Central Asian Energy:

A Point of Contention or Collaboration in Russia-China Relations

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Biography

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Abstract

This paper analyzes oil and natural gas resources of Central Asian states as a factor in Russian-Chinese relations. While this topic has been studied extensively over the past two decades, this analysis is unique in that it offers a Chinese perspective. Russia, one of the world's largest energy producers, and China, the world's largest energy consumer, are scrambling for access to Central Asian oil and gas resources and the control over their transportation network. Notwithstanding their differing interests in the Central Asian energy sector, the two great powers have so far been able to avoid conflict over these assets. This paper argues that the lack of visible friction between Russia and China over Central Asian energy resources can be attributed to three main reasons. First, the tensions have been mitigated by the multivector foreign policy conducted by Central Asian leaders. Second, this alleged cooperative Russian-Chinese relationship, despite colliding interests in Central Asia, is in accordance with Russia's and China's larger interests in maintaining their broader "strategic partnership." Finally, the 2008 global economic crisis lessened the intensity of the competition between Russia and China in the region's energy sector. The analysis of these determinants, particularly from the Chinese standpoint, provides important references and implications for regional security.

Keywords: Oil, natural gas, energy security, Central Asia, Russian foreign policy, Chinese foreign policy

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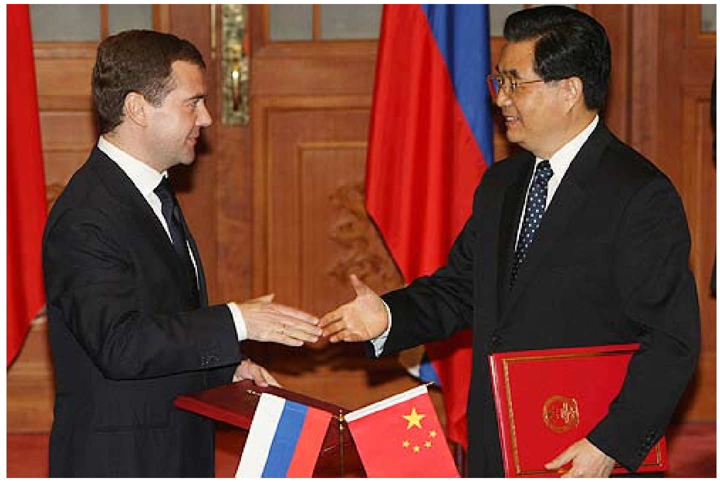

Dmitry Medvedev with President of China Hu Jintao after signing the joint declaration between Russia and China on major international issues. Photo by President of the Russian Federation [CC-BY 3.0 (http://creativecommons.org/licenses/by/3.0)] via www.kremlin.ru

Introduction

The increasing presence of China in Central Asia, particularly in the region's energy sector, has not only presented a problem to Russia, but has also drawn the attention of academics, analysts and strategists from all over the world. This has been an important issue because of both the practical value of Central Asia's natural riches and the critical strategic position of Central Asian states in regional security and post-Soviet world politics.

The energy-rich Central Asian states are of great significance to Russia and China, particularly in control over these republics' oil and natural gas resources. In this respect, Russia and China's colliding interests could have intensified the competition between the two great powers in Central Asia, and thus pose serious threats to regional security. Why, despite their conflicting interests, have Russia and China been able to avoid political disputes over Central Asian oil and natural gas resources? Unraveling this puzzle is crucial for comprehending the dynamics of China's growing role and Russia's vested interests in Central Asia, as well as for understanding the possible impacts that Central Asian energy resources could have on Russia-China relations and regional security.

Russia and China's Colliding Interests in Central Asian Oil and Natural Gas

While Russia and China would likely pursue a favorable relationship with Central Asian states simply for the reason of border security, these countries would not be a priority without their energy assets. Among the five post-Soviet independent Central Asian states, three have received more attention than the other two thanks to their extensive oil and natural gas reserves. According to the US Energy Information Administration, Kazakhstan could become one of the world's top five oil producers within the next decade, when its major oilfields are fully developed. Its proven gas reserves rank 15th in the world, and the rising production has turned Kazakhstan into a net exporter of natural gas in 2009.[1] Turkmenistan holds the world's fourth largest reserves of natural gas, amounting to 7.504 trillion cubic meters, which have proved attractive to Russia, China and the West.[2] Data related to Uzbekistan's oil and gas are less impressive than that of the first two states, but it also has an abundance of natural gas, used for both domestic consumption and exports.[3] Kyrgyzstan and Tajikistan, by contrast, are less attractive to investors in terms of fossil fuel reserves. In this article, "Central Asian states" mainly to refer to the energy-rich states of Kazakhstan, Turkmenistan and Uzbekistan.

Overall, the uncertainty over the prospect of oil and natural gas is determined by a complex set of factors, including the controversial prediction of peak oil, improvement of shale gas technology, intensification of climate and environmental concerns, development of alternative and renewable energy, and unexpected incidents, such as the Middle Eastern unrest and the nuclear crisis in Japan caused by the tsunami. Nevertheless, there is no doubt that, for Russia and China, one of the world's largest energy producers and the world's largest energy consumer respectively, oil and natural gas resources in their neighbor Central Asian states are of great strategic significance.

1 EIA-Country Analysis Briefs, November, 2010.
2 CIA - The World Factbook, March 16, 2011.
3 CIA - The World Factbook, March 23, 2011.

For Russia, the manipulation of Central Asian energy resources is key to bridging its economic interests and overall political agenda, where one of the key objectives remains being perceived as a superpower state. Concerning economic benefits, direct profits can be gained by dominating and reselling Central Asian oil and gas resources, especially when energy prices surge on the global market. It is widely acknowledged that Russia's economic resurgence under the presidency of Vladimir Putin (2000-2008) was largely attributed to the soaring oil prices. In this case, controlling Kazakhstan's oil exports could ensure Russia's monopoly in the regional oil market. This control is doubly important because Kazakh oil is of higher quality than Russia's Siberian crude oil, making it even more profitable.[4] Moreover, the monopoly on the export routes of Central Asian natural gas could strengthen Russia's exclusive bargaining position for lower import prices and higher re-export prices. Additionally, oil and natural gas imported from Central Asia could contribute to satisfying Russia's growing domestic energy market and increasing Russia's capability to regulate or gradually liberate domestic energy prices.

From a geopolitical perspective, the control over Central Asian oil and natural gas resources enhances Russia's political influence on three levels. Firstly, Russia can reassert its influence over Central Asia through economic integration. Secondly, by redirecting Central Asian energy exports, in particular cheap natural gas, to countries such as Ukraine and Georgia, Russia is better able to keep these former Soviet states in its orbit. Maintaining a predominant role in its traditional spheres of influence is a sure way to satisfy the Russian people's nostalgia for the Soviet Union and to "elicit domestic support."[5] Thirdly, dominating Central Asian energy export routes and reselling these resources to the West enables Russia to gain significant leverage vis-à-vis the energy-dependent European Union. A related example is Russia's strong stance against the European Energy Charter, which is part of Europe's free-trade market legislation. Russia is today the single most important supplier of natural gas and oil for the EU, and has no interest in seeing alternate Central Asian export routes which bypass Kremlin control.

4 Radio Free Europe/Radio Liberty, March 27, 2007.
5 Boris Rumer, 52.

In a word, oil and natural gas of Central Asian states present crucial strategic assets for Russia to enhance its economic capability and political influence, and thereby return to its prominent position in regional and global politics. This has been especially true after Putin came into power and adopted a set of more pragmatic foreign policies.

China, on the other side, is currently the world's second largest oil consumer, and is projected to become the biggest by 2030.[6] Natural gas is not traditionally a major energy source in China, but its share in the country's consumption mix has increased rapidly in recent years, and China has become a net natural gas importer in 2007.[7] China's robust economic growth will no doubt further boost its energy thirst, which makes energy supply security an imperative for Beijing. While the Middle East remains the largest source of China's oil imports, this region is becoming increasingly more politically instable. Moreover, oil coming out of the Persian Gulf has to pass through two of the main energy transport chokepoints — the Strait of Hormuz and the Strait of Malacca, both of which are out of China's control, thus threatening China's energy security. In terms of natural gas, China is also pursuing multiple sources of imports to achieve its targeted share of natural gas in its overall energy mix of 10 percent by 2020, whereas it only accounted for 4 percent in 2010.[8] Under such circumstances, the oil and natural gas of Central Asian energy-rich states, which are geographically proximate to China, play a crucial role in diversifying China's sources of energy and enhancing China's energy security.

Meanwhile, like Russia, China's activities in the Central Asian energy sector have been integrated into a broader geo-economic and geopolitical agenda. Along with and promoted by China's exploitation of Central Asia's fossil fuel resources, more extensive Chinese economic and political expansion into Central Asian republics is underway. In addition to contracts regarding the development and transportation of Central Asian oil and natural gas, Chinese state enterprises have also invested in the region's infrastructure, such as railroads and highways.

6 Financial Times, January 18, 2011.

7 EIA-Country Analysis Briefs, November, 2010.

8 "International Energy Outlook 2010 - Natural Gas," Energy Information Administration.

Most recently, in addition to investments in state companies, Chinese investments and industrial stakes in Central Asia have further expanded through smaller businesses.[9] In a display of 'soft power,' the Chinese government has opened many Confucius Institutes to teach Mandarin in capitals across Central Asia.[10] Thus, with energy cooperation as a locomotive in bilateral economic integration, China is gaining political leverage through Central Asia's reliance on its business investments and becoming a major geopolitical force in the region.

When evaluating the significance of Central Asian oil and natural gas, another key political concern of Chinese officials is related to energy transport routes, which all pass through China's northwestern province of Xinjiang, where Muslim Uyghurs reside and where separatist unrest has recently taken place. Beijing hopes to transform Xinjiang into an oil and gas hub, and through cooperation with Central Asian governments China will be able to accelerate the economic development in this region. This growth will help to contain radical Islam filtering in from abroad, so as to maintain political and social stability on the country's western flank.

In light of the analysis above, it is not hard to discern the hidden tensions between Russia and China with regard to Central Asian oil and natural gas resources. Since China is a relatively new player in this field, the collision of interests mainly presents itself as a possible Russian loss caused by China's rise. For over more than a decade after the breakup of the Soviet Union Russia had managed to remain in the absolute dominant position in Central Asian states' energy sector. Until 2005, with the exception of a relatively low-quantity and rarely-functioning gas pipeline linking Turkmenistan and Iran, almost every export pipeline carrying Central Asian oil and natural gas was routed through Russia. However, in recent years this model was broken by the intrusion of other competitors, particularly by the materialization of two Central Asia-China pipelines. The Kazakhstan-China oil pipeline, developed by the China National Petroleum Corporation (CNPC) and the Kazakh oil company KazMunayGas (KMG), opened in December 2005 as the first outlet of oil from Central Asia that bypasses Russia. Four years later,

9 Martin Sieff, *Central Asia Newswire*, February 21, 2011.
10 Edward Wong, *New York Times*, January 2, 2011.

in December 2009, the Turkmenistan-China natural gas pipeline, running from Turkmenistan through Uzbekistan and Kazakhstan to China's northwest Xinjiang region, was inaugurated during Chinese president Hu Jintao's visit to Turkmenistan. These pipelines signify the official end of Russia's near monopoly over Central Asian oil and natural gas exports.

Kazakhstan-China Oil Pipeline. Source: Chossudovsky, Michel. "The Eurasian Corridor: Pipeline Geopolitics and the New Cold War." GlobalResearch, August 22, 2008, http://www.globalresearch.ca/index.php?context=va&aid=9907

Turkmenistan-China Natural Gas Pipeline. Source: "Central Asia – China gas pipeline." Wikipedia, http://en.wikipedia.org/wiki/Central Asia – China gas pipeline

China's tapping into Central Asian oil and gas could undermine Russia's vested economic interests in two ways. First, Russia's share in Central Asian energy export volume has been eroded by China's involvement. In the case of oil, currently the majority of Kazakh oil still goes through Russia. One of the major pipelines linking Kazakhstan and Russia is the Caspian Pipeline Consortium (CPC) oil pipeline, which in 2009 carried 597,000 bbl/d (barrels per day) of Kazakh oil from Tengiz and Karachaganak oilfields to Russia, accounting for nearly half of Kazakhstan's net oil exports.[11] In contrast, in 2010 the Kazakh-China oil pipeline reached its designated full capacity of 10 million tons per year (roughly equaling to 200,000 bbl/d). This figure is projected to increase rapidly, because in October 2009 CNPC and KMG signed a framework agreement to double the pipeline capacity to 400,000 bbl/d by 2013.[12] This expected advance is faster than the projected growth of Kazakhstan's whole oil production, which is to

11 EIA-Country Analysis Briefs, November, 2010.

12 Martin Sieff, *Central Asia Newswire,* December 14, 2010.

double its current volume only by 2019.[13] As a new consumer interested in Kazakhstan for its oil resources, China has gained a steady foothold, reducing the size of Russia's piece of the Kazakh oil pie. The natural gas situation is similar. One of the largest natural gas contracts in the region was made between Russia and Turkmenistan in April 2003, where Turkmenistan agreed to supply over the term of 25 years up to 2 trillion cubic meters of gas to Russia.[14] This deal ensures Russia the right to purchase the preponderant amount of Turkmen gas till 2028. For example, in 2007 and 2008, Gazprom purchased more than 40 bcm (billion cubic meters) of Turkmen gas per year, when Turkmenistan's total gas output was only approximately 69 bcm in 2007 and 50 bcm in 2008.[15] Since the Turkmenistan-China gas pipeline opened in 2009, however, a certain portion of Turkmen gas is now heading to the east. In addition, in 2010 Kazakhstan and Uzbekistan also signed contracts with CNPC to join in the Central Asia-China gas pipeline.[16] Although this pipeline only supplied 6 bcm of gas to China in 2010, the route is expected to reach an annual capacity of 40 bcm by 2015, making China virtually a major importer of Central Asian natural gas.[17]

The second economic impact on Russia of China's stepping into the Central Asian energy sector is even more profound. The emergence of Central Asia-China oil and natural gas pipelines, among other realized and planned pipelines, broke the longstanding Russian monopoly on the export routes of Central Asian energy. The consequence of this change is particularly sharp when it comes to gas pipelines. Unlike oil, natural gas cannot be easily or economically transported by tankers, and, thus, pipelines are the main means of gas transport, the nature of which requires a long-term relationship between the consumer and the supplier.[18] In the past the lack of pipeline routes bypassing Russia left the Central Asian gas exporters little leverage to

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13 EIA-Country Analysis Briefs, November, 2010.

14 Pervyi Kanal, April 10, 2003.

15 Andrey Kazantsev, *Caucasian Review of International Affairs*, 2010; Deryaev, *Oil and Gas Insight*, November 2008; IHS, October 15, 2008.

16 Theodoros Tsakiris, *European Energy Policy Observatory,* September 13, 2010.

17 Yuri, Shafranik, December 2009.

18 Brenda Shaffer, 47.

bargain with Russia, and the latter benefited from purchasing Central Asian natural gas at a price much lower than the international market price. Up to 2006 Russia could pay merely 50 dollars per 1,000 cubic meters gas from Turkmenistan, Uzbekistan and Kazakhstan, and then ask for 250 dollars when reselling the gas to Europe.[19] Now that the Central Asian states have gained more leverage from the diversification of their natural gas outlets and importers, however, Russia had been forced to pay near market price for these resources. For example, in 2006 Russia purchased Turkmen gas at a price of 100 dollars per 1,000 cubic meters, and at the beginning of 2008, Russia agreed to buy Turkmen, Uzbek and Kazakh gas at the European price (300 dollars per 1,000 cubic meters) to compete with other players, including China.[20] Given the new export routes, the business of purchasing and reselling Central Asian gas has become quite unprofitable for Russia.

Along with the shrinking economic power it once had gained from Central Asian oil and natural gas resources, Russia's political leverage over these former Soviet states is challenged by China's inroads as well. Russia's political interests in Central Asia are closely bound with its neo-imperial aspirations. Its once exclusive access to Central Asian resources could be read as "regaining its Great Power status and geo-political relevance by wielding energy as an instrument of soft power."[21] As China has rapidly expanded its energy collaboration with Central Asian states in recent years, however, Russia's predominant role in Central Asian political life has diminished, made evident by the increasingly frequent interactions between Chinese and Central Asian high-level state officials and flourishing diplomatic discourses. For instance, upon the inauguration of the Turkmenistan-China natural gas pipeline, Turkmenistan's president Gurbanguly Berdymukhamedov claimed that this project has not only commercial or economic value but also political importance. He also referred to China as "one of the key guarantors of

19 Richard Galpin, *BBS News*, June 2, 2010.

20 Sergei Blagov, *Eurasianet.org*, September 5, 2006; Andrey Kazantsev, *Caucasian Review of International Affairs*, 2010.

21 Radio Free Europe/Radio Liberty, April 24, 2006.

global security."[22] China's geopolitical power is further strengthened by the energy-rich region's growing reliance on cheap Chinese goods, made available to Central Asian people through the deepening economic integration, with which Russian goods cannot compete. Kazakh political scientist Dostym Satpaev pointed out that Kazakhstan "needs good relations with Beijing," which is "economically a very strong neighbor."[23]

The Multivector Foreign Policy of Central Asian Leaders

The preceding analysis of colliding Russian and Chinese interests in the Central Asian energy sector leads to the core question: Why, despite their conflicting interests, have Russia and China been able to avoid political disputes over Central Asian oil and natural gas resources? The following three sections will provide explanations for this counterintuitive situation. First, this paper will examine two persistent factors that have contributed to mitigating the potential Russian-Chinese clash of interests, and which have a good chance of continuing to exert a positive influence on regional dynamics. On the one hand is the multivector foreign policy of Central Asian leaders to maintain the region's power balance and stability. On the other hand are the overwhelming benefits Russia and China derive from maintaining their current "strategic partnership." After exploring these two reasons, this paper will examine the unexpected changes in Russia's energy policy toward Central Asia since 2008 due to the impacts of the global economic crisis.

Examining the gains and losses of different sides in the Central Asian energy sector, it is impossible to overlook the role of Central Asian leaders' multivector foreign policy. These leaders have proved adept at maneuvering between the great powers involved in the competition and have thereby maintained stability in the region. One major difference in the popular analogy of the 19th century Great Game between the British Empire and the Russian Empire is that today the independent Central Asian states are active players rather than mere objects over which the great powers fight for supremacy. The energy-rich states have realized the economic and

22 Pepe Escobar, *TomDispatch.com*, October 12, 2010.
23 BBC News, August 1, 2007.

political strengths they can extract from their countries' oil and gas resources. These leaders are definitely taking advantage of these resources, because as long as they are able to play off the external powers, especially Russia and China, which are coveting access to these resources, this game will be one from which Central Asian states can only profit. Such a strategy fits into the theory of realism that maximum autonomy and maximum influence are basic foreign policy goals: this multivector foreign policy enables Central Asian states to gain leverage vis-à-vis the great powers, and allows the states to refrain from excess dependence on one single power, which could undermine their autonomy.

To date, Central Asian leaders have effectively implemented their multivector foreign policy. The most representative figure here is Kazakhstan's president Nursultan Nazarbayev, who has long been known for his strong political instinct and "amazing mastery" to strike a balance between opposing powers not only in domestic affairs but also in the international arena.[24] Nazarbayev's multivector foreign policy can be seen in his latest sequential visits to China and Russia in 2011. Nazarbayev first paid a three-day state visit to China from February 21 to February 23, where he met with Chinese president Hu Jintao and the two sides signed a number of agreements in the spheres of energy, industrial financing, and transport.[25] This visit has also secured CNPC's right to tap the Urikhtau gas field in western Kazakhstan.[26] Then in March 2011, the Kazakh president turned to Moscow, where Russian President Dmitri Medvedev and Nazarbayev held talks and vowed to boost strategic bilateral cooperation between Russia and Kazakhstan.[27] Particularly, Nazarbayev claimed that almost all the oil produced in Kazakhstan will be transited across Russia.[28] Both Russia and China understand that oftentimes Nazarbayev's words should be treated primarily as diplomatic rhetoric rather than solid promises. However, it is clear that his skillful and deliberate discourse and activities have been effective in maintaining good relations with both great powers on Kazakhstan's northern and eastern borders.

24 Boris Rumer, 201.
25 Kursiv.kz, February 2, 2011.
26 Guoji Ranqi Wang, February 25, 2011.
27 Novosti-Kazahstan, March 17, 2011.
28 BFM.ru, March 17, 2011.

In contrast with Nazarbayev's adept diplomatic rhetoric, former Turkmen president Saparmurat Niyazov appeared to undermine Central Asia's stability. When a reported assassination attempt against the Turkmen dictator occurred in 2002, Moscow — which in the past has expressed its resentment of Niyazov's intransigence over natural gas and other issues — was accused of involvement in the plot.[29] However, the tension declined after Niyazov's unexpected death in 2006, when his successor Gurbanguly Berdymukhamedov began to promote global engagement and to repair ties with Russia.

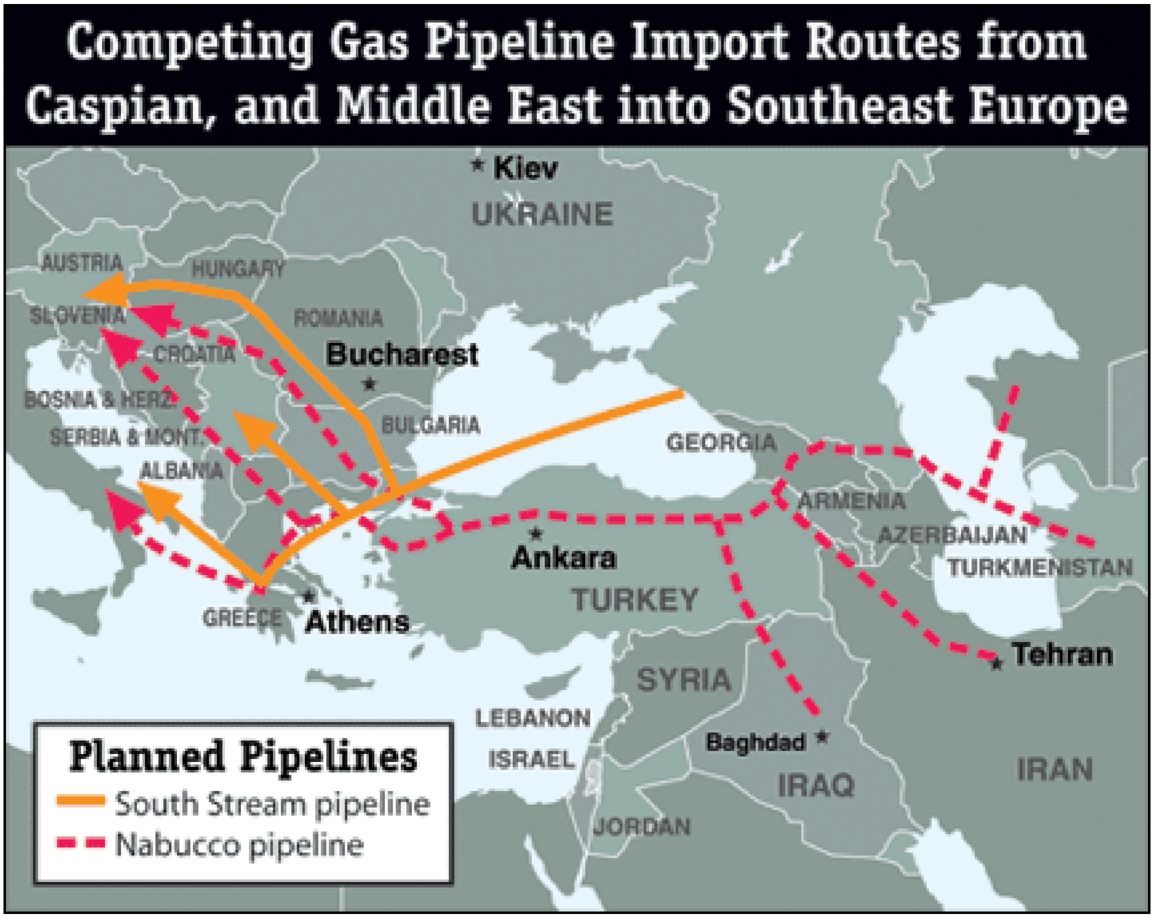
President of Uzbekistan Islam Karimov, having led Uzbekistan since the 1991 Soviet collapse, is another experienced politician who loves the idea of balancing the competing powers in the region.[30] In short, the motivation of the Central Asian states to preserve a stable environment, where they can take full advantage of the oil and natural gas endowments and maximize profits, encourages the state leaders to adopt a multivector foreign policy, providing few triggers or excuses which might escalate a collision of Russia-China interests.

In addition to the shrewd Russian-Chinese maneuvers of Central Asian leaders, another factor in tempering Russia's approach to China's interests in Central Asian energy resources, which also resulted from the multivector Central Asian foreign policy, involves the position of Europe, specifically the European Union. Russia is the biggest energy exporter to the EU, supplying 31% of total EU gas imports and 27% of total EU crude oil imports. At the same time, the EU is the largest consumer of Russia's oil and gas: 88% of Russia's total oil exports and 70% of its gas exports go to the EU.[31] This intense Russian and European energy interdependence has aroused serious energy security concerns, and was brought into the spotlight amid recent Russian-Ukraine gas disputes. In January 2006, due to clashes with Ukraine over gas prices, Russia cut off all gas supplies passing through Ukrainian territory, and thus disrupted the gas supplies to many EU countries. This incident alarmed the EU about its growing dependence on

29 Bruce Pannier, *Radio Free Europe/Radio Liberty*, November 26, 2002.

30 Roger McDermott, *The Jamestown Foundation*, June 19 2006.

31 Günther Oettinger and Sergey Shmatko, November 2010.



Nabucco and South Stream Pipelines. Source: "New survey shows split on Southern Corridor debate." The Prague Post, April 20, 2011, http://blogs.praguepost.com/region/2011/04/20/new-survey-shows-split-on-southern-corridor-debate/

Russian gas — at that point consisting of 40% of EU gas imports, and urged the EU to accelerate its alternative pipeline projects.[32] One of the most promising EU projects is the Nabucco gas pipeline, which is supposed to diversify the gas suppliers for Europe, and at once circumvent Russia's hold of transit routes. It is more than evident that Russia cannot bear the consequences of losing the EU as its largest energy consumer; therefore, Russia has been doing everything it can to prevent Nabucco from being realized, including announcing the South Stream pipeline project in 2007, which is seen as a strong rival to the Nabucco project.

While it remains to be seen which Central Asian-European pipeline project will be developed first, this is where China's involvement in the Central Asian energy competition comes into play. The implementation of the Nabucco project has been postponed again and

32 Dominique Finon and Catherine Locatelli, 2007.

again because of the lack of gas suppliers to fill this pipeline. When the Iraqi source of natural gas was questioned because of the fragile security situation, and Azerbaijan lost confidence in this project, the last, best potential supplier became Turkmenistan. Unfortunately, the Turkmen government was engaged in its contracts mainly with Russia and China, and thereby had no spare natural gas for Nabucco, even though Turkmenistan did show interests in expanding cooperation with the EU.[33] The plan to boost Turkmenistan-China gas supplies to 40 bcm per year by 2015 makes it even more unlikely for Turkmenistan to become a secure supplier for the Nabucco pipeline. "The European Union has surely lost the time for getting access to Turkmen gas, China has managed to come ahead of us," said an official of the European Commission to ITAR-TASS.[34] Consequently, in effect, China's exploitation of Central Asian energy resources helped Russia prevent Europe from opening a pipeline route out of Central Asia that bypasses Russia — something Russia would like to achieve at all cost. This unintentional contribution by China could to a great degree explain Russian officials' relatively unconcerned tone toward the Central Asia-China pipelines.

The Broader Russia-China "Strategic Partnership"

If the oil and natural gas of Central Asian states were the only determinants influencing Russian and Chinese foreign policies toward each other, the two states would most likely have ended up in overt conflict over the control of these resources, regardless of mitigating factors. However, in reality, the Russia-China competition is not such a zero-sum game solely based on the control over Central Asian energy resources. Russia and China are not the only players in the arena of world politics or in Central Asia, neither is the Central Asian energy the only thing that Russia and China take into consideration when making foreign policies. Instead, the Russia-China relationship, often dubbed as a "strategic partnership," is based on broader common interests in a much more complex background of world politics. According to a realist view, the most important goal of states is to survive in an anarchical international system, and

33 Natural Gas for Europe, September 26, 2010.
34 Yuri, Shafranik, December 2009.

foreign policies are designed to strengthen one's relative power position. Since the United States remains the sole superpower in the post-Cold War world, the cordial relationship between Russia and China — two subordinate global powers compared to the US — could be perceived as an expedient alliance, allowing these two states more time to enhance their own relative power capabilities, until their vision of the global multipolarity arrives.

The strategic partnership of Russia and China was codified in the 2001 Sino-Russia Treaty of Good-Neighborliness and Friendly Cooperation, signed by the then-leaders of the two states, Jiang Zemin and Vladimir Putin, as the first post-Soviet treaty of "friendship and cooperation" between the two international powers in 30 years.[35] In their meeting in 2002, Putin said that Russia and China know each other's history and culture very well, that the two countries have every reason to keep neighborly relations and have mutually beneficial cooperation. In return, Jiang said that the strategic partnership between China and Russia has gone forward in a stable manner, and hailed Russia's role as an important force in the international arena.[36]

This positive diplomatic tone was inherited by the new leaders of the two states. Dmitri Medvedev, who chose China and Central Asia as his first region to visit after being elected president, said in Beijing that Russia and China will continue to develop their strategic partnership in all possible ways. During this visit, Medvedev also signed a joint declaration with his Chinese counterpart Hu Jintao, condemning U.S. moves to establish a global missile defense system, saying the plans threaten the global strategic balance.[37] The latest shared stance on global issues can be seen in Russia and China's opposition to the West's military strikes in Libya. These comments reflect Russia and China's common view of a multipolar structure of the future world, instead of the current unipolar world order that is dominated by one power — the US. Both states allegedly see the US — and the US-backed NATO, from a Russian perspective particularly — as a unipolar bully and a major external threat to their security. Conversely, and

35 Xinhuanet, July 16, 2001.
36 Embassy of the People's Republic of China in Russian Federation, June 12, 2002.
37 InoSMI.ru, May 26, 2008.

not surprisingly, US top intelligence officer James Clapper has also recently identified Russia and China as major threats to the US.[38]

Similar geopolitical mechanisms among the great powers apply to the situation in Central Asia as well. After the events of September 11, 2001, the US made a radical shift in its policy toward Central Asia. According to the analysis of Boris Rumer, the new American policy in Central Asia consisted of three objectives: creating military centers for the war against Islamic terrorism, maintaining stability in the region and the independence of Central Asian states, and taking advantage of the Caspian oil and natural gas resources.[39] Although US antiterrorism activities in the region gained some support at the very beginning, this is no longer the case. Neither Russia nor China is in favor of the US's longstanding presence in their backyards, which has threatened the two states' vested interests in the region and their national security. Given this background, it is clear why both Russia and China would like to curb US influence in the region, while being relatively cooperative and tolerant toward each other's activities.

Secondly, it is both Russia's and China's highest priority in the region to maintain cross-border stability and strengthen the secular regimes of the Central Asia states vis-à-vis religious groups that might support extremism and separatism. The Shanghai Cooperation Organization (SCO), created in June 2001 in Shanghai by China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, has become one of the most influential intergovernmental international organizations in the region. Although the goals of SCO are widely defined as regional cooperation in various realms, the foremost objective of the organization is to maintain regional stability and fight the "three evil forces" of terrorism, separatism, and extremism.[40] To serve this purpose the SCO established the Executive Committee of the Regional Counter-Terrorism Structure (RCTS) in Tashkent, as one of its two permanent bodies (the other one is the Secretariat in Beijing). Within the framework of SCO, the member countries conduct joint antiterrorist

38 Luis Martinez, *abcNews,* March 10, 2011.

39 Boris Rumer, 42.

40 Boris Rumer, 139.

military exercises from time to time. The threat of separatism is a significant concern for Chinese leaders because of the persistent separatist activities among the Uyhgur ethnic group in China's northwestern province of Xinjiang. It is imperative for China to cooperate with other SCO member states to cut off the infiltration of religious extremism from Central Asia into China's western flank. Because of a similar threat from radical Islam to Russia's southern border, Russian and Chinese interests overlap. Both states support each other's antiseparatist actions, regardless of external political pressure on related issues. Russia supports China on matters concerning Xinjiang, Tibet and Taiwan, while China supports Russia in bringing stability to the troubled North Caucasus region. From a realist perspective, this mutual recognition of each other's sovereignty and territorial integrity is contingent upon the states' fundamental goal to maximize autonomy, and thereby fortifies the basis of the cooperative relationship between Russia and China.

The third bond in the Russia-China strategic partnership lies in their developing bilateral economic cooperation, particularly in the energy sector. Comprising nearly half of the BRICs countries (Brazil, Russia, India, and China), Russia and China are both deemed to be emerging global economic powers. Being the world's largest energy exporter and the world's largest energy consumer respectively, the complementary relationship between Russia and China is clear. In September 2010 Dmitry Medvedev and Hu Jintao opened the Skovorodino-Daqing oil pipeline connecting the two countries, built by Transneft and China's CNPC as an extension of the West Siberia-Pacific Ocean pipeline. This pipeline, referred to as "the start of a new phase in China-Russia energy co-operation," began operating on January 1, 2011, and is expected to deliver 15 million tons of Russian crude oil to China each year during the next two decades — about 300,000 barrels per day.[41] This 25 billion dollar loan-for-oil deal not only helps Russia to diversify its exports markets from European and American consumers and boost foreign investments in its Far East region, but also allows China to diversify its energy sources and fuel its economic ambitions. Admittedly, the economic interactions between the energy-rich Russia

41 People's Daily Online, December 31, 2010.

Skovorodino-Daqing Oil Pipeline. Source: "China-Russia oil pipeline opens." Nogtec, January 3, 2011, http://www.nogtec.com/downstream/pipelines/china-russia-oil-pipeline-opens/

and the cash-rich China are not considered to be on perfectly equal basis. As China continues to grow at a much higher rate than Russia, the latter is facing the increasing risk of becoming more dependent on its southern neighbor's huge market than vice versa. The tension is revealed in the long-stalled gas ties between Russia and China, where negotiations have not advanced due to the disagreement over future gas prices. Nevertheless, in the context of current regional and global politics, Russia has adopted a more pragmatic position to strengthen rather than reduce its bilateral interactions with China.

The Shock Impact of the 2008 Global Economic Crisis

The last determinant in the Russia-China relationship over Central Asian energy resources is unique in its unpredictable nature: the global financial crisis of 2008 significantly dampened the Russian ambition of building an "energy super-state" based on the concept

developed by Vladimir Putin in 2005.[42] It is still hard to say how long the impact of this crisis on Russia-China competition for Central Asian energy resources will persist, but this shock has certainly played an important role in lessening the intensity of the energy competition in the past three years.

The export price of Ural crude oil plummeted from its record peak of nearly 150 dollars per barrel in July 2008 to 34 dollars per barrel in January 2009. The German border price of natural gas, which was linked to oil prices, also fell from a peak of around 450 dollars per 1000 cubic meters in November 2008 to around 232 dollars per 1000 cm by November 2009. Overall energy consumption in the EU was about 5% lower in 2009 than in 2008, while natural gas consumption was some 6.4% lower.[43] Given its high dependence on energy prices and demands, the strength of Russia's economy was severely damaged amid the economic crisis, and the significance of oil and natural gas as Russia's strategic economic and political leverage was weakened. Thanks to the fungible nature of oil and the rebounding oil price since early 2009, Russian oil exports have been sustained.[44] Unfortunately, however, that was not the case of natural gas. The economic crisis, among other causes, including another gas pricing dispute with Ukraine in January 2009 and the increased gas production in the US due to shale gas technology, has made Russia's gas exports slump 13 percent from 195.4 bcm of 2008 to 168.4 bcm of 2009.[45] Even worse, as noted earlier, in 2008 Russia agreed to pay for Central Asian gas at the then-European-price, which had exceeded 370 dollars per bcm before the financial crisis, while it could only sell the gas to Europe at a much lower price amid the crisis.[46]

Consequently, Russia had been losing a great amount of money on its Central Asian contracts. Finally on April 9, 2009, a portion of the Central Asia-Center gas pipeline exploded in Turkmenistan, temporarily cutting off deliveries of expensive Central Asian gas to Russia.

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42 Andrey Kazantsev, *Caucasian Review of International Affairs*, 2010.
43 European Commission, Project No. 2009/205704 - Version 2.
44 Ibid.
45 Bank of Russia.
46 Delovaya Gazeta, March 14, 2008.

Russia was accused by Turkmenistan of sabotaging the pipeline.[47] Though gas exports from Turkmenistan to Russia resumed in January 2010, the volume was reduced to 10.5 bcm per year, compared to 50 bcm in 2008.[48] In this sense, China's move towards Central Asian gas resource in 2009 could be objectively seen as filling an unexpected vacancy left by Russia rather than jumping into an intense competition. Admittedly, China's presence would still present threats to Russia's position in the area in the long term; however, Russia first needed to tackle its own economic recovery before antagonizing China.

The Evolving Dynamics in Central Asia

This analysis has elaborated the main reasons for the lack of friction between Russia and China regarding their competing interests in Central Asian energy resources. A further look into the developing reality in Central Asia and the evolving dynamics of power politics in the region is necessary, because today's stability and tolerance do not ensure tomorrow's.

All the three energy-rich Central Asian states are characterized by authoritarian governments, making the security of the region highly dependent on these states' ruling elites. Both Kazakh President Nursultan Nazarbayev and the Uzbek President Islam Karimov have ruled their respective states for 20 years, ever since the collapse of the Soviet Union. The recently-held presidential election in Kazakhstan, in which Nazarbayev again won in a landslide with an overwhelming 95.5 percent of the vote, has secured the 70-year-old Kazakh president another five years in charge of his oil-producing Central Asian state.[49] Karimov, who is three years older than Nazarbayev, has also managed to repeatedly extend his term despite wide criticism. For external powers like Russia and China, as well as the West, stability in the region and security of energy supplies from Central Asia matter most. Therefore, outsiders look to the longevity of Nazarbayev and Karimov, since whether the Central Asian regimes can go through smooth power transitions after the current autocrats is in question.

47 Andrew E. Kramer, *New York Times*, May 15, 2009.

48 GlobalEdge; Chris Weafer, *Oil & Gas Eurasia*, № 10 (October 2009).

49 Novosti-Kazahstan, April 5, 2011.

However, even if the power transition would not necessarily lead to radical shifts in domestic politics and foreign policies of the Central Asian states, another concern rises from the repressive nature of the current authoritarian regimes, especially in the case of Uzbekistan and Turkmenistan. The bloody events in Andijan, which took place in Uzbekistan in 2005, is one example of how government repression can cause massive domestic unrest and affect the state's foreign policies. For Turkmenistan, although a sudden heart attack in 2006 stopped the rule of Saparmurat Niyazov, who was considered one of the world's most totalitarian and repressive dictators, the new president Berdymukhamedov has done little more than turn a totalitarian state into an authoritarian one. In sum, the internal stability of the Central Asian states of Kazakhstan, Turkmenistan and Uzbekistan is far from assuring, and these unstable factors might account for potential changes in the dynamics of the Central Asian energy competition.

The second developing parameter is the rapidly increasing economic and overall capability of China. Speculations have been made about China's economic growth. In March 2011 the chief executive of the Hong Kong and Shanghai Banking Corporation said China will overtake the United States to become the world's largest economy by 2050.[50] Only a month later the International Monetary Fund saved China 34 years in this process by forecasting that China's economy will surpass that of America in real terms in 2016.[51] These are mere hypothetical predictions, but they definitely demonstrate the world's deep concerns about China's economic growth, which disturb not only the US, but also Russia.

As analyzed above, the Russia-China partnership is based on their shared stance against the unipolar world order. Thus, if the world power structure will be significantly altered by China's challenging the US's dominant position at some point in the future, this could undermine the basis of the cooperative relationship between Russian and China and urge Russia to treat China as a more imminent threat. Though the distribution of power in the world has yet to change substantially, one can already sense Russia's concerns about China's rise in all the twists

50 People's Daily Online, March 21, 2011.

51 Brett Arends, *MarketWatch*, April 25, 2011.

and turns during the 14-year-long Russia-China oil pipeline negotiation.[52] The very sense of mistrust also accounts for the unsuccessful negotiations on establishing gas ties between Russia and China.

It is in the Russian military sector that anxiety over China's surge has been especially intense. The Russian military is seriously worried about the border security of Russia's resource-rich but sparsely populated Far East, part of which once belonged to China. Aleksandr Khramchikhin, the Deputy Director of the Institute for Political and Military Analysis, told Svobodnaya Pressa in December 2010 that "China today it is stronger militarily not only than Russia, but also NATO. And the important thing is that it is prepared to fight."[53] Given the Russian military's deeply concerned view on China's rise, it seems very lucky for the Russia-China partnership that, at least in Putin's era, the Russian military sector is not included in the first tier of Russia's political decision-making.

When it comes to China's activities in Central Asia, the biggest challenge for Russia is that there is no way Russia can invest an equal amount into the region's economy. With China and other world powers busily deepening their ties with the Central Asian energy-rich states, in April 2011 Russia implicitly expressed its concern over foreign presence in Central Asia. Russian Deputy Foreign Minister Grigory Karasin claimed that Moscow "acts on the premise that Russia's traditional strategic interests in this region should be fully ensured."[54] Clearly, China, among others, is supposed to be a recipient of this signal sent out by Russia. In a word, although both sides wish to avoid conflict, China's robust growth is causing increasing concern among the Kremlin leadership.

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52 GlobalTimes, May 20, 2009.

53 Open Source Center, Moscow Svobodnaya Pressa, December 2, 2010.

54 BFM.ru, April 13, 2011.

Conclusion and Implications

Though Russia's and China's respective interests in the oil and natural gas resources of Central Asian states conflict in various ways, this competition has not led to any observable political disputes. The absence of conflict thus far is due to following factors.

Firstly, Central Asian leaders' multivector foreign policy toward Russia, China and the West (which helps the energy-rich states maximize profits and objectively contributes to preserving the region's power balance) has restrained the potential confrontation between Russia and China. Secondly, the lack of friction is in accordance with Russia and China's interests in maintaining their strategic partnership, for the purpose of counterbalancing the US and the West, ensuring regional stability, and enhancing their own economic capabilities. Thirdly, the 2008 world economic crisis mitigated the tensions in the Russia-China competition in the Central Asian energy sector.

However, the current peaceful state of Russia-China relations concerning Central Asian energy resources does not ensure future stability. The factors underlying this peaceful energy relationship could easily change. For instance, shifts in Central Asian states' domestic politics, recovery or decline of the global economy, changes to the regional and global power balance, China's rapid rise, and other unpredictable incidents could all lead to the escalation of the previously mitigated tensions between Russia and China in the region. Therefore, although the constructive relationship between Russia and China in Central Asia is based on sound logic, its preservation should not be taken for granted. Instead, the development of the Russia-China partnership will rely on further efforts by the two sides to enhance mutual understanding and trust, as well as to strengthen multilateral cooperation in the region.

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