

CHINA AND GEOECONOMIC DYNAMICS IN CENTRAL ASIA

**BALANCING GLOBAL STRATEGIES, LOCAL INTERESTS AND
MULTIPLE PARTNERS**

Aliya Tshkay

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Central Asia is at the core of China’s ambitious Belt and Road Initiative (BRI), which promises to bring connectivity, trade, and improved infrastructure, as well as overall economic development to the states of the region. Yet beyond the official rhetoric, China is promoting its power through geoeconomic means. This paper looks at areas of cooperation (energy, infrastructure, trade, and finance) and identifies the ways in which China is involved with the region.

Through a combination of loans, investments, and infrastructure projects, the research shows how China ‘binds’ the region closer to itself and ‘wedges’ out alternative partners. It also shows how Central Asian states utilise the funding within the BRI framework for national development programmes, whilst navigating avenues for mitigating the establishment of a dependent relationship with China. The paper concludes with some policy implications for China, Central Asia, and the wider region.



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INTRODUCTION¹

In April 2020, Kyrgyzstan's government started talks with China to restructure the country's \$1.8 billion debt to China's Exim Bank, which came under the umbrella of the Belt and Road Initiative (BRI).² Loan restructuring should not necessarily raise alarms and, if one takes into account the economic impact of the Covid-19 pandemic on Central Asian countries, it is not surprising that regional states are struggling to meet loan repayments. The figure itself, however it might look, represents debts accrued over decades. The more interesting point, however, is the geo-economic nature of the cooperation between China and Central Asia, which is even more evident through the BRI framework.

When Chinese president Xi Jinping first announced the BRI in Kazakhstan in 2013, the initiative presented a vision of revived historic trade routes and links along the Silk Road, bringing with it the sense of a more prosperous economic future. The projects within the BRI are estimated to amount to \$1.3 trillion (which is not an exact figure and can vary, depending on the calculations), making it the biggest infrastructure initiative with a global impact.³ Central Asian states are located at the core of this initiative and involved in multiple areas, including energy and extractive industries, transportation and trade infrastructure, as well as cultural and educational cooperation.

Several studies have portrayed the relationship between China and Central Asian states, especially within the framework of the BRI, either focusing on Central Asian states' interests in cooperation with China, on economic risks and challenges associated with China's impact in the region, or as a regionalism project.⁴ Yet few studies capture the way China wields its geo-

economic power in the region, and its consequences for the relations between Central Asian states and China.

It has been noted by scholars that China, especially through the BRI framework, exerts geo-economic power, which has major geopolitical implications.⁵ The present paper therefore looks specifically at the way in which China's geo-economic policies interact with the policies of the Central Asian states as well as non-state actors. In this sense, China's economic policies towards Central Asia follow a specific geo-economic strategy and pursue a set of goals. It employs both 'binding' and 'wedging' geo-economic strategies, which simultaneously bind the region closer to China and hinder alternative cooperation.

The core argument of this paper follows three main points, incorporating the benefits of viewing China's involvement in Central Asia through a geo-economic framework. First, the geo-economic lens provides an opportunity to explore China's long-term strategic objectives towards the region with a focus on the economic means, other than traditional geopolitical ones. Second, by shedding light on China's geo-economic strategy in Central Asia, the strategic options of the Central Asian states are also fleshed out, as well as the ways in which they can try to mitigate a potentially dependent relationship. Third, a geo-economic analysis highlights China's economic statecraft in the region, and its potentially far-reaching political implications, as is noted in other parts of the world.⁶ Furthermore, the case of Central Asia provides a basis for understanding the way that China uses its geo-economic means to achieve its global strategic objectives.

Although the paper treats Central Asia as a region consisting of five republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan), it is important to keep in mind that there are both regional similarities and country-specific peculiarities in the way that China conducts its projects. It is particularly important to emphasise the differences, as the degree of China's presence in the economies of each Central

1 The author would like to thank Filippo Costa Buranelli, Paolo Sorbello, and Ilaria Carrozza, who gave invaluable comments and suggestions that helped to shape this work.

2 Dzyubenko 2020.

3 Chatzky & McBride 2020.

4 On Central Asian states' interests, see Vakulchuk & Overland 2018, Costa Buranelli 2018a; on economic risks and the impact on the region, see Laruelle 2018a; on the regionalism project, see Kaczmarek 2017.

5 Beeson 2018; Acharya 2017.

6 Wigell 2016; Wigell & Landivar 2019.

Asian state varies from one to another. Kazakhstan, for instance, receives the biggest share of Chinese investments, but Kyrgyzstan and Tajikistan have larger proportions of their public debt owed to China. Turkmenistan is dependent on energy exports to China, and Uzbekistan only recently started cooperation under the BRI, but has huge potential for more in-depth engagement. The BRI operation in the region often has a generalised view, not paying attention to localised dynamics and obscuring crucial idiosyncrasies; thus, this paper provides an opportunity to look at each country more closely, and to enhance understanding of the geoeconomic processes in the region.

The paper will start with an overview of geoeconomics as an analytical framework and its utility in understanding the relationship between China and Central Asia. It discusses the difference between geoeconomics and geopolitics, and draws attention to geoeconomic strategies. These strategies set the course for a set of policies applied by China to the target state. The paper then continues with an exploration of the main policies that China has applied to the region and how it has established a long-term relationship with Central Asian states. The BRI projects are subsequently discussed, as well as how they support China's geoeconomic strategy. Lastly, the paper proceeds to present the Central Asian perspectives on China's investments, interests, and challenges in balancing the external actors. The penultimate section lists some policy implications for both Central Asian states and other actors, and discusses areas for further research.

GEOECONOMIC STRATEGIES AND REGIONAL COMPLEXITIES

Geoeconomics can be defined as 'the geostrategic use of economic power'.⁷ This highlights the strategic nature of geoeconomics and how the official discourses of economic cooperation and mutual development can seek to mask hard-nosed strategic considerations with far-reaching political repercussions. In this sense, for example, the economic benefits that a target country gains in the short term can come at the expense of reduced political autonomy over the longer term.⁸ In a similar manner, geoeconomics can be considered to

be about 'shaping and managing the strategic environment in which the states operate for the pursuit of their national interests by economic means'.⁹ As such, there is an obvious overlap between geoeconomics and geopolitics, with an emphasis on geographical aspects, relative gains and power-political logic, but pursued with alternative means.

As a strategic practice, the use of geoeconomics is often associated with regional powers, such as Brazil, Germany, India, and Russia, which are usually the nodes of regional economic networks and therefore able to use economic means to propel national interests.¹⁰ It is also important to note how a regional actor, by growing its economic power, can also improve its geopolitical position and even become a global leader.¹¹ Today, these observations are particularly relevant with regard to China. Beijing has arguably developed a particular approach to incentivising and revitalising links within the Eurasian continent and, in doing so, has sought to exploit different economic and financial channels to promote its global presence.¹²

In general, geoeconomic strategies employ two sets of economic means – 'carrots', referring to loans and other economic inducements that seek to advance preferable economic activities, and 'sticks', referring in particular to sanctions and embargoes that seek to limit or prevent such activities.¹³ By combining these means in different ways, a state can provide the basis for different geoeconomic strategies, such as 'binding' and 'wedging'.¹⁴ Geoeconomic 'binding' refers to various trade, finance and investment deals concluded with a target state, with the aim of increasing the dependency of the particular targeted state and enhancing the political leverage of the initiating state.¹⁵ From this perspective, China's offer of loan schemes and infrastructure projects to Central Asia is not merely about apolitical business cooperation for mutual benefit, but is motivated by long-term strategic considerations to bind the region more closely to Beijing and/or to disentangle it from relationships with other great powers, such as Russia, the United States, or European players, including the EU. The last point is relevant to geoeconomic wedging, which refers to

7 Wigell 2016, 137.

8 Wigell & Landivar 2019, 165.

9 Vihma 2018, 4.

10 Scholvin & Wigell 2018, 77; Mattlin & Wigell 2016.

11 Grosse 2014, 42–43.

12 Rolland 2017, 117–118; for more on China's use of financial instruments in exercising geoeconomic power, see Huotari & Heep 2016.

13 Vihma 2018, 15.

14 On 'binding' geo-economic strategies, see Wigell and Landivar 2019; on 'wedging' strategies, see Vihma & Wigell 2016; Wigell & Vihma 2016.

15 Wigell & Landivar 2019, 164.

policies or instruments, such as economic incentives, used to discourage a target state from creating alternative partnerships.¹⁶

One of the shortcomings in the geoeconomics literature is its macro state-centric level of analysis.¹⁷ Geoeconomic analysis often overlooks individual (non) state actors, even though a wide web of local interlocutors, businesspeople, or members of the political elite all enable the facilitation of trade, investment agreements, and projects. Paying attention to individual actors sheds light on the notion of the practice of geoeconomic policies and limitations on the fulfillment of strategic objectives. For instance, Kim Olsen's study unveils the ability of diplomats to challenge the implementation of geoeconomic policies in the case of the application of sanctions.¹⁸ In the economic sphere, big companies (both state and private) play an important role as the key interlocutors for states when attempting to carry out geoeconomic strategies.¹⁹ The focus on different individuals that enable the implementation of geoeconomic strategies also involves looking more closely at the local conditions in the target states. For that matter, corrupt practices, informal politics, the use of personal networks and kinship can all contribute to the facilitation of economic activities and play an important geopolitical role.²⁰ In this respect, the micro-level analysis can problematize the exercise of geoeconomic power inside the target state and showcase the actors that can facilitate trade and cooperation with China or challenge it, as will be explored later.

Central Asia is an interesting region when it comes to analysing contemporary geoeconomic dynamics, for two main reasons. First, the region has traditionally been seen as playing a pivotal role in the global balance of power, following the Mackinder dictum.²¹ Second, the region's location at the crossroads of routes that connect Asia and Europe gives it a central role not only in China's BRI, but increasingly also in current European geoeconomic strategies (through the framework of the EU-Central Asia strategy), as well as in any Russian ambitions to maintain a sphere of

influence and interest.²² From a regional perspective, the geographical condition of being landlocked poses a particular challenge. Being rich in natural resources, Central Asian states can rely on many opportunities for economic development. However, often relying on the remnants of old Soviet infrastructure, the region is in need of new investments in transport and energy corridors, technologies to speed up border checks, and other areas to facilitate trade.

CHINA'S GEOECONOMIC MEANS IN CENTRAL ASIA

To fully grasp the relationship between China and Central Asian states, one needs to pay attention to Beijing's global ambitions and strategy. The Belt and Road Initiative represents the bold global vision of President Xi Jinping, based on connectivity, trade and economic growth, with a greater role for China in the international arena.²³ The BRI also has wider domestic implications for the Chinese economy as it provides support for local construction companies, and for corporations, with the overall aim of transforming the country into a developed one.²⁴ In this strategic vision of economic expansion, increased trade and resource flows, and improved connectivity across continents, Central Asia is one of the key areas for the Eurasian part of the BRI.²⁵ In order to secure cooperation with its Central Asian neighbours, China has deployed a wide range of geoeconomic instruments, and fostered cooperation in security and economic spheres.

However, China's geoeconomic advance in Central Asia is not straightforward. China lacks the political and cultural ties that Russia enjoys with the region due to its Soviet past and current economic integration process through the Eurasian Economic Union (EAEU) and the Commonwealth of Independent States (CIS) free-trade zone. The economic integration with Russia within the EAEU presents a big pull towards Moscow, with Kazakhstan and Kyrgyzstan already members, and discussions for the accession of Tajikistan and Uzbekistan ongoing.²⁶ It would be beyond the scope of this paper to list the depth of cooperation

16 Wigell & Vihma 2016, 611.

17 For a criticism, see Sparke 1998.

18 Olsen 2020.

19 For a recent analysis, see Fjäder, Helwig & Wigell 2021.

20 For the study of how Central Asian states utilise local practices and norms to balance the great powers and protect sovereign authority, please refer to Alexander Cooley's manuscript 'Great Games, Local Rules: The New Great Power Contests in Central Asia' (2012).

21 Bassin & Aksenov 2006; Cooley 2012.

22 Costa Buranelli 2018b; Markey 2020.

23 Zhao 2015, 3; Hillman 2020, 4.

24 Markey 2020, 2-3.

25 Käpylä & Aaltola 2018, 49.

26 For a discussion on Uzbekistan's accession to the EAEU, see Hashimova 2020a; for Tajikistan, see Hashimova 2020b.

between Central Asian states and Russia (from military and security to culture and education). However, for the sake of argument, one should note that Russia does not perform a role of dominance and primacy, but a ‘negotiated hegemony’ in the region, where its political influence and power is not fixed and is constantly accommodated, balanced or resisted.²⁷ Whereas scholars like Kaczmarek, Gallo, or Stronski and Ng focus on the competition between Russia and China in Central Asia, a more interesting angle would be how regional states balance the interests of Moscow and Beijing.²⁸

In the aftermath of 9/11 and the geopolitical situation in Afghanistan, the US administration came up with the Silk Road programme in 2011, which was aimed at the facilitation of North-South networks.²⁹ It involved infrastructure projects in the field of energy, but did not flourish to its full potential, however. Moreover, following the fall of the Soviet Union, European states and the US started engaging with the region earlier than China, securing strategic partnerships and investment opportunities in the energy and security sectors.

The presence of other great powers in the region and their vested interests (be they economic or security-related) is something that is acknowledged by Beijing. China seeks to maintain a cordial relationship with the Central Asian republics by highlighting ‘strategic partnerships’, ‘friendship’, ‘regional connectivity and economic growth’ in official discourses.³⁰ In this respect, the discourse of economic growth and development is notable, which resonates in particular with the geoeconomic analytical framework.³¹

China’s foreign trade and cooperation with its neighbours as a means of enhancing political engagement started in the early 2000s and can be seen in how overseas trade, investment and infrastructure projects serve geoeconomic goals.³² The task at hand was to secure access to energy resources, increasing border trade and improving trans-regional border corridors, broadening the market for Chinese infrastructure companies, and maintaining national security. More importantly, China’s cooperation in these three fields of energy, trade, and infrastructure in Central Asia over the years will boost its presence in the region in the long term. It is important to pay close attention to these infrastructure projects, as they

appear to be related to economic development, which is of mutual benefit (or “win-win” in Chinese jargon), but which, on the other hand, arguably tilts towards Beijing and propels China’s geoeconomic power in the region even further. By building roads and pipelines, facilitating trade, and providing loans, China seeks to bind the region closely to itself and simultaneously wedge alternative partnerships for the region.

Energy relations and pipeline projects

Energy relations, especially the export of oil and gas from Central Asia to China, are a strategically important part of the geoeconomic calculus. The Chinese economy is reliant on a stable supply of hydrocarbons that are conveniently located in neighbouring resource-rich states. Hence, since the mid-1990s, China has sought to secure energy contracts with Central Asian states.

In the field of energy, it is crucial to look at the data on the number of investments, projects and plans. In this respect, the CADGAT database provides a comprehensive view, albeit with some limitations on accessing information.³³ It is reported that China allocated almost \$36 billion in energy connectivity projects and about \$41 billion in mineral and petroleum exploration and extraction projects to be realised between 2008 and 2023.³⁴ The projects are both outside and related to the BRI framework, which indicates the continuation of the focus on energy within the BRI. It shows how the BRI is a continuation of the long-standing policies of pursuing energy access for China. Importantly, the data also highlight how China operates in all five Central Asian states.

This has led to the current situation in Kazakhstan, for example, where China owns around 25 per cent of oil production.³⁵ For Turkmenistan, China is the biggest destination for gas exports (30–35 Bcm/year), substituting Russia’s dominant position in the country’s energy sector (currently, only exporting around 1 Bcm/year since the re-engagement in 2019).³⁶ With only two foreign petroleum companies operating in the country (CNPC and Petronas), the depth of the energy relationship between Turkmenistan and China could be perceived as even more profound. China provides loans not only to facilitate hydrocarbon exports but,

27 Costa Buranelli 2018b.

28 Kaczmarek 2018; Gallo 2014; or Stronski & Ng 2018.

29 Käpylä & Aaltola 2018, 45.

30 Perlez 2013; Bitabarova 2018.

31 Wigell and Vihma 2016; Vihma and Wigell 2016.

32 Li 2020; Jiang 2019.

33 For more details on CADGAT publications and datasets, see <http://www.osce-academy.net/en/research/cadgat/>.

34 For data from the CADGAT database, see the following works by Aminjonov et al. 2019a; 2019b.

35 Wilson 2016, quoted in Vakulchuk & Overland 2018, 119.

36 Pirani 2019, 2.

for instance, in Uzbekistan the national oil and gas company Uzbekneftegaz is cooperating with CNPC to receive equipment and machinery.³⁷

Unlike other foreign investors in Central Asia's energy sector, China not only engages in the hydro-carbon trade but also facilitates it by providing funding for infrastructure projects, such as pipelines. This is a vital factor in cementing the relations between Central Asian states and their foreign partners, as the geographical landscape constrains the diversification of export routes. In the case of China's approach to the region, it physically 'binds' Central Asian states to itself through pipelines. China has funded a number of pipeline projects, such as the Atasu-Alashankou (operating since 2005) and the Central Asia-China pipeline (operating since 2009), while planning additional projects to further cement this energy relationship.³⁸ This contrasts with the unrealised efforts of the EU to fund and realise the Trans-Caspian pipeline to connect Turkmen gas with the European market.³⁹ At the same time, with the other remaining pipelines going through Russia or Azerbaijan (Baku-Tbilisi-Ceyhan), Central Asian states do not have a vast choice for their energy exports. Paired with heavy economic dependence on oil and gas revenues, the question of diversification of energy partnerships is limited to the infrastructure available.

Thus, China exploits the absence of alternative routes for energy exports and increases its geoeconomic power over the region by increasing the stakes in the local oil fields and exploiting the Central Asian states' dependence on energy exports. Although the construction of pipelines to China was an effort to diversify the export routes for energy products and to avoid over-reliance on Russian pipelines, the increasing energy partnership between the Central Asian states and China will contribute to locking the region into the Chinese economy. This can potentially intensify with the discussion by the EU on the introduction of a carbon tax on imports, which would force Central Asian states to turn to alternative energy destinations (most likely to China and South-East Asia).⁴⁰ In the light of the geoeconomic framework explicated above, one may argue that China is slowly changing the strategic geography of the region with both 'wedging' and 'binding' elements.

Financial relations and loan schemes

China's large loan schemes in Central Asia have alerted experts. The loans are usually tied to infrastructure projects agreed upon in bilateral agreements, with one precondition often being the employment of Chinese companies in the projects.⁴¹ In Central Asia, the majority of loans are allocated to the construction of roads, power plants, and the upgrading of electricity transmission lines. Similar schemes are used by China in other regions, such as Southeast Asia.⁴²

It is often claimed that China does not impose conditionalities on its aid and loans, in contrast to OECD states and Western-led organisations, such as the World Bank (WB) and the International Monetary Fund (IMF). Yet this has been shown to be an erroneous and simplistic view.⁴³ For instance, Chinese conditionalities have often been embedded into project financing agreements in the form of exchange for mining licences, access to natural resources, or natural gas exports.⁴⁴ China also stipulates the involvement of Chinese companies in the projects, benefiting companies such as the China Road and Bridge Corporation, China National Petroleum Corporation (CNPC), and China Railway.⁴⁵ Recognition of the territorial integrity of China is undoubtedly the most important political conditionality that China stipulates when offering loans and investments, and is reflected in all joint treaties.⁴⁶ Central Asian states strongly support the notions of sovereignty and territorial integrity, and thus implicitly do not recognise secessionist sentiments in China's Xinjiang region.

Importantly, the loans granted to Central Asian states risk creating debt dependence on China. For example, about 40 percent and 50 percent of Kyrgyzstan's and Tajikistan's public debt, respectively, is owed to Chinese institutions.⁴⁷ In addition, the findings of the AidData report show the potential problems amounting from 'hidden debts' and different levels of exposure to them by Central Asian states.⁴⁸ The 'hidden debts' are not disclosed under official public debts and can

37 Aminjonov 2019b, 10.

38 Yenikeeff 2011; Kassenova 2017, 110-111.

39 EURACTIV 2011, 'EU to negotiate Trans-Caspian pipeline'.

40 Vaal 2021.

41 Jaborov 2018, 36.

42 Samaranayake 2019; Hillman 2020.

43 Matti Nojuyen and Mikael Mattlin presented their views during the roundtable 'Conditionality in China's Aid Model', organized by Carnegie Endowment for International Peace, 2015. <https://carnegieendowment.org/2012/01/10/%20conditionality-in-china-s-aid-model-event-4024>.

44 Vakulchuk & Overland 2018, 125; Shamiev 2020, 75.

45 Jaborov 2018, 37.

46 Laruelle 2018b, x-xi.

47 Laruelle 2018b, xi.

48 'Hidden debts' refer to the government loan repayments for loans issued by China to project companies, state-owned banks, state-owned companies, and private institutions. See Malik et al. 2021, 44.

be more challenging to monitor. Even if China carries a risk regarding potential debt repayment problems, its economy still benefits from the broadening market opportunities for Chinese companies. In the case of Central Asia, the debt dependence can have greater ramifications beyond mere financial losses, especially if other avenues for debt repayment manifest in the form of demands for access to natural resources or land.⁴⁹

Infrastructure, manufacturing sector and trade relations

Bilateral projects have formed an important basis for cooperation between the Central Asian states and China, and these are continuing under the BRI framework. Here, in addition to energy projects, transportation infrastructure forms an essential new component by opening up regional and international trade. These projects usually fall under domestic development programmes, which are sometimes aligned with the BRI. With the help of these projects, China has been able to increase its trade with the region tenfold over the past two decades.⁵⁰ At the same time, while this trade is opening up opportunities for Central Asia, it is also tying the region more closely to China, as in the case of Tajikistan, where the imports from China amount to 90 percent.⁵¹ Simultaneously, it helps the Chinese government to integrate intra-regional links with Xinjiang, which has strategic importance for its domestic political agenda.

In addition to infrastructure projects, China is even more eager to get involved in bilateral joint ventures. These investment projects lessen the financial risks for China and facilitate economic growth in the region. Examples could be seen in various manufacturing projects throughout Central Asia, and in both state and private investment ventures.⁵² It is important to point out that the cooperation takes place in the fields of technology, telecommunications, and cyber security and surveillance.⁵³ This is due to the fact that security issues are also highlighted as a part of China's approach to Central Asia, duly materialising through military cooperation either on bilateral or multilateral platforms

(e.g. the Shanghai Cooperation Organisation).⁵⁴ The proximity of Xinjiang to Central Asia inevitably links any economic prospects with issues related to national security and ethnic minorities.⁵⁵ As a corollary to this, China is also increasing its cooperation on border security and counter-terrorism in Central Asia with joint military exercises and assistance.⁵⁶

To recap, China's involvement in Central Asia began in the mid-1990s and focused on three main areas of cooperation: energy, trade, and infrastructure. The engagement involved a range of projects from loan schemes to border region trade facilities and pipeline construction. This aligns well with the overall goals of China's geoeconomic strategy. Through infrastructure projects, such as roads and pipelines, China not only fulfils its economic ambitions and domestic needs, but also 'binds' Central Asian states closer to itself and 'wedges' other great powers. The absence of alternative pipeline routes and the strained relationship between Russia and the West create obstacles for Central Asian states to diversify their energy exports. With the growing presence of Chinese capital in investment ventures and the manufacturing sector, coupled with the challenges of loan and debt repayment to China by Central Asian states, Beijing's geoeconomic power will incrementally increase in the region. As a result, China will become even more powerful, and regional dependence upon it is likely to increase.

CENTRAL ASIAN INTERESTS AND CHALLENGING BALANCING ACTS IN ECONOMIC COOPERATION WITH CHINA

Having analysed how China operates (geo)economically in Central Asia, it is crucial to understand the regional interest in the cooperation and local motivations for engaging in what seems to be an uneven, unbalanced relationship. To begin with, the BRI offers Central Asian states additional physical links to the world and a way to escape the 'landlockedness' through a vast array of infrastructure projects.⁵⁷ The BRI framework in the region is also a continuation of

49 In 2016 public protests fuelled by anti-Chinese rhetoric erupted in Kazakhstan in response to the government's proposal to change the legislation on leasing land to foreigners. See Kassenova 2017, 113. The government eventually had to reverse the decision due to public pressure.

50 Russell 2019, 3.

51 Vakulchuk & Overland 2018, 123.

52 van der Kley 2020.

53 Kassenova & Duprey 2021.

54 SCO is a regional organization established in 2005 to focus on political, economic and security issues. Membership includes China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan, India and Pakistan.

55 The political developments in Xinjiang and the widespread allegations of serious human rights violations there have a wider impact on bilateral relations between China and Central Asia. It is also a question of Central Asian minorities living in Xinjiang, anti-Chinese sentiments in Central Asia, and investments at stake (Nurgozhayeva 2020).

56 Stronski & Ng 2018.

57 Kassenova 2017, 111.

the bilateral policies that China has pursued, as discussed above.

Central Asian governments have announced a number of national development programmes that are aimed at improving the livelihood of local populations, and facilitating economic growth in the respective countries. These programmes align with the BRI in the number of bilateral joint ventures and projects. For instance, Kazakhstan announced a \$9 billion plan in 2014, Nurly Zhol, which focuses on infrastructure projects and, at times, also facilitates joint ventures with China.⁵⁸ Uzbekistan has seen the opening up of the country and its economy with President Shavkat Mirziyoyev's policies. The government announced a new development strategy for 2017–2021, aimed, among other things, at economic development and liberalisation.⁵⁹ Similarly, the Tajik National Development Strategy 2030 is putting forward governmental plans for attracting investments (\$118 billion) to its agricultural, extractive and transportation sectors.⁶⁰

Therefore, from the Central Asian perspective, the BRI offers new critical infrastructure that is desperately needed in this vast geographical area with limited or non-existent networks of transportation, with the potential to boost local and regional trade.⁶¹ Through the BRI, the Central Asian states have the chance of becoming part of the economic corridors connecting China and West Asia; China, Russia and Western Europe; China, South Caucasus/Turkey and Europe; as well as China and Pakistan. These corridors facilitate regional trade and accrue benefits from transit fees to the region.⁶² For instance, only the China–Kyrgyzstan–Uzbekistan railway can bring up to \$200 million in freight transit for Kyrgyzstan.⁶³

The opening up of new trade routes is critical for the foreign trade of Central Asian states. Thus, for example, the Trans-Caspian route opens up the possibility of additional freight shipments to Europe. An international dry port, Khorgos, opened in 2015 and is a part of connecting hubs between the Chinese port of Lianyungang and Europe.⁶⁴ However, despite their potential, at present both Khorgos and the Trans-Caspian routes are underdeveloped as means of goods transportation, with many logistical issues, as well as a mostly

one-sided direction of trade (from China to Europe) and minimum benefits from this trade for the Central Asian states.⁶⁵

The alignment of national development strategies with the BRI would not be so significant if Central Asian governments could seek alternative sources of infrastructure investment. Yet this is not entirely feasible. While the European Union is a big investor in the region with direct investments totalling EUR 62 billion, the bulk of it is allocated to Kazakhstan's oil sector.⁶⁶ South Korea and Japan have both increased their cooperation with the region through bilateral and multilateral frameworks of trade and investment, but on a much smaller scale compared to China.⁶⁷ Even Russia has now been overtaken by China as Kazakhstan's biggest trading partner.⁶⁸ In the energy sector, China has become an alternative partner to Russia for Central Asian states, as shown by the case of Turkmenistan.⁶⁹ The recently announced Central Asia Investment Partnership between the US and Kazakhstan and Uzbekistan only aims to bring around \$1 billion worth of investments towards connectivity and economic projects in these countries.⁷⁰ This demonstrates that despite other investment frameworks offered by foreign partners to Central Asia, none can match the scale and financial resources of China. While all of these alternative initiatives help Central Asian states diversify their economic links and networks, and thus balance their dependence on China, they are not sufficient to fully out-balance what China has to offer.

These economic transactions (loans, investments, trade, etc.) offered by China function not only at a state level, but also involve a wide range of non-state actors. Chinese contractors to national companies, local interlocutors and public officials all enable the cooperation between China and Central Asian states for personal reasons. It is not surprising therefore that cooperation with China in general, and the initiation of bilateral projects in particular, are strongly supported

58 Yau 2020, 48.

59 Qoraboyev 2018, 6.

60 World Bank 2018; 2020.

61 Jaborov 2018, 34.

62 Kassenova 2017, 112.

63 Vakulchuk & Overland 2018, 122.

64 Vakulchuk & Overland 2018, 119.

65 Hillman 2020.

66 Russell 2019.

67 Dadabaev 2018, 10.

68 Vakulchuk & Overland 2018, 119.

69 Gallo, Wu & Sergi 2020, 213.

70 Safovudin Jaborov (2018, p. 35, footnote 7) recounts the following encounter, which perfectly illustrates the argument presented in this paper. 'I participated in the highest-level meeting between the Vice President of Japan International Cooperation Agency (JICA) and the Government of Tajikistan in 2010. During the meeting, the Vice President of JICA asked the Tajik side, "Don't you have any concern about increasing Chinese loans in your country's external debt structure?" The Japanese side was surprised by the answer. A high-level official replied, "Can you provide loans for our infrastructure projects instead of China? If yes, we are happy to diversify our external debt by borrowing Japanese ODA loans."

by the Central Asian political elite, who gain financial benefits from the investment projects.⁷¹ Thus, China extends support to the Central Asian elite as in other countries where it operates.⁷²

At the same time, Chinese investments in the region are not welcomed by all, as exemplified by anti-Chinese sentiments among the local population in Central Asia.⁷³ Lack of transparency in the allocation of resources and tenders does not enhance public trust in local authorities or in China, and actually highlights persistent problems of cronyism, corruption, and bad governance in the region. The opaqueness of bilateral deals and agreements between China and Central Asian governments prevents public scrutiny and the ability of the public to hold decision-makers accountable. In Kyrgyzstan, for example, the power plant in Bishkek suffered an accident which resulted in city-wide heating problems. The upgrade of this plant was funded through China's Exim Bank. An investigation later demonstrated inflationary prices for materials and the personal involvement of two former Kyrgyz prime ministers, who were subsequently arrested on corruption charges.⁷⁴

The protests against land reform to allow foreigners to acquire territory in Kazakhstan in 2016, protests associated with land disputes in Kyrgyzstan and Tajikistan, and demonstrations in support of Central Asian ethnic minorities living in China are just a few examples of how such sentiments are expressed.⁷⁵ The BRI is thus not only an important geopolitical framework, but also plays a role in the domestic politics of the Central Asian countries, especially in exacerbating the strained relationship between the public and political elites.⁷⁶ Therefore, despite the attempts to exert soft power, China is still received cautiously and with antagonism at times.

While research on geoeconomic strategies does not focus much on the preventative actions for target states, an inevitable question arises: What can Central Asian states do to resist the geoeconomic power of China? One possible answer to that question is diversification of regional cooperation schemes and partnerships and what has been referred to as 'balancing regionalism'. Balancing regionalism refers to the

utilisation of norms, interests, and policies of multilateral forums to accommodate superior power and prevent overreliance and domination.⁷⁷ In concrete terms, this means that Central Asian states seek to tame their excessive engagement with China by pursuing good economic and political relations with other powers such as Russia, the US, and the EU. Thus, for example, the accession of Uzbekistan to the EAEU will give the country access to a wider market, and will subsequently bring about standardisation of customs and labour relations, and present an alternative trading partner.

POLICY IMPLICATIONS

Considering all of the prospects, the relationship between China and Central Asia is set to intensify in the near future. This has several policy implications for both parties and for the wider region.

Implications for Central Asian states

There are several pathways for Central Asian states to either fully embrace China's power or to start mitigating it more consistently. The following policy implications therefore reflect both directions.

- Cooperation under the BRI framework can go beyond just investment projects and present China as an economic role model for Central Asian states based on state capitalism and a personalistic political economy. This will mean further internalisation of norms that are promoted by China, and prioritisation of economic needs over political reforms.⁷⁸
- Central Asian states should exploit the opportunity to implement necessary fiscal and economic reforms to prevent dependency on foreign loans; introduce robust policies on accountability and transparency of agreements, tenders, and joint ventures; and strengthen the institution of public dialogue to mitigate the challenges entailed by the expansion of trade links, and in order to fully benefit from the advantages that the BRI offers. In addition, policies of control and oversight by either civil society or independent financial institutions

71 Owen 2020.

72 For more details on the political elite, see Umarov 2021; and Hillman 2020, 55–56; for similar examples from Latin America, see Wigell & Landivar 2019, 165.

73 Peyrouse 2016.

74 Hillman 2020, 56.

75 Toktomushev 2018.

76 Owen, 2020, 268–269.

77 Tskhay & Costa Buranelli 2020, 1038.

78 Kassenova 2017, 114.

over the investments, and the implementation of transparency mechanisms are crucial to gain the support and trust of the public.

- The re-engagement of Uzbekistan within the region is another positive aspect that should give a boost to a much wider regional approach to issues of connectivity, trade and development. Moreover, the stronger the regional ties, the easier it will be to withstand China's rising influence.
- Engagement with alternative investment sources could also be a way to manage and balance China's economic power. This is a strategic opportunity for Central Asian states to go beyond the discourses and explore bilateral infrastructure and investment projects with India, Japan, South Korea, the EU and the US. This will, of course, depend on the technicalities of the investment climate and conditions for cooperation that the parties have to agree on. This would mean improving the business environment, investment climate and policies, and the legal protection in order to attract diverse foreign investors.

Implications for wider regional actors

- The relationship between Russia and China is and will remain significant for the balance of power in Central Asia. This is particularly the case to the extent that they are able to maintain friendly cooperation in the region and the international arena more broadly. Any future antagonism between Russia and China can have a direct impact and force Central Asian states to state their allegiance.
- The EU has started offering alternative infrastructure projects in other regions of the world to counter-balance the BRI, and Central Asia might be no exception for an extension of such schemes.⁷⁹ In fact, taking into consideration the newly signed EU-Central Asia strategy, it can give impetus to more profound cooperation in the spheres of trade, infrastructure, energy, and so forth.⁸⁰
- Japan and South Korea both have multilateral formats with Central Asian states (C5+1) that

facilitate cooperation and regional projects. The technical and technological expertise, combined with long-term development aid cooperation, as well as the need to compete with China, can be of benefit in further enhancing the relations.

- The case of Central Asia demonstrates how entrenched China's geoeconomic strategies are in the countries in which it operates. The more bound the countries become, the more power China can exercise. This is an example to consider carefully, especially when it comes to other countries that would like to engage with China. At the same time, the ability of Central Asian states to navigate the complex geopolitical landscape and mitigate China's influence is also a case worth examining.

CONCLUSION

This paper has argued that geoeconomics serves as an insightful analytical framework for studying China's economic activity and geoeconomic dynamics in Central Asia more broadly. The case of Central Asia reveals that China pursues three main goals: access to energy, facilitating trade links, and expanding infrastructure. These goals contribute to the overall geoeconomic strategies of 'binding' countries (physically, financially and economically) more closely to China and 'wedging' other alternative partners. Inside the region, the discourse of connectivity, trade and economic growth is fully embraced by Central Asian leaders, and hence the BRI presents a concrete opportunity to capitalise on the geographical location of the region and benefit from the transit possibilities. Paired with domestic development strategies, the BRI fulfils not only China's global ambitions but also local Central Asian leaders' economic growth objectives. However, the expansion of the Chinese presence through its capital, investments, infrastructure and companies operating in the region increases the tight relationship between China and Central Asian states, creates obstacles for the diversification of partnerships, and can potentially lead to an over-dependent relationship.

In the energy sphere, with less demand coming from Europe, where energy transition is well underway, China might be the biggest consumer of energy

79 The EU and India are discussing joint infrastructure projects that can serve as an alternative to the BRI. For more details see Peel, Fleming & Findlay 2021.

80 Soutullo, Gazzina & Rinaldi 2020.

resources from the region. In the case of Turkmenistan, such dependence can already be noticed. Trade is increasing between Central Asia and China, but is skewed towards China. The EU is still the main trading partner for the region, amounting to a third of overall external trade, but trade with the Union is mostly focused on hydrocarbons.⁸¹ Moreover, China's ability to surpass Russia as a trading partner also speaks volumes about the geoeconomic dynamics in the region. In terms of infrastructure investment, China has considerable advantages compared to other foreign investors in its approach to regional states and wider involvement in the sector. All of these present a trajectory of deepening relations between China and the Central Asian states, which further facilitates the growth of China's economic influence in the region.

The growing indebtedness to China is a notable example of Central Asian states' increasing dependency and reliance on the country. The built infrastructure (pipelines, roads, etc.) not only connects the region to the world, but also increases its reliance on China, thereby creating wedges to other partnerships that Central Asian states have or might have with other powers. As alternative routes are less available, especially when it comes to energy pipelines, the region duly becomes more 'tied' to its eastern neighbour.

The relationships between China and Central Asian states will present potential (and to some extent also shared) challenges in the future, ranging from loan repayments to public discontent with the projects. The uncertain balance between China and Russia cannot be ignored and also needs to be addressed with care – the more China is involved in the region, the more likely it is that Russia's interests are being compromised. The issue of Central Asian ethnic minorities in Xinjiang is among them, as well as the current uncertain and (likely) deteriorating situation in Afghanistan after the withdrawal of US and Coalition forces. Other changes in the political landscape – such as the recent overthrow of the government in Kyrgyzstan – can also shift priorities or make it more challenging for China

to negotiate deals. An increase in international donors and investment opportunities would also result in competition with Chinese companies. Therefore, the China-Central Asia relationship is not static and one of total dependence, but rather a complex network of conditions and policies that will have long-term political and economic repercussions for the region.

Hence, the geoeconomic framework is well suited to grasping and distilling such complexity for the sake of a clearer understanding and sharper policy-making. It also opens up avenues for further research. For instance, a thorough study on the indicators for geoeconomic power and the susceptibility of particular Central Asian states to China's power would provide experts and policymakers with ample material to adjust policies. To this end, a quantitative and qualitative analysis of data on China's loans to the region and the intricacies of the debt structure would provide a more detailed picture of the level of long-term economic and financial dependence, and the extent of China's geoeconomic power. For this to be achieved, reliable and verified datasets are required, ideally with a thorough fieldwork study and site visits.

Another important aspect, which is only marginally touched upon here, would be to look at the micro level of engagement (small companies, entrepreneurs), namely to conduct a capillary analysis of China's engagement in the region. Going beyond big projects and joint ventures can provide a more diverse view of public attitudes towards China, of how China penetrates various Central Asian economies at and through different levels, and of the standards and norms that tend to prevail in economic practice. An assessment of pragmatic and viable options for Central Asian states to cooperate beyond China would also yield benefits in understanding the strategies for counterbalancing geoeconomic power. Last but not least, similar studies on other regions in which China operates and an in-depth comparative analysis would supplement the evaluation of China's global geoeconomic aspirations. /

81 European Commission 2021, 'Central Asia – Trade'.

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