and the influence of the gas disputes between Russia and Ukraine on export volumes and export prices. As a result, Turkmenistan was seriously searching for an alternative,

stable export destination.[44]

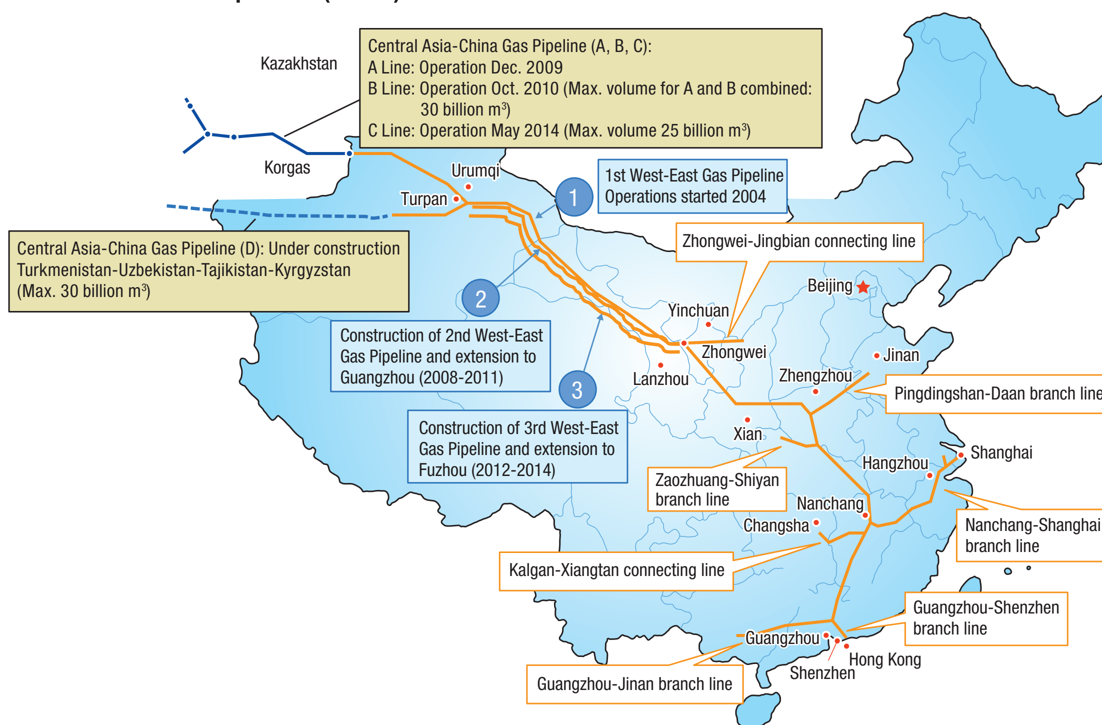
On the Chinese side, in preparation for increased demand for natural gas, the country first focused on expanding the volume produced domestically. It saw the Xinjiang Uyghur Autonomous Region bordering Central Asia as a promising production area, and began large-scale development and production going into the 2000s, aiming to stabilize and develop the region's society and economy. At the same time, a project to construct a long pipeline, the West-East Gas Pipeline (WEP), over 4,000 km to transport the gas produced in the Xinjiang Uyghur Autonomous Region to the high-consumption coastal areas went ahead, and the First WEP, the initial pipeline, went into operation in 2004 (Figure 3.9 [1]). This pipeline is planned to be expanded in stages as production volume increased; in addition to using natural gas from Central Asia as energy necessary for development and production, China attempted to improve overall efficiency by sending it through the pipeline.[45]

Figure 3.8 Trade Negotiations with Turkmenistan over Natural Gas



Sources: Compiled by the author, based on IEA, *Medium-Term Market Report 2015: Market Analysis and Forecasts to 2020*, IEA, 2015, p. 82; Simon Pirani, *Central Asian and Caspian Gas Production and the Constraints on Export*, NG 69, December 2012, OIES, p. 22.

Figure 3.9 Connectivity between the Central Asia-China Pipeline and the West-East Gas Pipeline (WEP)



Sources: Compiled by the author, based on CNPC, "Trunk Line of the Second West-East Gas Pipeline, the World's Longest, Begins Operation"; IEA, *Gas Medium-Term Market Report 2015*, p. 82.

In April 2006, China and Turkmenistan signed an intergovernmental framework agreement that included the construction of the Central Asia-China Gas Pipeline that would transport a planned volume of 30 billion cubic meters per year (two pipelines of 15 billion cubic meters) between China and Turkmenistan (Figure 3.8 [1]). [46] Based on this, in July 2007, (1) a PSA concerning the development and production of the Bagtyiarlyk gas fields on the right bank of the Amu Darya River in eastern Turkmenistan and (2) a sales and purchase agreement (SPA) for 30 billion cubic meters of gas per year over 30 years were signed between CNPC and Turkmenistan (Figure 3.8 [2]).[47] Construction on the pipeline began in August of the same year, and in August 2008 the relevant parties agreed to increase the purchase volume specified in the SPA to 40 billion cubic meters per year. At the same time, China was busily engaged in securing agreement from Uzbekistan and Kazakhstan, through which the pipeline would run, and CNPC moved forwards with gas development in the Aral Sea Basin in Uzbekistan, and development in the Aktyubinsk and Urikhtau gas fields in Kazakhstan. In April 2007, an intergovernmental agreement was signed with Uzbekistan concerning the construction of the Uzbek part of the Central Asia-China Gas Pipeline, and in the summer of 2008 the countries launched a joint venture to construct a branch line to connect the pipeline with domestic gas fields. A comprehensive agreement with Kazakhstan concerning cooperative gas development between CNPC and KMG was concluded in November 2008; this included the construction of a

pipeline directly connected to the pipeline linking China and Turkmenistan.[48]

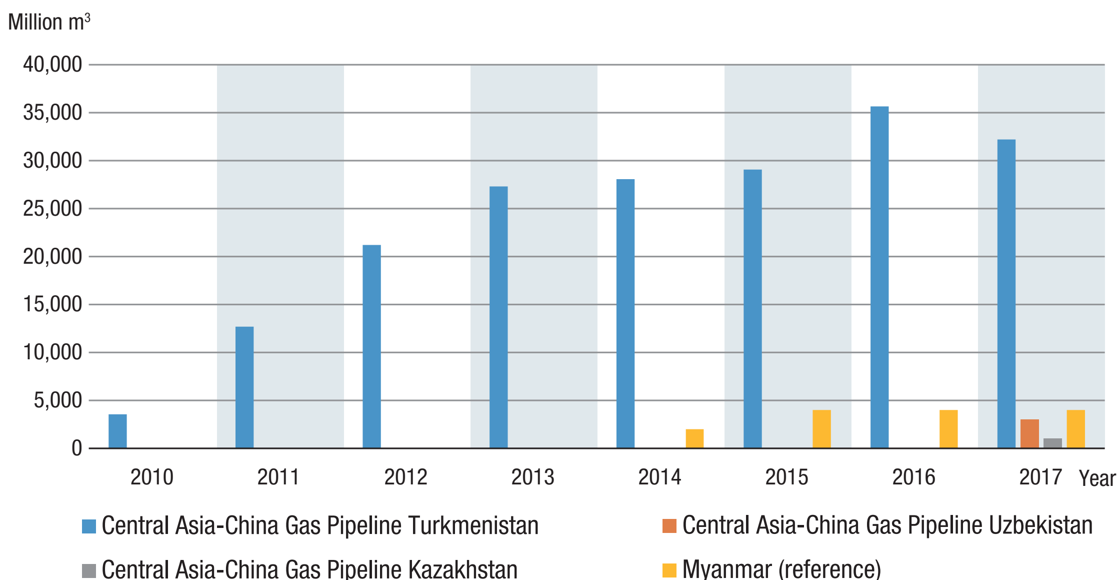
Following this progress, China approved the Second WEP from Central Asia to transport gas to the coastal regions in August 2007 and began construction in February 2008 (Figure 3.9 [2]). As this instance suggests, development and preparations to receive gas in China and the expansion of the Central Asia-China Pipeline moved ahead in close cooperation.

The volume of natural gas exported to China quadrupled from 3.5 billion cubic meters in 2010 to 12.7 billion cubic meters in 2011; anticipating future increases in trade volumes, in 2011 an agreement was made between the relevant countries to add a third line to the Central Asia-China Pipeline for a planned transportation volume of 25 billion cubic meters. Construction on the third line was quickly started in December of that year, aiming to begin operations in 2014 (Figure 3.8 [3]).[49] Based on this, in June 2012 it was agreed to increase the SPA with CNPC from 40 billion cubic meters to 65 billion cubic meters.[50] During this period, Turkmenistan started building an east-west pipeline that directly linked the gas fields on the coast of the Caspian Sea in the west and the South Yolotan Gas Fields extending across the south-east of the country (Figure 3.8 [4]). It is perceived that its aim here was to ensure it had the flexibility to change export destinations to Europe or to China.[51] China, the receiving party, also began construction on the Third WEP during this period (Figure 3.9 [3]).[52]

2013 was a ground-breaking year. First, production from the South Yolotan Gas Field began, and CNPC started production from the Bagtyiarlyk gas fields as per the agreed PSA; through these, it was estimated that gas production in Turkmenistan would rapidly increase to 100 billion cubic meters by 2020.[53] In addition, in September of the same year, the President of the People's Republic of China, Xi Jinping, visited Turkmenistan and signed a contract to increase the SPA agreed in 2012 and a contract to participate in the development of the South Yolotan Gas Field. During his visit, the relevant parties also agreed to construct a fourth route of the Central Asia-China Gas Pipeline (Figure 3.8 [5]). Unlike the previous routes, this fourth route would run from Turkmenistan through Uzbekistan to enter Tajikistan, and then arrive in China via Kyrgyzstan.[54] It would connect Tajikistan and Kyrgyzstan, which are not resource-rich countries, through a pipeline. With the construction of the fourth route agreed, in 2014 various contracts were signed relating to the construction and operation of the pipeline and the launch of a joint venture between CNPC and companies in the relevant countries, and pipeline construction began in Tajikistan in September the same year. Following this, gas exports to China from Central Asia steadily increased (Figure 3.10).

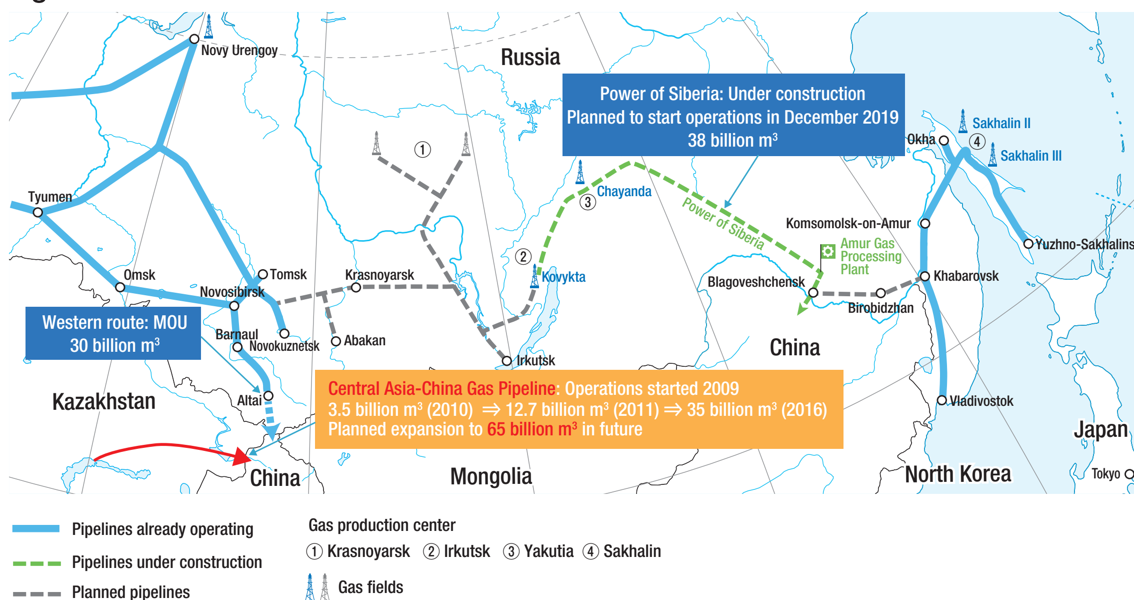
Thus, China's gas trade negotiations with Central Asian countries took place with relative time to spare until the demand for gas imports rapidly increased. It is suggested that China made use of this temporal margin, analyzing the situations in its partnering resource-rich countries, especially the main producer Turkmenistan, and also carrying out negotiations that would lead to favorable conditions for China while ensuring cooperation in maintaining the pipeline domestically. However, it seems that this approach was adopted due to the difference in national power between China and Turkmenistan.

Figure 3.10 Changes in Gas Exports to China from Central Asia



Source: Compiled by the author, based on IEA, *Gas Information*.

Figure 3.11 Flow of Natural Gas in Eurasia



Sources: Compiled by the author, based on Gazprom, "Eastern Gas Program,"; KazMunaiGaz, *Annual Report 2018*, pp. 6-7.

(3) Chinese and Russian Tactics Surrounding Gas Trade

China ended up undertaking more strategic action during gas negotiations with Russia than during those with Central Asian countries, due to their negotiating powers being competitive with each other. Negotiations for pipeline gas to China from Russia began in 1994 and went on for 20 years until May 2014, concluding with the adoption of a route through the Russian Far East.[55] More specifically, the two countries reached an SPA stating that Russia would provide to China 38 billion cubic

meters of gas produced in the Kovyktinskoye and Chayandinskoye gas fields in Siberia per year for 30 years through the vast gas pipeline called the Power of Siberia, which runs 3,000 km through the Russian Far East to Blagoveshchensk on the border with China, and China would purchase this gas. Additionally, although the details of the agreement are unclear, it is said that this paved the way for Chinese companies to acquire stakes in the upstream operations sector, which had been denied by Russia until this point.[56] However, the route of this pipeline differs from the route (Western route) upon which Russia had insisted, which would supply the Xinjiang Uyghur Autonomous Region from West Siberia via Altai. While a basic agreement concerning the western route was signed in May 2015,[57] the signing of the SPA is nowhere in sight.

The Russia-China pipeline gas negotiations that developed over 20 years were hugely complex. Thus, this section will reconstruct the details in a comprehensive manner from the perspective of negotiations concerning price.[58] The premises of both parties' basic stance can be stated as follows. First, Russia is reliant on resource exports for social and economic development, and at the same time is faced with the restriction that if it does not set low domestic gas prices, its social and economic policies cannot operate in a stable manner. Furthermore, while it possesses vast gas reserves, its domestic consumption is also large, and so the continuous development and production of its gas fields are required to ensure sufficient gas for export. For this reason, Russia, to the best of its ability, must export at the highest prices possible. This social and economic structure is supported by the stability of the European gas market, its main gas export market. However, the pace of the growth of demand in the maturing European market is slow. Therefore, to ensure the sustainable development of its society and economy, Russia must explore new export markets in which demand for gas is expected to grow while continuing to ensure European demand.

In contrast to this, as noted previously, to ensure the long-term, sustainable development of its society and economy, China must increase its consumption of gas; to do this it must increase its gas imports. In so doing, it is necessary for China to control domestic gas prices in order to develop its society and economy, and thus the country wants to procure gas at the lowest possible prices.

The initial negotiations in 1994 began between CNPC and the Russian Ministry of Energy, and their agendas aligned with the Far East route. However, the gas fields that were to serve as supply sources were, at the time, owned by private companies, and so the negotiations did not progress. To break the deadlock, the Russian government added the Western route as an option, while at the same time President Vladimir Putin led the renationalization of energy companies and continued negotiations. Then in 2006 Russia agreed to provide 68 billion cubic meters per year from 2011 through the Far East route (38 billion cubic meters) and the Western route (30 billion cubic meters). However, the Russian side's true motive in this agreement was to advance the price negotiations to their advantage by prioritizing the development of the Western route that could also supply gas to Europe.

On the other hand, China concluded that purchasing at European prices would be extremely disadvantageous to the country, considering the long-distance transportation from the Western route

to its major regions of consumption, and no agreement was established between Russia and China. To break away from this situation, Russia proposed a new plan in 2007: the Eastern Gas Program .[59] This ambitious plan continued to pursue both routes, and would develop and use the Far East route as a route for the domestic market in the Russian Far East with gas produced in the East Siberia and Sakhalin gas fields, and as an export route for the Asia-Pacific energy market. Although this plan was also favorably accepted by the Chinese side, Russia was directly hit by the sudden drop in resource prices caused by the 2008 international financial and economic crisis and had to cut it back.

On the other hand, China had secured gas supplies from Central Asia in 2009, and was steadily making preparations to receive LNG and diversifying its suppliers. In short, the price negotiating power on the Chinese side had grown. The Russian economy was showing a tendency to recover as early as 2009 and the negotiations were reopened; in 2009 and 2010 framework agreements for both routes were signed, but in the end, because Russia was losing ground to China, whose negotiating power had grown, a trade was not easily agreed. It seems that Russia then had no choice but to prioritize negotiations concerning the Far East route to find a way to prevail in the price competition with LNG, which was worth a significant amount at the time, instead of the Western route, which was disadvantageous in the price competition with Central Asia.

Taking this situation into account, the state of affairs when there was a settlement between China and Russia in 2014 could be considered advantageous to the Chinese side, as China had actually augmented its import volumes by agreeing to and actually increasing imports from Central Asia in 2012, and was continuing to progress with LNG spot market trading, which U.S.-produced LNG was predicted to enter. Consequently, only allowing China to enter Russia's upstream sector was left to Russia as a policy that could be developed to make the Chinese side accept high trade prices. This was because even if trading prices were high, there was the possibility that they could be offset by the profits of the upstream sector. However, as long as China intended to keep domestic gas prices low, the prices that Chinese state-owned gas companies could accept were limited. Above all, as long as Russia prioritized the security-related judgement that it could not acknowledge Chinese capital participation in the upstream sector, said capital participation by China was not an option.[60] Nevertheless, Russia eventually accepted Chinese capital participation as a result of the economic sanctions imposed against it by the U.S. and countries of Europe due to Russia's annexation of Crimea in 2014 and military engagement in the eastern part of Ukraine.[61]

3. Working Towards New Energy Architecture

(1) Architecture from the Perspective of Chinese Energy Security

This section will explore trends in the architectural framework for energy that China aims to create in Eurasia, from the perspective of China's approach to improving its own energy security and from

the perspective of the geopolitical implications in potentially developing a secure energy supply in Central Asia as a strategic asset.

China has developed elaborate negotiations with resource-rich countries in Eurasia and formed trade contracts in order to satisfy the surging demand for oil and natural gas imports while ensuring its energy security. During this period, there were occasions when it had to pay great costs that exceeded the profits obtained. To recover these costs, it is necessary for China to maintain the trade relationships it has built up to now in a stable manner. In this section, the actual policies that China is developing will be evaluated from the perspective of effectiveness in stabilizing trade, based on the fundamental approach of transaction cost theory.

Transaction cost theory eases away from the assumption of unbounded rationality supposed by the neoclassical theory, and hypothesizes that economic entities are only boundedly rational, and thus all contracts are incomplete. Meanwhile, economic entities pursue self-interest, and while doing so attempt to take advantage of information asymmetry and the incompleteness in contracts. Due to such opportunistic behavior, unnecessary costs are generated during the process of negotiating contracts, and even after a contract has been signed, unnecessary costs are generated in monitoring its fulfillment. This opportunistic bargaining process is said to be intensified especially when trading partners are limited, and the assets needed for trade only have value for the transaction in question.[62] If these conditions are applied to China's external energy trade, the following cases can be considered.

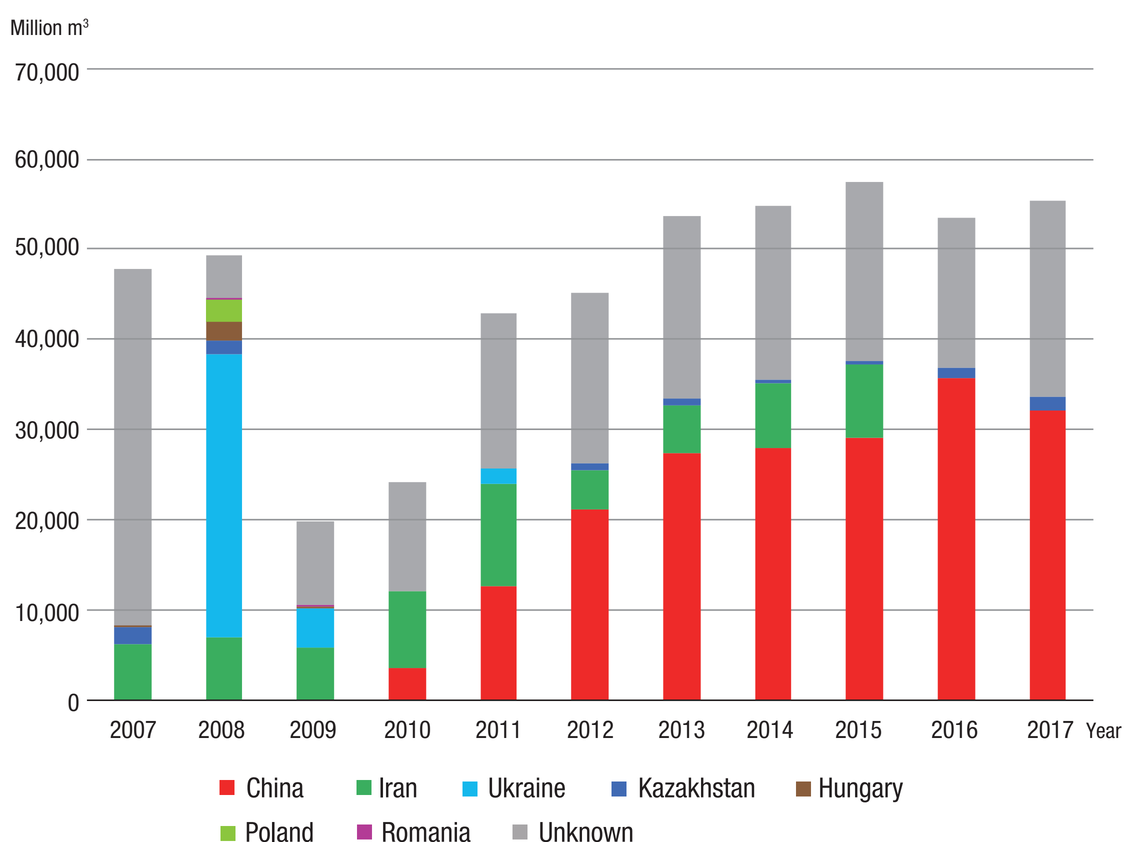
First, there is the case wherein imports from particular resource-rich countries are extremely important to China, potential alternative suppliers are limited, and a pipeline that has no value outside of the trade in question needs to be constructed. On the other hand, the situation in the resource-rich country in question is that exports to China are extremely important, potential alternate export destinations other than China are limited, and oil and gas fields or a pipeline that have no value other than to the trade in question must be built. In this case, integrating one side with the other would be effective, but if this is difficult then sharing each other's assets would be effective in saving transaction costs. These trade circumstances would apply to the oil trade between China and Kazakhstan. Since China has a stake in Kazakhstan's upstream operations sector, and the countries share a pipeline, it can be said that a structure to stabilize trade is being maintained.

Next, if the trade in question is extremely important to both China and a specific resource-rich country, and the assets formed for this trade can also be used for other trade – in short, if a potential alternative trading partner exists – it is less necessary to bargain to the extent of paying unnecessary costs. These trade circumstances likely apply to the oil and natural gas trade between China and Russia. More specifically, while Russia is constructing pipelines that could export not just to China but also to the European and the Asia-Pacific energy markets, China is diversifying its suppliers. Nevertheless, they are both in the process of diversifying trading partners, and it is probable that a structure to avoid impeding each other's diversification processes will become necessary. Looking at the situation from this perspective, the fact that China and Russia are drawing politically and

economically closer can be understood as an opportunity to adjust interests for diversification. It is also possible to positively assess China's investing of capital in the development of the Yamal LNG project in the Arctic, which is being developed by Russia to diversify its gas exports.[63]

Finally, there is the case of either China or the resource-rich country being dependent on their partner. This trade circumstance would apply to the pipeline trade between China and Turkmenistan. Turkmenistan lacks a predominant industry outside of the gas industry; with exports via Russia in decline, it discovered an escape-route in exports to China. Furthermore, its reliance on China is currently rapidly increasing amidst uncertainty over exports to Iran.[64] In addition, it is predicted that in the future China will be able to import the same volume of gas from Russia as it does from Turkmenistan.

Figure 3.12 Status of Turkmenistan's Gas Exports



Source: Compiled by the author, based on IEA, *Natural Gas Information*.

If Turkmenistan is concerned about China's unilaterally expanding price negotiation power, and tries to maintain the value of the assets formed to date, it is likely to engage in a great deal of opportunistic behavior. This will be incredibly costly to China as well. What should China do to prevent such transaction costs from being incurred? In this case, based on the premise that Turkmenistan cannot reduce its reliance on China through its own efforts, and cannot foster other

industry, the rational choice for China is likely to support Turkmenistan's efforts to diversify its export destinations and rid itself of an economy driven by resource dependence.

From this perspective, the following are points to which attention should be paid in relation to China's actions in the future. The first is the restoration and stabilization of Turkmenistan's trade relationships with Russia and Iran as promising export destinations in terms of diversifying its gas export destinations. China's role in this field will likely be major. In addition, Turkmenistan is pinning its hopes on the idea of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline for natural gas exports that would connect these countries, supplied by the South Yolotan Gas Field.[65] However, the actual prospects of this project are uncertain due to issues with procuring capital and Afghanistan's security.[66] To improve this state of affairs, attention is being drawn to how China's Belt and Road Initiative can contribute.[67]

Secondly, in regard to supporting economic reform, it is notable that Turkmenistan, facing the difficulty of transitioning to an economy driven by domestic consumption, is currently attempting to expand its exports outside of the energy sector to move away from its reliance on resources. To accomplish this, it is considering joining the World Trade Organization (WTO).[68] For China to support this WTO membership, it is important to first support the formulation of rules according to the WTO Trade Facilitation Agreement (TFA) standards vis-à-vis Turkmenistan. In this case, the only country with which Turkmenistan has signed a free trade agreement (FTA) is Kazakhstan, and thus it would be effective to make use of the framework of the Belt and Road Initiative to stimulate over-land trade.[69] A study suggests that trade efficiency between Turkmenistan and Kazakhstan has improved 16% through the effectiveness of the Belt and Road Initiative.[70] Additionally, China should play a major role in promoting the norms of investment protection to ensure the maintenance of an environment in which foreign capital can be invested without worry.[71]

China was forced to increase its dependence on imported oil and natural gas to realize sustainable economic growth. On the other hand, from the perspective of security demands, it was necessary to simultaneously control the degree of dependence on imports while ensuring sufficient import volumes. Consequently, it can be said that energy trade with resource-rich countries in Eurasia has shifted from the periphery of China's perspective to the center. Taking into account the importance of the energy trade, China entered into sophisticated negotiations with resource-rich countries in Eurasia and finally built the necessary energy trade relationships. It is conceivable that

the importance of maintaining these energy trade relationships in the future will grow further in light of the uncertainty of increased domestic gas production in China,[72] and the worsening state of relations with the U.S., China's influential supplier of crude oil and LNG.

(2) Geopolitical Implications

It is difficult to clarify the true motive of China's energy policies in terms of whether they are being implemented based on geopolitical aims. Nevertheless, it is possible to discern changes in the security environment caused by said energy policies.[73] From this perspective, this section will look at the trends in international cooperation in the energy field being developed by China.

As was acknowledged in Section 2, from the 1990s to the 2010s China invested its time and built energy trade relationships with resource-rich countries in Eurasia; since 2015, these relationships have been incorporated into the framework of the Belt and Road Initiative, and developed as policies relating to energy cooperation. First, in March 2015, immediately after concluding its pipeline gas negotiations with Russia, China announced its "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road." Within this, China makes statements concerning promoting cooperation in the exploration and development of conventional energy resources, fostering cooperation in the field of renewable energy that is less burdensome on the environment, facilitating the integration of distribution channels for mutual energy accommodation, refinement, and supply, and strengthening technological cooperation.[74] This depicts a vision that aims for industry promotion in the countries involved in the Initiative, using energy cooperation as leverage.

Following this, China's National Development and Reform Commission and National Energy Administration jointly announced the "Vision and Actions on Energy Cooperation in Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road" at the same time as the first Belt and Road Forum for International Cooperation in May 2017.[75] The vision outlined involves further broadening perspectives from economic development in participating countries by using cooperation as leverage, and enabling the development and deepening of regional cooperation at a higher level to make contributions to economic prosperity across the world by strengthening energy cooperation. Concrete priorities for cooperation specified to accomplish this have been expanded to include policy coordination in countries participating in the Belt and Road Initiative and improvements in the global energy governance structure, beyond conventional investment and infrastructure construction.[76]

The point to note here is the fact that China made the announcement that multilateral and bilateral mechanisms for cooperation will be constructed to raise energy cooperation in the Belt and Road Initiative to a higher level.[77] In so doing, China will strengthen existing bilateral cooperation, and also actively participate in energy cooperation within existing frameworks such as the United Nations, G20, the Shanghai Cooperation Organization (SCO), and Cooperation between China and

Central and Eastern European Countries (16+1) in terms of mechanisms for multilateral cooperation, as well as strengthening cooperation with other frameworks for multilateral energy cooperation, such as the IEA, the Organization of the Petroleum Exporting Countries (OPEC), and the Energy Charter. China has also stated that it is aiming to establish the Belt and Road Energy Club as a mechanism for new multilateral energy cooperation, and to deepen understanding and broaden consensus relating to energy cooperation in countries and regions involved in the Belt and Road Initiative.

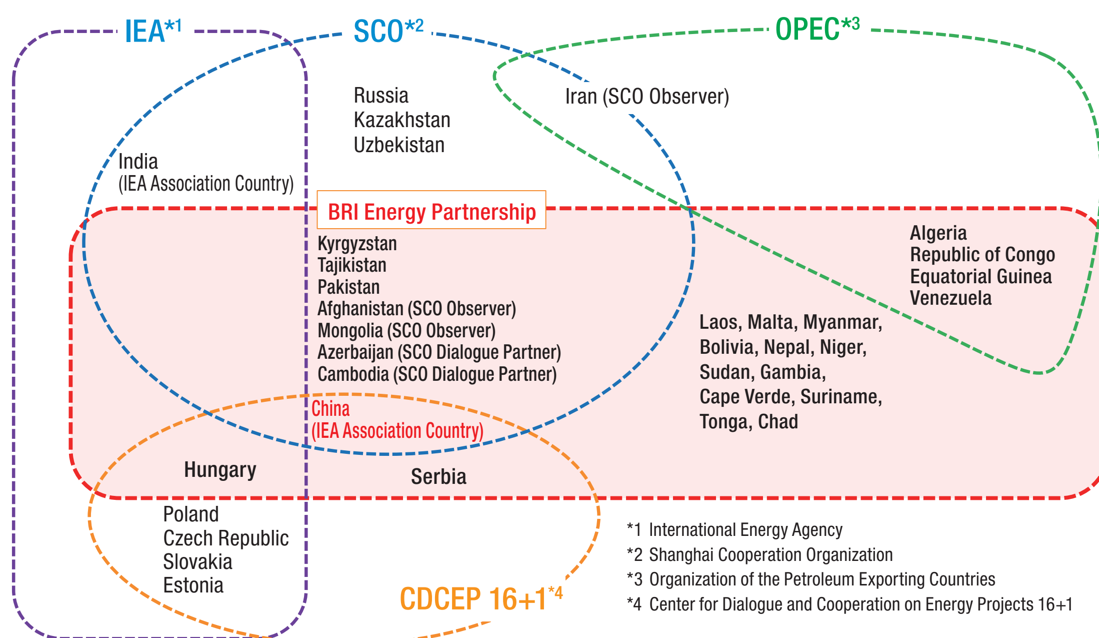
Although the real aim of the establishment of the Belt and Road Energy Club is not clearly stated, if this vision were to be made real, China would tie together non-G20 countries and non-IEA member countries in Central and Eastern Europe and Central Asia in terms of energy cooperation, and so obtain the status of participating as the mouthpiece for their interests in the main mechanisms for international energy cooperation. There have been views concerning the possibility that in the future Chinese-led energy cooperation mechanisms could replace existing international energy cooperation mechanisms such as the IEA and the Energy Charter, which have until now been led by the West.[78] In fact, in connection with the second Belt and Road Forum for International Cooperation in April 2019, China officially launched the Belt and Road Energy Partnership with 29 participating countries, including China, as a multilateral cooperation framework in the energy field.[79] The countries involved are resource-rich countries such as Algeria, Azerbaijan, and Iraq, as well as Tajikistan and Kyrgyzstan from Central Asia, Serbia, Hungary, and Turkey from Europe, and even Afghanistan through which China expects to build a pipeline as a potential resource-rich country. Thus, the Partnership serves as a lateral organization of energy-producing and energy-consuming countries.[80] Its main agenda includes strengthening policy coordination and connecting energy infrastructure.[81]

How is China approaching Europe, the western edge of its Belt and Road Initiative, in the context of energy cooperation? One framework is its energy dialogues with the EU.[82] The formation of these can be traced back to the mid-2000s. In September 2005, the EU-China Dialogue on Energy and Transport Strategies Memorandum of Understanding was signed in connection with the Eighth China-EU Summit; based on this, dialogues concerning common issues such as energy development and technology for energy conservation and clean energy took place. Following this, the EU China joint Declaration of Energy Security was agreed at the Sixth China-EU Energy Dialogue in November 2013, and the Work Plan for the Implementation of the EU-China Roadmap on Energy Cooperation was signed at the 18th China-EU Summit in July 2016. Moreover, the Work Plan 2017-2018 of the EU-China Roadmap on Energy Cooperation was concluded at the Seventh China-EU Energy Dialogue, held in conjunction with the 19th China-EU Summit in June 2017. Such examples of cooperative relationships between China and the EU in the field of energy are steadily progressing from dialogues to concrete action plans.[83]

Outside of this framework of cooperation with the EU as a whole, energy cooperation is advancing through the 16+1 format, namely the Center for Dialogue and Cooperation on Energy Projects 16+1 (CDCEP 16+1). CDCEP 16+1 is a cooperative framework established based on the

medium-term plan for 16+1 cooperation agreed at the 16+1 Summit held in Suzhou in November 2015. CDCEP 16+1 was conceived by Romania as a common platform for policy coordination and information and technology exchange in the field of energy. This project sees participants from academia, the business world, research institutions, and governments from 17 countries, including China, exchange opinions, and aims to contribute to decision-making to enable further development in the field of energy cooperation by gathering information through the 16+1 framework. Ultimately, it also has the further goal of contributing to the realization of EU energy strategy, including measures against climate change.[84]

Figure 3.13 The Multi-layered Energy Cooperation Framework Conceived by China (as of September 2019)



Sources: Compiled by the author, based on IEA, “Global Engagement”; OPEC, “Member Countries.”

China’s energy policy vis-à-vis Eurasia can be seen as being developed based on its own energy security demands, while also being seen as a pursuit of political influence, not just economic interest, through the use of bilateral and multilateral cooperative frameworks in the field of energy. In other words, it is dependent on how China’s actual policies are viewed, and there are no contradictions between these views.[85]

If one is examining trends in the actual construction of international cooperation framework from the latter perspective, should China be able to invest in the upstream sectors of resource-rich countries and secure interests in the name of international energy cooperation, China will find itself in the position of an indirectly resource-rich country despite not being resource-rich, and depending on the situation it may be possible for China to use its political influence. There is also the viewpoint that China is regulating its domestic overcapacity by investing in and undertaking the construction

of energy infrastructure such as pipelines and ports or power plants and power grids in energy-consuming countries, including Central and Eastern European countries.[86] Furthermore, it is said that by implementing energy-related investment in the countries, regardless of whether they are a resource-rich or a consumer country, China will be able to make said country be dependent on China.[87]

To give a specific example of energy trade, it has been observed that if China is able to import pipeline gas in a stable manner from Turkmenistan and Russia, and if China is expected to increase domestic gas production, it will become able to adequately control its reliance on LNG imports. Better still, some see that China may make use of its position as the largest LNG importer and augment its negotiating power in the LNG market.[88] Moreover, it has been pointed out that as China has an interest in Kazakhstan's upstream operations sector, it could influence the European market through crude oil exports to Europe.[89] Going further, there is also an argument stating that if China is able to begin exporting gas to Europe via Iran or across the Caspian Sea from Turkmenistan, where it is already contributing to the upstream sector and pipeline construction, China may also become able to compete with Russia in its main export market of Europe.[90] In short, this argues that China may become a major influence on European energy security.

These arguments reflect the complex perception of China's Belt and Road Initiative in Europe and the United States. In other words, Chinese energy policy connected to the Belt and Road Initiative has two sides: one which brings about economic profit for both China and its partnering country/region, and at the same time one that increases the possibility of enabling China to make use of its growing influence in the economic and energy fields in a political way. Thus, the perception behind these arguments is that the focus should not be just on profit but also on well-balanced responses with a certain sense of caution.[91] While this section has pointed out that there are two possible perspectives on the energy architecture that China is trying to build, further points of attention for deepening discussions are re-emphasized below.

First, above all else the energy architecture currently being constructed assumes stable trade relationships with resource-rich countries in Eurasia. Further, the motives for constructing these relationships lie in the demands of China's own serious energy security (Section 1), and these relationships have required many years, starting in the 1990s, to build up steadily; when it came to actual project formation China was greatly influenced by external factors which it could not control (Section 2). In other words, it cannot be ascertained that China has developed its energy policies from the start according to a plan derived from a certain strategy from a geopolitical perspective.

Next, the characteristics of its energy trade vary greatly not only due to the fundamentals but also external factors such as technology. In other words, the evaluation of the energy architecture depicted by China is based on the energy environment at this point in time, and even if China's desired architecture were to be constructed, this would not guarantee permanent functionality.

(Author: Shigeki Akimoto)

Conclusions

Masayuki Masuda

Conclusions

China's Eurasian diplomacy and particularly its interactions with Central Asia is comprised of two elements. The first is regionalism, where since the 1990s China has become actively involved in regional cooperation, emphasizing regional unity and autonomy.[1] The establishment of the Shanghai Cooperation Organization (SCO) and China's subsequent initiatives to institutionalize it speak amply of China's diplomacy incorporating the perspective of regionalism. Another element has been China's soft balancing attempts, seeking to offset the power and influence of the U.S. The SCO became the stage for China to announce a "new security concept" together with Russia and the Central Asian countries, and also a forum to offset the presence of the U.S. military, which had been bolstered in the wake of the 9/11 attacks.

However, Beijing found that it was not always an easy task to share with Russia and Central Asian countries a common regionalist direction and vision for soft balancing against the U.S. In terms of the former, in the forum of the SCO China was quick to emphasize the importance of focusing on multilateral economic cooperation, proposing the establishment of a free trade zone. However, Russia was more focused on security cooperation, where it would be better able to demonstrate its own leading role, and was also cautious about any economic cooperation that could expand China's influence in Central Asia. In the countries of Central Asia too there was a gap between their own economic development priorities and what China was proposing. With regard to the point about soft balancing, Central Asian countries basically maintained a diplomatic stance of diversifying their relations with major powers, making it difficult for China to consistently achieve its aim of soft balancing against the U.S. in the forum of the SCO.

From the late 2000s onwards China recognized more strongly the difficulty of achieving multilateral cooperation in the SCO and turned to policy coordination. Among domestic experts there was growing discussion on the revision of China's conventional approaches, with it being suggested that China's actual policies should not necessarily be bound by the approaches that had been implemented to date. With regard to soft balancing against the U.S., China recognized that such a balance could not be maintained in concert with the countries in the region, and neither did it seek to exacerbate any confrontation with the U.S. The result was that from the late 2000s onwards efforts progressed domestically in China to devise a concept that would enable the SCO to construct relations with the U.S. in the future. The "Dialogue Partner" mechanism that was established in 2008 did indeed seek to build relations between the SCO and the U.S.[2] With regard to regionalism too, while China was espousing multilateral economic cooperation on the one hand, it was also engaging in bilateral approaches with each counterpart country in search of commonalities between individual development strategies and those of the People's Republic of China (PRC). The Silk Road Economic Belt (SREB) initiative proposed by President Xi Jinping in 2013 was the result of such revisions in

China's approach, and demonstrated the pragmatism inherent in China's diplomacy. To put it another way, China's emerging diplomacy with Central Asia no longer sought to prioritize China's own priorities and goals alone, but also explored specific areas of common interest with the countries of the region.

It was for this reason that these countries also came to accept China's initiatives. In their respective development strategies the landlocked countries of Central Asia also prioritize external connectivity and were actively receptive of China's proffered cooperation. Of course the countries are not entirely without some degree of psychological caution with respect to China. Through improved connectivity within the region they are seeking to maintain diplomatic autonomy in their relations with partners beyond the region. For Russia too, although any diminution of its position and role in the Central Asian region is not desirable, on the other hand it is maintaining its basic presence, predominantly in military areas, and is cautiously facing China in the region. By choosing to work with China rather than block its overtures, Russia is seeking to make China dependent on it to a certain extent, thereby increasing its voice in regional affairs while enjoying the benefits of the BRI.

Moreover, with regard also to energy cooperation, which is one of the major motivating factors behind China's Eurasian diplomacy, analysis of predominantly energy-related business negotiations draws a picture of the regional architecture that has been built up in this sector. For China, increasing dependence on imports of oil and natural gas was a rational economic choice in order to realize sustainable economic growth. On the other hand, however, the demands of energy security have necessitated measures to maintain sufficient import volumes while managing reliance on imports. It was as a means of ensuring such a balance that the importance of having energy relations with the resource-rich nations of Eurasia increased, prompting China to make overtures to such countries. The result was construction of stable energy trading relations between China and the countries in Eurasia. More recently China has sought to expand its initiatives on the basis of outcomes achieved to date, including proposing the formation of a "Belt and Road Energy Club."

What implications does the analysis contained in this report, which has sought to elucidate the presence of pragmatism in the mutual relations between China and countries in the region, have for the Eurasian security environment? The geographic space encompassed by Russia and Central Asia has been in the vanguard of the advance of the BRI, which has improved connectivity in the region. The result has been that security cooperation between China and countries in the region has become less symbolic and more practical in its approach, which aims to maintain and develop the stable relations that have been assiduously constructed to date. In specific terms the protection of critical infrastructure, including energy, transport and communications, which are the foundations for connectivity, is recognized as an urgent security challenge.

From this perspective China is moving to institutionalize international cooperation in law enforcement aspects, not only with Central Asia, but also more broadly with Eurasian nations. Established in 2015, the Lianyungang Forum has sought to boost partnership and cooperation among

law enforcement agencies in member countries, and has not only institutionalized an annual meeting of the forum, but has also realized concrete cooperation on issues such as the protection of oil and natural gas pipelines. Through the Lianyungang Forum China has already firmly established capacity-building assistance focused on the provision of training and it is believed that police-related equipment and others is also being provided. In other words, China is leveraging its initiatives in the promotion of functional cooperation in the security field, which is resulting in the emergence in Eurasia of a functional network for the maintenance of security.

On the other hand, in line with the advancement of the BRI, in recent years there has been a growing tendency for China's political discourse relating to the international order on such matters as "reforming global governance" to incorporate the BRI. In relation to the Central Asian countries where the BRI has already advanced, there are also increasing references to reforming the international order and international system.[3] However, assuming that the factors that enable China to leverage its initiatives and expand its influence are reliant on a tempered diplomacy on the part of China that seeks to identify specific shared interests with counterpart countries, then any strengthening in political discourse that emanated unilaterally from China and surpassed the language of consent and support with counterpart countries would likely imperil any results achieved to date. This point could be said to be borne out by China's policies towards Europe that even more strongly emphasize reform of the international order, and which have engendered a reaction from the European side, notwithstanding the related development outcomes that such policies bring.

(Author: Masayuki Masuda)

Introduction

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Chapter 1

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Conclusions

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