



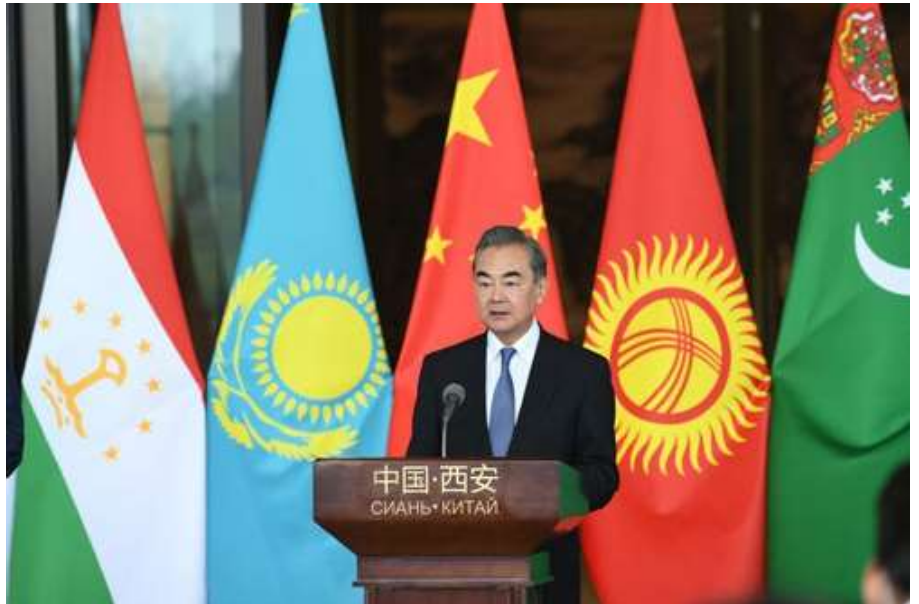
Feature Article  
November 18, 2021

## A Steadily Tightening Embrace: China's Ascent in Central Asia and the Caucasus

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*Chinese engagement with Central Asia and the Caucasus has been on a steady ascent. China accords considerably more importance to Central Asia than to the Caucasus, and the absolutely central aspect of Chinese engagement is Xinjiang. Still, the economic push into Central Asia has continued, in spite of a slowdown in investment lately. Among outside powers, Russia is the only power that Beijing considers a genuine competitor, and even then that relationship is seen through the lens of cooperation at the larger, strategic level. China does face challenges in Central Asia: one is the refocusing by various militant groups that now treat China as an adversary. Another is the risk that Beijing may inadvertently clash with Moscow's interests in the region.*

The narrative of China's engagement with Central Asia and the Caucasus has been one of steady ascension and embrace. There is a clear difference between the two regions from Beijing's perspective, with Central Asia a region which is intimately tied to China, while the Caucasus remains at one remove. The Central Asian relationship was initially marked by concerns and instability, but it has over time developed into an increasingly close relationship. As time has passed, Central Asia



*Chinese State Councilor and Foreign Minister Wang Yi speaks at the China plus Central Asia (C+C5) foreign ministers' meeting in Xi'an, May 12, 2021*

has also played an interesting role in Chinese foreign policy thinking, providing an environment in which Beijing can test out new foreign and security policy approaches in a relatively pliant environment. For example, the first international security organization outside UN structures that China was instrumental in creating, the Shanghai Cooperation Organization (SCO), focused on Central Asia. And even more importantly, President Xi Jinping chose to inaugurate his keynote foreign policy concept, the Belt and Road Initiative (BRI), in then-Astana (now Nursultan), Kazakhstan.

The Caucasus occupies a very different role in Chinese foreign policy thinking, something more prominently defined by the fact that the region does not share a direct border with China. As a result, it is largely treated as a potential foreign market, and with the announcement of the Belt and Road Initiative, largely treated as a region which sits at the heart of the network of infrastructure and trade connectivity that BRI represents across the Eurasian heartland.

Reflecting this distinction, this paper will linger more on the Central Asian relationships, given their higher significance to China. Though it is worth noting that the relationship with the Caucasus is one that is transforming, in large part due to the growing Chinese push in Central Asia which has helped provide an outline of what potential BRI investment can look like, something the countries of the Caucasus are keen to attract.

The structure of Chinese engagement with Central Asia can be broken down into four broad areas: economic, cultural, political and security. In fact, the political aspect touches on all of the other three, but is worth highlighting separately as there is a quite specific level of engagement at a political level that

China has undertaken with the region which is worth noting on its own. However, the absolutely central aspect of Chinese engagement with Central Asia which cuts across everything is the importance of Xinjiang in Chinese considerations towards Central Asia. In many ways the sixth Central Asian country (if one places Afghanistan in South Asia), Xinjiang is the primary lens through which China looks at Central Asia and has been regularly at the heart of its engagement and considerations with the region.

### **Recent Shifts**

This focus on Xinjiang is something that has only become more acute in recent times. While Xinjiang has always been a key part of Chinese thinking towards Central Asia, recent difficulties with the region have sharpened Beijing's focus. In contemporary terms, a turning point in Beijing's relations with Xinjiang came in 2009 in the wake of widespread disorder in Urumqi which led to a re-evaluation of policy towards the region. But the policy shifts that followed did not resolve the problems. Violence seemed to escalate over the following years and even spread beyond the region. In 2014, Xi Jinping visited the region, on a tour seemingly focused on bolstering local security efforts, a narrative that was undermined by the detonation of a suicide bomber at Urumqi train station during his visit.

This appears to have provided a green light for China to escalate its security focused approach towards the region. This ratcheted up further in 2016 with the appointment of Chen Quanguo to the role of Party Secretary for Xinjiang. Coming from Tibet, Chen had a reputation as a man who could quell minorities, and he brought with him many of the

policies he had developed in Tibet. The result was a widespread escalation of the already pervasive police state throughout Xinjiang. This echoed in Central Asia as some from the co-ethnic communities were caught up in the crackdown, leading to protests in Kazakhstan and Kyrgyzstan in particular. It has led to some tensions at a political level, though for the most part Central Asian governments are cautious to avoid condemning Chinese action at home.

Beijing has also found its security concerns have started to grow regionally in Central Asia as well. In late August 2016, the Chinese Embassy in Bishkek was targeted by a suicide bomber in a plot that was reportedly directed (or at the very least linked) to Uyghur networks in Syria. While this incident was not repeated (and it was not the first time Chinese officials have been targeted in Kyrgyzstan), it did bring together a number of strands of Chinese concerns. Many of these appear to have focused on Afghanistan in particular, with growing anxiety about Tajikistan in particular being a weak link in the region.

While discussions were likely already underway, by autumn 2016 China formalized an agreement with the Tajik authorities that they would build or refurbish up to 30 or 40 border posts along Tajikistan's border with Afghanistan. In August 2016, China hosted the first session of the Quadrilateral Cooperation and Coordination Mechanism (QCCM) an entity that brought together the Chiefs of Defense Staff of Afghanistan, China, Pakistan and Tajikistan, the grouping that surrounds the Wakhan Corridor, China's physical link to Afghanistan. Reportedly focused on counter-terrorism and border security, the QCCM was in many ways a rebuke of the SCO, but also an effort to formalize the

PLA's role in the region. In October, this was reaffirmed with a large joint counter-terrorism exercise between Chinese and Tajik forces in Gorno-Badakhshan. Sometime during the year, Tajik officials claim the decision to establish a Chinese base in Tajikistan was also formalized, though the existence of the base is something that is still treated in a somewhat opaque manner by both Chinese and Tajik officials. Its existence is beyond dispute at this point, though it appears to be a People's Armed Police (PAP) base rather than a People's Liberation Army (PLA) base, and it reflects a desire by China to not rely entirely on locals to guarantee its security interests in the region. This has even extended to a growing push by Chinese private security firms in the region more widely, though for the most part this seems to be focused on Kyrgyzstan where there is a greater degree of concern about personal and business security.

But while China has been more focused on security in recent years (something accentuated in the wake of the Taliban takeover in Kabul), the economic push into Central Asia has continued. From Beijing's perspective, this is in fact an extension of the security approach. China's ultimate interest is in Xinjiang stability, and they recognize that while a strong security hand can deliver this in the short-term, the longer-term answer is only going to come through economic development and prosperity. Given Xinjiang's landlocked nature, this means a prosperous neighborhood in Central Asia is important as well. Furthermore, interest in the rich natural resource opportunities on offer in the region made China an active player in Central Asia – something that was encouraged by the local governments who sought more investment.

However, recent years have seen a slowdown in investment. While China has steadily risen in the rankings as a trading partner for all of the Central Asian countries, investment from China has in fact slowed down. In part this is in response to broader trends in Chinese outward investment where there has been a push by Beijing to try to ensure greater focus on return on investment and therefore more emphasis on secure projects, it is also a reflection on local tensions and problems that have been generated by key projects. Still, there clearly remains a Chinese appetite for gaining economic benefits from the region. The recent opening of two more wells in Turkmenistan to help grow the volume of natural gas the Chinese National Petroleum Corporation (CNPC) buys from the country is one example at a state-driven level, while the constant level of low-level Chinese private sector investment in Kyrgyzstan reflects an appetite by Chinese investors to still have a go. That said, the level of investment is generally down. The exception to this is Uzbekistan, where there has been a notable push since the passing of former leader Islam Karimov to try to open the country to more Chinese investment.

A final key change in China's economic relations with Central Asia is the growing prominence of Chinese online commerce. Chinese technology has long been widely used in the region, including in the building of key infrastructure. But in recent years there has been a notable increase in Chinese online commerce platforms. They have been both growing their presence in the local market, but also increasingly offering Central Asian firms opportunities to sell directly to Chinese consumers. It has also helped displace some of the traditional markets in the region which used to rely on the import and resale of Chinese goods. Alibaba in particular has followed up on this surge with growing investment

in technology and digital platforms in both Central Asia and Russia, including signing multi-billion-dollar investment agreements.

But the key lesson of recent times is that while China still sees economic opportunities from Central Asia as important, it prioritizes its security concerns in Xinjiang and as a result lets the relationship be heavily influenced by Urumqi or defines things along the lines of how they will impact Xinjiang. This low prioritization by Beijing in its broader strategic thinking is not unique to Central Asia – Zhongnanhai largely focuses almost single-mindedly on the relationship with the United States as the priority. But the general hesitation is something that was highlighted again recently in discussions over Afghanistan. While Beijing spent time visiting all of the relevant Central Asian players, it does not seem to have stepped forward to provide much by way of leadership and only limited economic and humanitarian support. Rather, Beijing has focused on its own particular interests in Afghanistan, hedging in its relationships with the new authorities and emphasized blaming the U.S. for what has taken place. While this narrative is not new, its particular sharpness emphasizes the degree to which China has increasingly decided to see everything through the lens of its great power competition with the United States. For Central Asia, however, it is frustrating to have Beijing – Afghanistan's wealthiest and most influential neighbor – continue to hedge in a situation where they are clearly concerned about what the future holds.

Looking across the Caspian, in the Caucasus, there is a very limited security relationship to speak of with the countries and little evidence of Beijing pushing to get involved. China for the most part wants to avoid entanglements or trying to act as a

broker in clashes between the various regional powers. The economic motivation to engage in the Caucasus is there, and Georgia in particular has warmly embraced the BRI concept, going so far as to sign a Free Trade Agreement with Beijing in 2016. Both Azerbaijan and Armenia are also willing partners in the BRI, but the overall size of the region and its resources is relatively limited and does not have the same physical links to China, or Uyghur related security concerns that justify an enhanced attention. As a result, what engagement there has been has tended to be at a lower level, with Chinese regions (like Xinjiang) leading in relations, and specific companies pushing in to reap opportunities they see. The degree of state coordination and direction behind all of this is unclear.

### **China's Views on Central Asia and the Caucasus**

Traditionally, Beijing has seen Central Asia and the Caucasus through a Russian lens. Chinese experts looking at the region tend to speak Russian, and constantly refer to the fact that Beijing would not do anything in the region without consulting their Russian partners. Broadly speaking, China sees the region as part of a wider former Soviet belt, though there is a clear distinction in interest and attention with regards to Central Asia as opposed to the Caucasus or Central and Eastern Europe. While in diplomatic staffing terms, it seems as though China treats the region as a single space (diplomats are shuffled between posts) this is likely a reflection of linguistic requirements more than anything else. Central Asia does seem to register as a higher priority than the other areas – though Central and Eastern Europe has developed as a point of interest for

Beijing given its role in China-Europe relations, and their close link to the U.S.

In practical terms, China has distinct approaches to each country in Central Asia and is able to impose its views to varying degrees. In Turkmenistan, the opaque nature of the country is something that confuses China as much as anyone else, though it is clear that given the importance of Chinese energy-related income, Ashgabat treats Beijing as a closer partner than others. Beijing does not appear very preoccupied with the closed nature of the country as it has continued to deliver on the energy requirements China wants, though even CNPC has struggled to manage the Turkmen banking system, a reality that illustrates the difficulty of operating within the country. China sees Turkmenistan largely as an opportunity, a perspective that does not appear to have changed much over the past decades, though it has not been without frustrations for Beijing along the way. The Turkmen in turn are not thrilled at being reliant on China as their main customer and have sought (and thus far for the most part failed) to diversify. This is something Beijing has observed passively.

Kazakhstan and Uzbekistan are seen by Beijing as significant enough players that Beijing is willing to accord them with considerable respect and appear to engage them on the terms they want to be engaged. Beijing views Uzbekistan as a potential opportunity, and China recognizes both the economic opportunity and the relevance of Tashkent as a regional power broker and player. In Kazakhstan, China long played to Nursultan Nazarbayev's sense of power and influence, though it has also on occasion sought to push its interests in more strident terms behind closed doors. China and Kazakhstan have managed, however, to keep these

tensions out of the headlines, though the bubbling Sinophobia that is visible in the country is often used by political players to cause trouble and has placed practical difficulties on companies operating in the country. This in addition to the fact that some of the angriest expressions regionally towards China's crackdown in Xinjiang can be found in Kazakhstan have created some tensions. However, both governments seem keen to try to keep them under control.

Finally, Kyrgyzstan and Tajikistan are seen in a similar basket by Beijing as powers that are largely *demandeurs* in their relationship with Beijing. China is rapidly becoming their most significant economic partner, and Beijing has little sense of confidence in their ability to deliver on security outcomes within their borders which address Chinese concerns. This is reflected in a growing bilateral security relationship, as well as a willingness by Chinese officials to throw their weight around in bilateral engagements. At the same time, Beijing is unable to control local sentiment which is increasingly anti-Chinese in both countries, something that has caused some friction for Chinese investors – in particular in Kyrgyzstan.

This state of relations is largely reflective of the broader trajectory over time of China's relations with the region. They have stayed fairly static, with the most significant changes coming in the relationship with Uzbekistan which went from being completely closed to entirely open. In all of the other cases, the current approach is largely an extension of how China has seen the country for the past few years, with growing Chinese confidence and wealth often being the main change. The key external issue for Beijing with the region, however, is not really within the region, but rather with Moscow, where

China's growing influence in Central Asia has over time created a greater sense of tension. While it is clear that Russia still has some very strong levers of influence that surpass China's, there is an awareness in Beijing that there is some sensitivity here with regards Moscow. And Russia in turn appears to have a sense of concern that the region could become an entry point for unfettered Chinese investment and influence into their domestic economy. At the same time, this awareness and sensitivity has not slowed any Chinese initiatives.

Overall, however, Central Asia does not register very high in Beijing's broader considerations. This was most clearly shown recently in the Ministry of Foreign Affairs' willingness during the pandemic to amplify rumors started by Russian authorities about bioweapons labs that had been given U.S. government support in the post-Soviet space, including some in Kazakhstan, might be the source of COVID-19. This alongside a series of articles that were widely disseminated in the Chinese media in 2020 which appeared to suggest that Central Asian countries were not in fact independent countries, but rather provinces of China, all served to highlight the reality that Beijing spends very little time thinking in much of a considered way about how Central Asia sees China. The assumption from Beijing is that these powers will always want and need a relationship with China, meaning Beijing can largely proceed as it wants.

China's priority with Central Asia is Xinjiang. This is the case in terms of the region's potential as a place where dissidents can gather to threaten China, or in terms of the region causing problems for China's domestic security and economic stability approach. Within this context, the two priority countries are Kazakhstan and Kyrgyzstan, both of

which share borders with China and also have substantial Uyghur diaspora, in addition to the ethnic Kazakh and Kyrgyz communities in Xinjiang. Kazakhstan also has the distinction of being an important source of imported natural resources, both in hydrocarbon as well as mineral terms. It is also the main conduit for the major transport routes from China to Europe along the Belt and Road. This elevates the country to some degree above the others.

In the Caucasus, the calculation is different. In many ways, the Caucasus is simply another foreign region with which it needs to engage and consequently it is treated as such. The BRI is a major consideration with the region, given its location at the heart of where many of the routes across the Eurasian landmass would flow. In dealing with the countries, China is always conscious of the Russian relationship, and is more likely to defer to Moscow than it necessarily would in Central Asia. The region has tried to use China as a card to play in its wider geopolitical struggles with Russia, or the west. But Beijing has little interest in getting dragged into these clashes, and consequently engages at a utilitarian level.

Russia is the only power that Beijing considers a genuine competitor in Central Asia. And even there, it is largely seen through the lens of cooperation at a more strategic level, where Beijing is more focused on its larger relationship with Moscow than its more limited relations with the Central Asian capitals. With the Caucasus the calculation is even stronger, with even fewer reasons for China to not defer to Russian concerns. The only interesting wrinkle to this is the Russian war with Georgia in 2008 which was an act which Beijing was not happy about – suggesting as it did a world order in which

neighbors could recognize minority communities and then use them as a context to invade. The precedent set by Moscow was one Beijing did not appreciate, and expressed displeasure about in closer doors, though stopped short of open condemnation of Moscow. This event, however, did not change Beijing's broader strategic calculus towards the region though it did emphasize the broader awkwardness of the relationship with Moscow.

When looking to other capitals, it has entertained opportunities for cooperation with Europe (through joint projects between Chinese entities and the European Bank for Reconstruction and Development and broader discussions about possible Belt and Road cooperation) and its energy firms have entered into large-scale consortia with other international energy companies in the region. China has cooperated in the past with both India and the United States bilaterally in Afghanistan, but there has been little evidence of much desire to expand such cooperation in Central Asia. There has been some cooperation with Turkish intelligence in the region, though this has been on narrow concerns. At a strategic level, it is not clear how much Beijing focuses on Turkey, Iran or individual European actors within the region.

China has also played a role in advancing the Shanghai Cooperation Organization (SCO) as a major regional institution in which all of the Central Asian powers, except Turkmenistan, have membership and extra-regional powers India, Pakistan and Russia are members, with others like Iran, Afghanistan, Belarus, Mongolia or Sri Lanka have some stake. Yet, China's treatment of the SCO is in some ways exemplary of its broader willingness to work with others in Central Asia. Beijing never seems to reject engagement, but this is not always followed

by action. This is a reflection of China's sense of confidence in the region, where Beijing for the most part seems to assume a level unassailable importance which is ultimately going to trump all others. The one power they see as a potential competitor is Moscow, but there China recognizes that the overall geostrategic relationship is more significant than Central Asia meaning that for the time being, it will not entirely disregard Russia's wishes and Moscow is similarly unlikely to cause too much of a fuss.

### **The Future**

China's influence and engagement with Central Asia and the Caucasus is likely to continue on an upward trajectory over the next five years. While events in Afghanistan have created a new level of potential uncertainty, China's unwillingness to step forward into a role of responsibility or leadership highlights the likelihood that Beijing will simply continue to hedge in Afghanistan going forwards. Even in the event of eventual recognition of the Taliban government, it is unlikely that China will pour in vast sums of investment or strengthen its security presence, but rather it will seek to continue to invest in securing its secondary borders with the country – principally in Tajikistan and Pakistan. This might extend to Uzbekistan (though likely unnecessary) and possibly Turkmenistan (though Ashgabat is likely to continue to be highly reticent in this regard).

The dilemma, however, will be if Uyghur networks are able to reestablish themselves in any great strength in Afghanistan either under Taliban protection or take advantage of an unstable environment in the country. Beyond this as well, there has been a notable refocusing by various militant

groups across the region towards treating China as an adversary. The Islamic State in Khorasan Province (ISKP) recently launched an attack in which they specifically menaced China's cooperation with the Taliban government. This comes atop an increasing rate of attacks against Chinese nationals by separatists and jihadists in Pakistan. All of this might force Beijing's hand, though it is still not clear that China would abandon its current view of Afghanistan as a "Graveyard of Empires." Rather, it is likely that Beijing would find other local actors to engage with to manage its problems. These could come from within the various factions in Afghanistan, Pakistan or Central Asia.

The relationships with the Caucasus are likely to continue to grow, and it is the one with Georgia that probably bears closest watching. The country has made itself the most welcoming towards Chinese investment, something that has been done to specifically help Tbilisi hedge against western abandonment and Russian incursion. It will be an interesting strategic question to see how Beijing comes out should Moscow try something again, and the relationship might become an interesting bellwether of the broader China-Russia relationship. In that, should Moscow start to do something in Georgia which damages Chinese firms, endangers nationals, or again sets a new norm in international behavior Beijing is not happy with, it will be interesting to see how the two manage the situation.

With regards Central Asia, the greatest potential risk to Beijing's future in the region is that it lets its growing hubris get ahead of itself to the point that it entirely overlooks Moscow's concerns in particular. While until now Russia has seemed willing to simply let China sweep in, events in Afghanistan



have highlighted to Moscow once again the need to have direct presence and influence in the region. And this needs to be done with effective coordination with Beijing. Should Beijing continue to expand its influence unabated in Central Asia and start to use the region as a staging point for greater economic penetration into Russia that starts to look like it might be undermining Moscow's control, it is possible that a clash could take place. While at the moment the geopolitical sands are aligned towards Beijing and Moscow staying in lockstep in confrontation with the west, the question for the future will be whether China starts to take this for granted or its hubris gets the best of calculations that recognize

Russia's contribution to its interests in the region. Whatever the case, Beijing will be a significant (if not the most significant) actor in Central Asia, but it will be a much more complicated ascent if it is done in an antagonistic manner with Moscow.

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