

AN ASSESSMENT OF CHINA'S GROWING RELATIONS WITH CENTRAL ASIAN STATES AND ITS IMPLICATIONS FOR PAKISTAN

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Abstract

Energy reserves are remaking the geopolitical map in Eurasian region. The end of Cold War and disintegration of the USSR was a paradigm shift in international politics and the USA emerged as the sole global power. The six predominantly Muslims' states of the Central Eurasian region of former USSR attracted the world primarily for its vast hydrocarbon reserves. When the People's Republic of China (PRC) came into existence, Mao Zedong adopted the policy of self-reliance while his successor Deng Xiaoping opted for opening to the outside world. The economic reforms of Deng Xiaoping paved the way for making China the world's fastest growing economy. Keeping in view China's energy requirements Central Asian region got special significance for the PRC. By investing its capital in Central Asian oil and gas sector China is securing its future energy needs. The PRC and Pakistan have convergence of interests in the region. Pakistan holds important position in the regional geo-economic and strategic panorama. India's shortest access to Afghanistan and CARs is through Pakistan. South and Central Asian regions are reconnecting for peace and development. Regional developments point to the fact that cooperation will be in the interest of all stake holders.

Key Words: Hydrocarbon, Economy, Uyghur, Gwadar Port.

Introduction

The People's Republic of China (PRC) has become the fastest growing economy in the 21ST century. This article aims at analysing China's growing relations with Central Asian Republics (CARs), discussing Chinese energy needs and its interest in Central Asian hydrocarbons as well as Central Asia's geo-economic and geo-strategic significance with focus on the implications of this interaction for Pakistan. It examines the importance of CARs in the context of Chinese military, political and economic security and also evaluates Chinese policies regarding enhancing the economic development of its frontier provinces/regions, its growing energy needs and its relative position in the post-Cold War strategic environment. China supports the Central Asian states to enhance their independence, both economically and politically, and to promote peaceful and constructive bilateral relations with these neighbours and it will be worth evaluation

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whether China has secured the support of Central Asian governments for its “Go West” policy and also to gauge the worth of Gwadar deep sea port in the Chinese “Strings of Pearls” (SOP) policy.

The end of Cold War brought a paradigm shift in international politics. USSR disintegrated, the bipolar world came to an end and USA emerged as the sole nation-state with global reach. The former fifteen Union Republics of USSR became independent nation-states. Among these republics five, that is Uzbekistan, Kazakhstan, Kyrgyzstan, Turkmenistan and Tajikistan, were in the Central Asian region. These five Central Asian Republics, soon after independence, became important members of the comity of nations. The region attracted the world for geo-strategic and geo-economic reasons. Its huge hydrocarbon reserves attracted not only multinationals but nation-states as well.

The Central Asian Region possesses 4-6 per cent of the world’s proven recoverable oil reserves and 7-10 per cent proven recoverable gas reserves.¹ Another estimate underscores that Central Asian Republics’ proven oil reserves account for about 3.4 per cent of the global reserves. Kazakhstan is 9th in the global reserves ranking with 40 billion barrels while Turkmenistan and Uzbekistan together hold around 600 million barrels of proven oil reserves. Tajikistan and Kyrgyzstan’s proven oil reserves total 40 and 12 million barrels respectively. Afghanistan contains about 2 billion barrels in the northern part.² Proven natural gas reserves within Azerbaijan, Uzbekistan, Turkmenistan and Kazakhstan equal more than 236 trillion cubic feet. The region's total oil reserves may reach more than 60 billion barrels of oil; some estimates are as high as 200 billion barrels.³

The Fastest Growing Chinese Economy

The People’s Republic of China came into being on 1 October 1949 after the victory of communists in the civil war. Communists under the leadership of Mao Zedong defeated Chiang Kai-Shek’s (Jiang Jeishi) nationalist forces. Chiang Kai Shek left mainland China for Formosa (Taiwan). In the Cold War between USA and USSR, the PRC sided with the USSR and joined the

¹ Sally N. Cummings ed., *Oil, Transition and Security in Central Asia* (London: Routledge Curzon, 2003).

² Richard Rousseau, “The Oil Factor in Afghanistan,” *International Strategic Research Organisation*, January 11, 2010, <http://www.usak.org.tr/EN/makale.asp?id=1293> (accessed June 26, 2010).

³ John J. Maresca, Vice President UNOCAL Corporation to House Committee on International Relations, sub-committee on Asia-Pacific, February 12, 1998, *Washington DC*, <http://www.worldpress.org/specials/pp/unocal.htm> (accessed May 26, 2009).

Socialist Bloc. After the death of Stalin, relations between USSR and PRC became strained and in March 1969 even military clashes occurred in the north east of China near Zhenbao/Damanskii island on the Ussuri River. Mao Zedong adopted the policy of self-reliance. The first five years plan, also known as the Great Leap Forward, was a success. Deng Xiao Ping played active role in the Great Leap Forward. It was followed by the Cultural Revolution which ended with the death of Mao in 1976. The US policy towards PRC changed in the early 1970s when President Nixon visited China in 1972 and during that visit both countries agreed on the Shanghai communiqué, which provided the basis for bringing the two countries together. After the death of Mao and Zhou En Lai in 1976, the Gang of Four came to power in China in which Mao's wife (Jiang Qing) was the central figure. But slowly and gradually Deng Xiao Ping with the help of his allies became the dominant figure on the Chinese political scene.

The advent of Deng Xiao Ping at the helm of affairs in China brought a sea change in the Chinese approach to national and international issues. Deng Xiao Ping launched new reforms, which paved the way for making China the fastest growing economy in the world.

Deng's advice was that China should "observe developments soberly, maintain its position, meet challenges calmly, hide its capabilities and bide its time, remain free of ambition, never claim leadership. China should not attempt to be a hegemon, it should never practice power politics and it should never pose a threat to its neighbours or to world peace".⁴

The primary focus of Deng was on economic reforms rather than political reforms. The disintegration of the USSR and Gorbachev's *Perestroika* (restructuring) and *Glasnost* (opening up) influenced the thinking of the Chinese leadership. Economic reforms were given priority over political reforms. Deng borrowed the idea of four modernizations from his friend and former Chinese leader Zhou En Lai. Under this programme the Chinese leadership adopted measures to modernize agriculture, industry, science and technology and the People's Liberation Army. Ideological reorientation allowed China to welcome foreign direct investment (FDI) in different sectors of the Chinese economy. Pragmatism got an edge over idealism and ideological confrontation.

Deng's "black and white cat" theory provided guidelines for the Chinese decision makers. This theory meant that the colour of the cat was not important; what was important however was, if the cat could catch a mouse. If it could, it was a good cat, whether it was black or white. Under this new guideline, measures in the economic realm prohibited earlier became

⁴ Mamdouh G. Salameh, "China's Global Oil Diplomacy: Benign or Hostile?" *International Association for Energy Economics*, www.iaee.org/en/publications/newsletterdl.aspx?id=93 (accessed May 4, 2011).

permissible. The Maoist ideology that was strictly Marxist, Leninist and Stalinist in character was abandoned. Deng changed the whole ideological paradigm. His new Socialism with Chinese characteristics gave much ideological space to Chinese decision makers. Privatization, foreign direct investment (FDI), and incorporation of personal incentive in the system revived the Chinese economy. Deng inspired the Chinese youth by saying that to get rich was glorious. Opening to the outside world helped PRC to attract FDI. In the post-Soviet globalized world, China's relations with the USA improved which became a big market for Chinese finished goods. The end of Cold War, globalization and the change in Chinese policy from confrontation to cooperation helped it to become the fastest growing economy of the world.

China's robust economic growth and its aspiration to achieve a superpower status would falter without oil, particularly from the Middle East. China's global oil diplomacy is, therefore, geared towards ensuring that this never happens⁵. Though China possesses huge energy resources of her own, but due to economic expansion, particularly in industrial sector, its indigenous energy resources cannot keep up with its economic growth. Chinese planners think that their country's future requirements can only be met through imports, and so they are trying not only to diversify their sources of supply but also ensure the continuous supply of oil to China.⁶ China is projected to consume within 20 years what the US consumes today – 21 million barrels a day.⁷ By 2025, China is likely to import 75 per cent of its oil.⁸ China has therefore sought contracts with oil and gas rich countries in Latin America, Africa and Asia to maintain the growth of its economy.

The growing dependence on oil imports has created an increasing sense of “energy insecurity” among Chinese leaders. Chinese military leaders argue that China's energy problem needs to be taken “seriously and dealt with strategically.” That would mean lesser reliance on Middle East oil, avoidance of sea lanes policed by the US navy, building Chinese navy's capability to protect Chinese tankers and more oil from Central Asia brought overland by pipeline. The American build-up of its naval base at Changi in Singapore, allowing it to patrol the Straits of Malacca between Malaysia and Indonesia,

⁵ Ibid.

⁶ Michael Lelyveld, “Central Asia: China's Mounting Influence, Part 2-The Battle for Oil,” <http://www.rferl.org/content/article/1055957.html> (accessed April 3, 2007).

⁷ K. G. Hall, “Global Competition for Future Energy Supplies Heats Up,” http://www.eurasiagroup.net/press/article_0504-28-3.html (accessed August 11, 2006).

⁸ B. Bremner, “A Bull in the Energy Shop,” *Business Week*, http://www.businessweek.com/bwdaily/dnflash/jan2006/nf20060123_8985_db039.htm (accessed October 7, 2007).

through which 80 per cent of China's imported oil moves, is regarded with particular suspicion.⁹

Significance of Central Asia for China

Keeping her energy requirements in view, Central Asia acquires special significance for PRC. Keeping the region quiet and friendly has therefore been China's primary interest. Conflicts make trade difficult and expensive, and are therefore not in Chinese interest.¹⁰ China views her economic security to be as vital as it views her military and political security. Economic security is tied to the ability to secure access to raw materials and global markets.¹¹ The raw material reserves of Central Asia make the region of vital interest to China as it is second only to the Gulf in terms of oil resources.¹²

The Caspian Sea region possesses huge oil and gas reserves. Multinational corporations are eying these resources with keen interest. In fact a fierce competition is going on for the oil and gas of this region. It has been termed as the New Great Game. Actually the Great Game was an epithet used to refer to the political rivalry between British and Tsarist Russian Empire in the 19th Century for ascendancy in Central Asia.

The Peoples Republic of China possesses huge reserves of hydrocarbons, particularly the oilfields in the Xinjiang Autonomous Region which has oil deposits estimated at 20.86 billion tons and natural gas deposits estimated at 10.3 trillion cubic meters. The region accounts for 30 per cent and 34 per-cent of the nation's on-land crude oil and natural gas resources, respectively.¹³ Karamay, the capital of Xinjiang Uyghur Autonomous Region, known as the "oil city", is located near the border with Kazakhstan which is

⁹ Mamdouh, "China's Global Oil Diplomacy."

¹⁰ Olga Olikier, Thomas S. Szayna ed., *Faultlines of Conflict in Central Asia and the South Caucasus: Implications for US Army* (USA: RAND, 2003), 215, http://www.rand.org/pubs/monograph_reports/2005/RAND_MR1598.pdf (accessed October 6, 2010).

¹¹ While conducting research during his post doctoral research on Central Asian hydrocarbons from Harriman Institute, Columbia University, New York, the author attended and exchanged views on the issue with area experts in the second annual China symposium, "Feeding the Giant, the Domestic and Global Impact of China's Energy Needs," organized by the *Columbia Center for Chinese Economy and Society, Harriman Institute and the Center for Energy, Marine Transportation and Public Policy* at Columbia University, New York on April 21, 2006.

¹² Russell Ong, "China's security interests in Central Asia," *Meta Press*, http://www.metapress.com/media/6a86b7e29m0qrl483meg/contributions/m/0/6/6/m06622361542466l_html/fulltext.html

¹³ Zahid Anwar, "A year in Shihezi," *Statesman* (Peshawar), April 12, 2004. The author has been to China (Xinjiang) six times and spent four months in Shihezi University near Urumqi to conduct research in 2003.

about 320 km in the northwest of Urumqi.¹⁴ China is focusing on the construction of a 4,200 km network of gas and oil pipelines from Xinjiang to Shanghai. When completed, at an estimated cost of \$ 14.2 billion, the West-East energy project will enable 25 billion cubic metres of gas and 25 million tonnes of oil per year to be delivered to the industrial regions around Shanghai.¹⁵

The construction of the West-East Gas Pipeline started in 2002. The pipeline was put into trial operation on 1 October 2004, and the full commercial supply of natural gas commenced on 1 January 2005¹⁶. Another estimate is that the West-East gas pipeline project cost is around \$20 billions. It is 4,000 km long and since 2004, 13 billion cubic metres of gas a year has flown from Lunnan (Xinjiang) through eight intervening provinces and across both the Yangtse and Yellow Rivers all the way to Shanghai¹⁷. Xinjiang is expected to replace northeast China as the new energy base of China. It will supply over one-fifth of China's total oil needs by 2010, including an output of 35 million tons and an import of 10 million tons of crude oil from Kazakhstan.¹⁸

Having good relations with Kazakhstan that possesses substantial resources of oil, gas, coal, iron ore, zinc, copper, titanium, aluminum, silver, and gold is particularly important for China. Some 15 major Chinese companies are active in Kazakhstan. These companies extract about 80 million tons of Kazakh oil each year, of which an estimated 25 million tons is sent to China. Increasingly, China is becoming a strong rival to Russia in the energy sectors of Central Asian countries, while India has lagged behind. Already, China has a bigger stake in the Kazakh energy sector than Russia does. In

¹⁴ The Lun Nan (Lunnan), "Oilfield - Xinjiang Uygur Autonomous Region," *Cleaner Production*, http://www.chinacp.org.cn/eng/cpfactories/cpfact_lunnan_oilfield.html (accessed July 3, 2010).

¹⁵ John Chan, "China pushes into Central Asia for Oil and Gas," *World Socialist Website*, January 1, 2001, <http://www.wsws.org/articles/2001/jan2001/oil-j03.shtml> see also Xie Geguo, "Briefing on West-East Pipeline Project," *US-China Gas and Oil Industry Forum*, http://www.uschinaogf.org/Forum5/5XieGeguo_eng.pdf (accessed June 27, 2010).

¹⁶ "West-East Gas Pipeline," *Wikipedia*, http://en.wikipedia.org/wiki/West%E2%80%93East_Gas_Pipeline (accessed July 3, 2010).

¹⁷ "Trans-China Pipeline Deal Signed," *BBC News*, July 4, 2002, <http://news.bbc.co.uk/2/hi/business/2092313.stm>

¹⁸ "Xinjiang Emerging New Energy Base for China," *Peoples Daily Online*, November 10, 2004, http://english.peopledaily.com.cn/200411/10/eng20041110_163374.html (accessed May 3, 2010).

2009, China imported 18 million tons of Kazakh oil, while Russian firms extracted 6.4 million tons.¹⁹

In September 1997, Chinese Vice President Lee Pen visited Kazakhstan during which the Chinese side promised to invest \$ 9.5 billion in projects with Kazakhstan.²⁰ China National Petroleum (CNPC) agreed to buy Petro-Kazakhstan for \$ 4.18 billion, which it acquired in 2005. Petro-Kazakhstan produces about 150,000 barrels of oil a day in Kazakhstan.

In Uzbekistan, the CNPC signed a \$600-million oil joint venture.²¹

A 1,000-kilometer pipeline from Kazakhstan's central Karaganda region to China's northwestern Xinjiang region has been built which serves as a key link in the 3,000-kilometer project that aims at joining China to the Caspian Sea²². Kazakhstan is also focusing on the reconstruction of the Aktogay-Dostyk railway line on the border with China and has earmarked 50 billion tenge (\$400 million) for this purpose.²³

Kashagan is the largest new oil discovery in decades and exceeds the size of the North Sea. China is now among Kazakhstan's major target markets. The new China pipeline runs 962 kilometers (598 miles) and will take China a third of the way to Kashagan in the Caspian Sea.²⁴ Kazakh oil is exported to the Russian Federation and PRC through pipelines. A pipeline from Kazakhstan is connected with a pipeline in Xinjiang and from Xinjiang Uyghur Autonomous Region of PRC a pipeline almost 5000 km long is being constructed up to Shanghai.

China is also strengthening its relations with Turkmenistan. In 2009, China gave Turkmenistan a \$3 billion loan to develop the South Yolotan gas deposit. In 2010 China approved an additional \$4 billion to complete the first

¹⁹ Cholpon Orozobekova, "Beijing's Stealthy Expansion in Central Asia," *Radio Free Europe-Radio Liberty*, January 12, 2011, http://www.rferl.org/content/beijing_stealthy_expansion_central_asia/2274062.html (accessed June 28, 2011).

²⁰ Michael P. Crossant, Bulant Aras (ed.), *Oil and Geopolitics in the Caspian Sea Region* (Westport: Praeger, 1999), 203.

²¹ "China in Central Asia," *Washington Times*, August 23, 2005, <http://www.washingtontimes.com/news/2005/aug/23/20050823-091720-3448r> (accessed June 28, 2010), see also Petro-Kazakhstan.

²² Jeremy Bransten and Michael Lelyveld, "The Dragon in Central Asia," *Asia Times Online*, November 23, 2004, <http://www.atimes.com/atimes/China/FK23Ad03.html> (accessed June 23, 2006).

²³ Marat Yermukanov, "Astana Seeks Equal Footing in Partnership with Beijing," *Central Asia-Caucasus Institute*, http://www.cacianalyst.org/view_article.php?articleid=4206 (accessed October 1, 2006).

²⁴ F William Engdahl, "China Lays Down Gauntlet in Energy War," *Energy Bulletin*, December 20, 2005, <http://energybulletin.net/node/11818> (accessed November 10, 2008).

stage of this project. China will need 200 billion cubic meters of gas annually by 2020, while its own domestic production will be about 120 billion cubic meters. Beijing expects that by then Turkmenistan will be able to make up the shortfall. In the Soviet period, Turkmenistan produced up to 90 billion cubic meters annually and exported about 70 billion.²⁵

The bilateral relations between the PRC and Kyrgyzstan have strengthened in the post-Cold War era. Beijing sees Kyrgyzstan as a strategic base for trade expansion across Central Asia and the former Soviet space. Kyrgyzstan seeks to maximize its profits from re-exporting Chinese goods. That trade is worth an estimated US\$ 250 million each year for Kyrgyzstan.²⁶ China has granted Kyrgyzstan a loan of US\$ 5.7 million and Tajikistan US\$ 5 million to purchase Chinese products.²⁷

Impact of Chinese Policy on Central Asia

The Central Asian Republics are trying to diversify their infrastructural linkages with the rest of the world. During the Soviet time their communication linkages were Moscow-oriented. After independence, the Central Asian States started to develop roads, railways and pipelines with almost all neighbouring countries. In this context developing economic relations with China is helping Central Asian states to strengthen their independence. Central Asia is getting capital and expertise from China to explore and exploit its hydrocarbon resources. Many Chinese experts and skilled labour force are now busy in development projects. The Central Asian States have succeeded in resolving border issues with the PRC to a great extent.

China supported Uzbekistan's government during the 2005 bloodshed in Andijon and Uzbekistan President's first foreign visit following the Andijon crackdown was to China. Since then many steps have been taken by the two countries to strengthen their bilateral relations. During the same year, China signed 20 investment agreements, credit contracts, and other deals for a total sum of about \$2 billion. The China National Petroleum Corporation (CNPC) has agreed in principle to purchase 10 billion cubic meters of natural gas annually from Uzbekneftegaz.²⁸

The approach of PRC to "Colour Revolutions" was in tune with its own interests. The Orange Revolution in Ukraine, Rose Revolution in Georgia and Tulip Revolution in Kyrgyzstan collectively known as the Colour Revolutions have influenced regional politics to considerable extent. The approach of PRC to recent Andijan events in Uzbekistan was analogous to the approach of

²⁵ Cholpon Orozobekova, "Beijing's Stealthy Expansion in Central Asia."

²⁶ Ibid.

²⁷ Ibid., 224-229.

²⁸ Ibid.

Russian Federation. The emergence of SCO (Shanghai Cooperation Organization) as an important organization reflects the significance of the region for global actors. Pakistan and India are observers in SCO while PRC has been given observer status in SAARC (South Asian Association for Regional Cooperation).

China supports the Central Asian states to enhance their independence, both economically and politically, and to promote peaceful and constructive bilateral relations with these neighbours. The primary Chinese role in Central Asia is market-oriented. Whether the country would reap benefits from the geo-economic space to meet its national needs depends on effective management of the future uncertainties and its geopolitical power.²⁹ China needs to continue its economic integration with the world and wants to improve its relationship, both commercial and military, with the Central Asian States.³⁰

China's oil giant Sinopec Group has signed a US\$70 billion oil and natural gas agreement with Iran. Iran is also committed to export 150,000 barrels per day of crude oil to China for 25 years at market prices.³¹ Russia and Iran collectively possess 35 per cent to 40 per cent of known global gas reserves. The two emerging economies of the region PRC and India need a lot of energy to feed their industries. India imports more than 70 per cent of its crude oil requirements. China is grabbing at every loose energy deposit.³² Russian Federation has earned a lot from oil and gas import and export. For instance, its company, Gazprom, purchased from CARs US\$ 55 per 1,000 cubic meters and sold for US\$240 to Europe because of its monopoly on all pipelines running west out of the region.³³

Mutual economic interests may become a source of conflict resolution if foresightedly managed. The Iran-Pakistan-India pipeline and its proposed extension to Southwestern China will transform the relationship between these countries. Extending the Iran-Pakistan pipeline from Rajasthan across northern India and the Brahmaputra valley, Myanmar and finally ending in

²⁹ <http://bakerinstitute.org/Pubs/studies/xuchina/xuchina.html#3.1> (accessed June 4, 2006).

³⁰ Rob Johnson, *Oil, Islam and Conflict: Central Asia since 1945* (London: Reaktion books, 2007), 224-229.

³¹ "China, Iran Sign Biggest Oil & Gas Deal," *China Daily*, October 31, 2004, http://www.chinadaily.com.cn/english/doc/2004-10/31/content_387140.htm (accessed February 3, 2006), see also *Al Jazeera*, <http://english.aljazeera.net/NR/exeres/061D6F27-E3A5-4F9B-8E96-A5D284F15C96.htm> (accessed February 3, 2006).

³² Jim Willie CB, "Countdown to Energy War," *Gold Seek*, January 12, 2006, <http://news.goldseek.com/GoldenJackass/1137078123.php>

³³ Catherine Belton, "Caspian Great Game Back On," *Moscow Times*, <http://www.themoscowtimes.com/stories/2006/05/05/002.html> (accessed June 5, 2006).

Yunnan will foster mutual dependence among these countries like no confidence building measure can.³⁴ The IPI deal could be worth an estimated \$4.16 billion. At the outset it was perceived that India would start importing via the pipeline roughly 60 million standard cubic meters per day (MMSCMD) of gas from Iran by 2010. The level of imports could jump to 90-100 MMSCMD by 2015. Pakistan, in addition to obtaining transit fees, would tap between 30-60 MMSCMD.³⁵

Pakistan's indigenous hydrocarbon resources are abundant but cannot fulfill its economic needs. Pakistan has 27 trillion cubic feet (TCF) of natural gas reserves, which can meet gas requirement for the next 25 years. Pakistan has a well-developed and integrated infrastructure of transporting, distributing and utilizing natural gas with 7400 km of transmission pipelines and 49,000 km of distribution network developed progressively over 52 years.³⁶ There's lots of oil beneath the turf of Pakistan and also massive untapped gas reserves are believed to be lying beneath Pakistan's remotest deserts.³⁷

There is US\$50-60 billion per year of FDI in China, while in India it is far less than that. India's rivalry with Pakistan has direct relevance to the country's energy sector, as a reduction in tensions could facilitate regional natural gas and oil pipelines (i.e., from Iran or Central Asia).³⁸ Indian economy is growing and it is competing with China. It will not be able to successfully compete with China unless it improves relations with Pakistan. Pakistan and China relations are termed as deeper than the Indian Ocean, higher than Himalayas and sweeter than honey. It is also called an all weather friendship. Due to this friendship, China got access to Indian Ocean through Gwadar port while India has not been able to utilize its shortest route to Afghanistan, Central Asia and Iran through Pakistan. India lacks sufficient domestic energy resources and must import much of its growing energy requirements. India is not only experiencing an electricity shortage but is also increasingly dependent

³⁴ N. Chandra Mohan, "Pipedreams to Prosperity," *Energy Bulletin*, <http://energybulletin.net/5632.html> (accessed October 25, 2005).

³⁵ Stephen Blank, "Central Asia's Energy Game Intensifies," *Eurasia Net*, August 31, 2005, <http://www.eurasianet.org/departments/insight/articles/eav090105.shtml> (accessed June 27, 2010).

³⁶ S Nabeel Abbas Tirmizi, "Pakistan's Energy Requirements," *Pakistan Observer*, <http://pakobserver.net/200605/03/Articles04.asp?txt=Pakistan's%20energy%20requirements> (accessed May 3, 2006).

³⁷ "Missing the Oil Story," *Bush Watch: Oil Wars*, December 10, 2001, <http://www.bushwatch.com/oil.htm> (accessed July 2, 2010).

³⁸ Zahid Anwar, "Infrastructural Development between Pakistan and Central Asia," (paper presented at CESS Annual Conference at University of Washington Seattle, USA, October 2007).

on oil imports to meet demand. According to the Indian government, 30 per cent of India's total energy needs are met through imports.³⁹

The Enron Corporation has conducted the feasibility study for the US\$2.5 billion Trans-Caspian pipeline - a joint venture with Turkmenistan, Bechtel Corp, and General Electric. Enron also had a US\$3 billion investment in the Dabhol power plant near Bombay, India. In addition, in 1997, Enron announced it was going to spend over US\$1 billion building and improving the lines between the Dabhol plant and India's pipeline network; gas would be piped from Multan, Pakistan, to New Delhi, thence to Bombay and the Enron plant.⁴⁰

Uzbekistan is also rich in oil, gas and other natural resources. Tajikistan is rich in hydel power and its borders touch Xinjiang of PRC. Kyrgyzstan has geostrategic importance. Its borders touch PRC and USA has Manas airbase there which is important in view of the US "war on terror." Turkmenistan is rich in hydrocarbons particularly natural gas. A gas pipeline is planned from Turkmenistan via Uzbekistan, Kazakhstan to PRC. Turkman gas is exported through pipeline via Russian Federation. Turkmenistan and other Central Asian republics are diversifying their export routes. To diversify transportation routes for Central Asian hydrocarbons another project is Turkmenistan, Afghanistan, Pakistan pipeline (TAP). The main hurdle in this project seems to be the instability in Afghanistan.⁴¹ In April 2006, Beijing and Turkmenistan agreed to buy 30 billion cubic meters of Turkmen natural gas annually for a period of more than 30 years, possibly starting in 2009.⁴²

China has also secured the support of Central Asian governments for Chinese "Go West" policy, particularly about Xinjiang Uyghur Autonomous Region. The people of Central Asia are broadly divided into Turkic and non-Turkic ethnic groups. Uyghurs, Uzbeks, Karakalpak, Kazakhs, Kyrgyz and Turkmens belong to Turkic stock of Central Asia while Tajiks belong to non-Turkic group of people of Central Asian Republics. The majority population of Xinjiang Uyghur Autonomous Region comprised of Uyghur ethnic group. The Uyghurs are Muslim people most of whom live in Xinjiang. They follow

³⁹ "Energy Profile of India," *Independent Statistics and Analysis*,
<http://www.eia.doe.gov/emeu/cabs/India/Background.html>
(accessed July 1, 2010).

⁴⁰ Maqsudul Hasan Nuri, "India and Iran: Emerging Strategic Co-operation?," *IPRI Journal* III, no. 2 (Summer 2003),
<http://www.ipripak.org/journal/summer2003/indiaandiran.shtml>
(accessed October 8, 2010).

⁴¹ "Energy Profile of India."

⁴² Karen Talbot, "Afghanistan, Central Asia, Georgia, Key to Oil Profits," *Third World Traveler*, 2003,
http://www.thirdworldtraveler.com/Central_Asia_watch/Afghanistan_CAsia_Oil.html
(July 2, 2010).

the Hanafi School of Islamic jurisprudence. Historically Xinjiang remained independent and Uyghur like most of the people of Central Asia belong to Turkic ethnic stock. The independence of Central Asian States after the disintegration of the USSR inspired Uyghur too. Xinjiang Uyghur autonomous region of the PRC is geo-strategically important. Like Central Asia which was considered as the soft belly of former USSR, some experts consider Xinjiang as the soft belly of the PRC. Xinjiang has borders with Pakistan, Afghanistan, Kazakhstan, Kyrgyzstan and Tajikistan and developments in the Central Asian region influence the people of Xinjiang in one way or the other. Xinjiang possesses huge reserves of coal, oil and gas. As per Deng Xiao Ping's policy guideline, China has launched a "Go West Policy" in line with which China is now developing its western regions including Xinjiang. For this purpose a large number of Han people, technicians and skilled labourers from other Chinese provinces are migrating to this area and Uyghur consider it a deliberate policy of the central government to change the demography of the region.

PRC's interests in Central Asian region are multi dimensional. It touches China and from the security point of view it has a special attraction for Beijing. The transportation of oil and gas from Central Asia to China via Xinjiang is cheaper and secure compared to transportation of oil and gas from other regions of the world. China has invested in the hydrocarbons sector of Kazakhstan economy as well as in other Central Asian republics. There are some 8,399,393 Uyghurs in Xinjiang (China), 210,364 in Kazakhstan, 45,800 in Uzbekistan, and about 46,944 in Kyrgyzstan.⁴³ The Uyghurs of Central Asia have strong ties with those living in China. PRC is striving for friendly relations with Central Asian Republics to keep the Uyghur nationalist sentiment at low ebb. Beijing has neutralized the Uyghur bid to gain support from the countries of Central Asia or the SCO as a whole.

The Sino-US relationship is considered as the most important relationship of the 21st century. It is complex and multi-faceted and policy makers on both sides consider the two powers as competitors in some areas and partners in others. The relations between the two countries have passed through several ups and downs. At the end of the Cold War, Chinese policies under Deng paved the way for improving the bilateral relations. USA and China are the two largest consumers of oil. The balance of trade, the issue of human rights in the PRC, political status of Taiwan, currency dispute and influence in Asia are some of the issues between USA and PRC. On the other hand, there is convergence of interests in such matters as the war against terrorism, global peace and stability. Some of the statements issued at the SCO forum underline the fact that US military presence in the Central Asian region is a potential irritant between the two countries. After 9/11, to facilitate

⁴³ "Uyghur," *Wikipedia*, <http://en.wikipedia.org>

its war against terrorism in Afghanistan, the USA has acquired the Manas airbase (located near Chinese border) from Kyrgyzstan, the Karshi Khanabad airfield and Novoi airport from Uzbekistan and inside Afghanistan it has developed Shindand and Bagram airbases. As of 2011, USA has more than 100,000 troops in Afghanistan. Commentators have pointed out that the US goals in the region are to defeat global terrorism, contain Iran and China, break Russian monopoly on transportation routes from Central Asia and get access to regional hydrocarbons.

As in the Russian Far East, the number of Chinese is growing in the Central Asian States also. To complete the projects related to oil, gas and trade, more people from the PRC are migrating to these republics. China always brings its own workers to projects in Central Asia. According to some estimates more than 300,000 Chinese live in Kazakhstan now; there are about 200,000 in Kyrgyzstan, and about 150,000 in Uzbekistan, Turkmenistan, and Tajikistan taken together.⁴⁴ China is the most populous country of the world and Han Chinese migration in a large number for jobs, business etc., to the region is looked at with unease by the Central Asian States. They are apprehensive of the demographic change in the wake of this continuous stream of migration.

Implications for Pakistan

The Chinese government views the country's dependence on imported oil as a chink in its armour that must be defended. It has sought to do so through two initiatives. One is its "Strings of Pearls" (SOP) policy which aims to defend the shipping lanes that are vital to its oil lifeline, namely the Straits of Hormuz and Malacca. The other initiative is to reduce its oil import dependence on the Middle East and secure most of its oil needs overland by pipeline from Central Asia. The first and westernmost pearl in the string is the deepwater port of Gwadar in Pakistan, which cost US\$248 million to develop and was 80 per cent financed by China. The port is of immense strategic location and importance being just 250 miles from the Strait of Hormuz. It also provides China with a trade route to the Central Asian republics.⁴⁵

After the disintegration of USSR, South Asia and Central Asia, two important regions of the Asian continent, are integrating and resuming historical connections. This process is benefiting both regions. USA is helping the Central Asian States to diversify its communication links in all directions. This development is in tune with the national interests of Pakistan. Due to militancy in the region and particularly the ongoing insurgency in Afghanistan, the TAPI (Turkmenistan, Afghanistan, Pakistan, and India) pipeline project is

⁴⁴ Cholpon Orozobekova, "Beijing's Stealthy Expansion in Central Asia."

⁴⁵ Melinda Liu, "The Merchant Marine," *Newsweek*, March 28, 2005, 40-41.

a pipedream at this juncture but there is no denying the fact that it has great future prospects. It will not only help Pakistan to overcome its energy shortfall but also bring many other economic benefits. Pakistan has developed the Gwadar deep sea port to become a regional trade and transportation hub. It will be much cheaper for China to get African and Latin American hydrocarbons via Gwadar and onward through Karakoram Highway (KKH) to Xinjiang Uyghur Autonomous Region. The expansion of KKH and development of railway track along KKH will facilitate the trade and transportation between the two countries.

There is convergence of interests between Pakistan and China regarding the developments in Afghanistan. For India the shortest route to Central Asia is Pakistan and for China it has emerged as the preferred access point to the Indian Ocean. The overall regional scenario in the context of SAARC and SCO links underscores the geostrategic importance of Pakistan for China. India is also taking keen interest in the Central Asian region. It is investing in the oil and gas sectors of Central Asian economies particularly in Kazakhstan.

India being a rising economy considers the Caspian Sea basin important for its future energy needs. India has demonstrated keen interest in the Central Asian region, particularly in Tajikistan and its Ayni/Farkhor air bases, which are near the Wakhan corridor that is part of the Badakhshan province of Afghanistan. The Wakhan corridor is a small strip that separates Chitral (Pakistan) from Tajikistan. Tajikistan also touches Xinjiang region of China, where the Lop Noor area near Hotan city is the Chinese nuclear testing site.

India has made huge investment in Afghanistan after the departure of the Taliban. Another important development in the region is that the PRC has invested more than India in Afghanistan. This competition between PRC and India in Afghanistan may not be a zero sum game at the moment but future developments may turn it into one. India has built a 218 km highway that links Zaranj on the Iran-Afghan border and Delaram in southern Afghanistan. Recent discoveries underscore Afghanistan's importance as a country rich in natural resources which may further complicate the already complex situation there.

China has invested huge amounts in different projects (more than 250) in Pakistan. China is helping Pakistan in the development of Gwadar port which will give China access to the Indian Ocean. Pakistan also needs energy for its growing economy.⁴⁶ It will provide a secure base to China to transport its Asian, African and Latin American oil. It will end Chinese dependence on the Strait of Malacca for oil transportation which is considered to be insecure, time-consuming, long, expensive and vulnerable to attacks by pirates. The expansion of KKH (Karakoram Highway) and building of railway track along

⁴⁶ Zahid Anwar, "Energy Crisis and Alternative Energy Sources: Options for Pakistan," *Margalla Papers*, NDU, 2008, 20-34.

KKH is part of that Gwadar mega project. This rail track will be connected to Kashgar rail road which is already connected to Urumqi and then onward to the southern coastal provinces of PRC.

The world has become global village in the real sense of the term. PRC and CARs relations are based on mutual convergence of interests. The Central Asian Republics are looking for new markets to sell their oil and gas and China needs energy to keep pace with its economic growth. China and the Central Asian Republics (Kazakhstan, Kyrgyzstan and Tajikistan) and the Russian Federation are trying to resolve their border demarcation related issues with PRC through peaceful means and to a considerable extent they have succeeded in achieving that goal. The Central Asian republics lack capital to exploit their oil and gas resources while China has huge investable surplus capital.

Four considerations provide the foundation for China's policies toward Russia and the Central Asian Republics in the post-Cold War era: (1) China's desire for stability on its frontier and border provinces, (2) its desire to enhance the economic development of specific inland regions, (3) its growing energy needs, and (4) its concerns over its relative position in the post-Cold War strategic environment.⁴⁷ China's policy towards Central Asia is driven by the dual needs of maintaining its internal security against Uyghur activists and providing for its burgeoning energy needs.⁴⁸

The geopolitical game in Central Asia is twofold: first, control over production of oil and gas, and second, control over the pipelines which will transfer oil to the Western markets. Energy resources are reshaping the geopolitical map in Eurasia. The eventual control over the development of oil deposits as well as the eventual pipeline routing will determine the political and economic future of Russia, Turkey and the Central Asian states; it will determine Iran's position in the region and its relations with the West; it will determine the realignment of the strategic triangle among the US, Russia and China.⁴⁹

Pakistan holds important position in this whole geo-economic and geo-strategic chess board. Professor Frederick Starr of the John Hopkins University, Washington D.C., has aptly highlighted this aspect of the development in his recent book. Pakistan's full participation in GCAP (Greater Central Asia Partnership for Cooperation and Development) will

⁴⁷ Rob Johnson, *Oil, Islam and Conflict: Central Asia since 1945*, 222.

⁴⁸ Mark Burles, "Chinese Policy Toward Russia and the Central Asian Republics," *RAND*, 1999, http://www.rand.org/pubs/monograph_reports/2007/MR1045.pdf (accessed May 3, 2006).

⁴⁹ Constantine Arvanitopoulos, "The Geopolitics of Oil in Central Asia," *Thesis-A Journal of Foreign Policy Issues*, <http://www.hri.org/MFA/thesis/winter98/geopolitics.html> (accessed February 23, 2006).

symbolize the return of the Indus valley to the central place in region-wide economic and cultural interaction that it occupied for three millennia prior to the closing of its access to the west and north.⁵⁰ The future demands cooperative and harmonious efforts by China, India, Pakistan and their immediate neighbours to work together, utilising the skills, the technologies and the resources available for the common welfare of 40 per cent of all mankind concentrated in this vast region.⁵¹

Conclusion

With its fastest growing economy, swelling population, huge need for energy, the PRC needs CARs for its future energy security, expanded trade and keeping Xinjiang peaceful and stable. The Central Asian States view South Asia as a giant market for its huge oil and gas reserves. In this context Pakistan appears both as a market and as a transportation route. The PRC and the CARs are developing friendly and cordial relations based on mutual interests. China is securing its future energy needs by investing its capital in Central Asian oil and gas sector. It is developing its landlocked western regions and the Pakistani ports via KKH are nearer to South West China than the coastal provinces of China. India is a country with a huge population and an impressive growing economy and, like China, it needs imported hydrocarbons. Both are competing in this connection and one important factor due to which China is getting an edge over India is its cordial relationship with Pakistan. In fact for India the shortest route to Central Asia is through Pakistan and for China Pakistan has emerged as the preferred access point to the Indian Ocean. China is observer in SAARC and Pakistan and India are observers in SCO. The South Asian and Central Asian Regions are integrating and resuming historical connections and this development is benefiting the two regions and underscores the convergence of interests between Pakistan and China particularly regarding Afghanistan's crisis. The overall regional scenario underscores the geostrategic importance of Pakistan. ■

⁵⁰ S. Frederick Starr, *Silk Road Paper 2005* (Central Asia-Caucasus Institute Silk Road Studies Program), 23, <http://www.stimson.org/newcentury/pdf/Strategy.pdf> (retrieved 2/6/08)

⁵¹ Maqbool Ahmad Bhatti, "China's Peaceful Rise and South Asia," *IPRI Paper* 13, August 2008, 84
<http://ipripak.org/papers/paper13.pdf> (accessed October 8, 2010).