



Hacettepe University Graduate School of Social Sciences

Department of International Relations

**CHINA'S ENERGY POLICY TOWARDS CENTRAL ASIA AND THE
ROLE OF "BELT AND ROAD" INITIATIVE**

Nariman KARIMLI

Master's Thesis

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To My Beloved Cousin, JAVIDAN...

ACKNOWLEDGEMENT

I would like to deliver my sincere gratitude to all who supported me in this long marathon. Especially, my beloved family and my friends in Ankara Tayyar Can and Tural. I would also express my special thanks to my supervisor Şebnem Udum for her great support in this process...

ABSTRACT

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Historically, the Central Asian region has had a strategic importance because of its geopolitical location. On the other hand, since China has the long borders with the region, it has always had strong political economic and cultural relations with neighbouring countries. Today, China has indispensable effects in the countries of Central Asia: Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Turkmenistan. This thesis examines China's energy policy towards Central Asia within the framework of "Belt and Road" Initiative. The multilateral transportation, energy and military security collaborations that China tries to establish with its neighbours in the Central Asian region are important tools to increase China's economic influence in the region. China is building the Belt and Road Initiative, the largest infrastructure project in history, to improve these relations with the countries in the region. China also uses this project to improve its trade relations with the West. On the other hand resource rich Central Asia is immensely significant for China to provide its energy security. Even if the regional collaborations that China is trying to create seem to be a win-win relationship from the outside, there is an aim to be accepted as an economic and military superpower in global politics by improving the regional power of China and providing border security. In this thesis, based on the above prediction, China's regional policies will be analysed with a Realist approach.

Key words

China, Central Asia, Energy Security, Security, Belt and Road Initiative, Power, Natural Sources, Geopolitical Importance

ÖZET

KARIMLI, Nariman. *Çin'in Orta Asya ile İlgili Enerji Politikası ve "Kuşak ve Yol" İnisyatifinin Rolü*. Yüksek Lisans Tezi. Ankara, 2021

Tarihsel olarak Orta Asya, jeopolitik konumundan dolayı stratejik bir öneme sahip olmuştur. Öte yandan, Çin'in geniş bir sınırı olduğu için her zaman bölgenin komşu ülkeleriyle güçlü siyasi, ekonomik ve kültürel ilişkileri bulunmaktadır. Bugün Çin'in Orta Asya ülkeleri olan Kazakistan, Özbekistan, Tacikistan, Kırgızistan ve Türkmenistan'da göz ardı edilemez etkileri bulunmaktadır. Bu tez Çin'in Orta Asya coğrafyasındaki enerji politikasını "Kuşak ve Yol" inisiyatifi çerçevesinde incelemektedir. Karşılıklı ulaşım, enerji ve askeri güvenlik işbirlikleri, Çin'in Orta Asya coğrafyasında inşa etmeye çalıştığı etki için kullandığı önemli araçlardır. Çin, bölgedeki bu ülkelerde etkinliğini arttırmak için tarihin en büyük altyapı projesi olan Kuşak ve Yol İnisyatifi'ni geliştirmektedir. Ayrıca bu projeyi Batı ülkeleriyle ticari ilişkilerini arttırmak için de kullanmaktadır. Bunun yanı sıra doğal kaynaklar açısından zengin Orta Asya ülkeleri Çin'in artan enerji ihtiyacını sağlamakta hayati öneme sahiptir. Çin'in bölgede geliştirmeye çalıştığı siyaset dışarıdan bakıldığında bir "kazan-kazan" ilişkisi gibi görünse bile Çin'in esas amacı, bölgede sınır güvenliğini sağlayarak bölgesel gücünü geliştirmek ve küresel politikada bir ekonomik ve askeri süper güç olarak kabul edilmektir. Bu tezde yukarıdaki varsayımdan hareketle Çin'in bölgesel politikaları realist bir yaklaşım çerçevesinde incelenecektir.

Anahtar kelimeler

Çin, Orta Asya, Enerji Güvenliyi, Kemer ve Yol İnisyatifi, Güç, Doğal Kaynaklar, Jeopolitik Önem

TABLE OF CONTENTS

ACCEPTANCE AND APPROVAL	i
YAYIMLAMA VE FİKRİ MÜLKİYET HAKLARI BEYANI	ii
ETİK BEYAN.....	iii
ACKNOWLEDGEMENT.....	v
ABSTRACT.....	vi
ÖZET	vii
TABLE OF CONTENTS	viii
ABBREVIATIONS	x
LIST OF FIGURES AND MAPS	xii
INTRODUCTION.....	1
CHAPTER 1: CHINA AS A GREAT POWER AND ITS ENERGY CHALLENGE.....	11
1.1 A BRIEF HISTORY OF CHINA	14
1.1.1 The First and Second Five- Year Plans	16
1.1.2 “Great Leap Forward” and Pre-Reforms Period.....	18
1.2 BEGINNING OF THE NEW ECONOMIC ERA.....	21
1.2.1 “Open Door” Policy.....	24
1.2.2 Special Economic Zones.....	26
1.2.3 China as the World’s Manufacturing Centre	27
1.3 ENERGY SECURITY AS A CHALLENGE.....	30
1.3.1 China’s Energy Security Vision	31
1.3.2 Securing Energy Supply	33
1.3.3 Diversifying and increasing domestic production	33
1.3.4 Securing Import Routes	35
1.3.5 China’s Overseas Energy Diplomacy	37
1.3.6 Russia-China Energy Relations	38
1.3.7 Iran-China Energy Cooperation.....	39
CHAPTER 2. THE REGIONAL DYNAMICS IN CENTRAL ASIA	44
2.1 SECURITY CONCERNS OF RUSSIA IN THE REGION	45
2.1.1 The Energy Potential of the Region and Russia	47

CHAPTER 3. CENTRAL ASIA IN THE FOREIGN POLICY OF CHINA.....	50
3.1 THE ROLE OF CENTRAL ASIA IN CHINA’S FOREIGN POLICY	52
3.1.1 China’s Internal Security and Central Asia	53
3.1.2 Central Asia’s Energy Sources and Securing China’s Energy Supply.....	55
3.1.3 Energy Relations with the Key Regional Countries: Kazakhstan	58
3.1.4 Turkmenistan	59
3.1.5 Uzbekistan	61
CHAPTER 4. BELT AND ROAD INITIATIVE	63
4.1 CENTRAL ASIA’S ROLE IN BELT AND ROAD INITIAITVE	65
4.1.1 Central Asia as a Transit Hub.....	66
4.1.2 BRI and Region’s Energy Potential.....	68
4.2 GEOPOLITICAL IMPLICATIONS OF BRI.....	70
4.2.1 China’s Security Concerns and BRI.....	70
4.2.2 China’s International Strategy	71
4.3. EVALUATION.....	74
CONCLUSION	77
BIBLIOGRAPHY	80
APPENDIX 1: ETHICS BOARD WAIVER FORM	90
APPENDIX 2: ORIGINALITY REPORT	92

ABBREVIATIONS

BP	British Petroleum
BRI	Belt and Road Initiative
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
CPC	The Communist Party of China
EIA	US Energy Information Administration
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IAEA	International Atomic Energy Agency
IEA	International Energy Agency
NATO	North Atlantic Treaty Organization
NOC	National Oil Company
NPT	Nuclear Non-Proliferation Treaty
OBOR	One Belt One Road
PLA	People's Liberation Army
PPP	Purchasing Power Parity
PRC	People's Republic of China
SCO	Shanghai Cooperation Organisation
SEZ	Special Economic Zones
SINOPEC	China Petroleum and Chemical Corporation
SIPRI	The Stockholm International Peace Research Institute
SOE	State Organized Enterprises
SPR	Strategic Petroleum Reserve
UN	United Nations

US	The United States
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

LIST OF FIGURES AND MAPS

Figure 1: Central Asia Republics' Proven Oil and Gas Sources.....	56
Figure 2: The Top Destinations of Oil& Gas Sources of Central Asian Republics in 2017.....	62
Map 1: China's One Belt One Road Project.....	63
Map 2: The New Eurasian Land Bridge.....	67
Map 3: China-Central Asia Main Energy Transportation Corridors.....	69

INTRODUCTION

The end of Cold War and the dissolution of the Soviet Union have brought about distinct political changes in different parts of the world. As part of the former Union of Soviet Socialist Republics (USSR) members, Central Asian countries have undergone major changes in not only their domestic but also foreign policy as well. In particular, the influence of hegemonic states India, United States of America (US), European Union (EU), Russia and China in the region influenced the political conjecture on this part of the world.¹

China could strengthen its influence in the Central Asian countries through the use of its economic power. It emerged as the new alternative for economic development in Central Asian countries. In particular, Beijing has made huge economic investments in different sectors such as energy and transportation.²

In the post-Cold War period China has maintained its economic strength through financial mechanisms such as issuance of loans. It has become largest source of Foreign Direct Investment (FDI) in the region. Moreover, it implemented megaprojects such as Belt and Road Initiative (BRI). At the same time, its regional policy also includes security dimension through Shanghai Cooperation Organisation (SCO) where China has become a significant partner of Central Asia countries.³

This thesis tackles to present the role& significance of BRI project for China in Central Asia. It mainly deals with China's rising power in Central Asia region in addition to analyse the vitality of the initiative from economic, energy and geopolitical perspective. Firstly, it analyses the stages of China's economic growth from 1979 and examines the main impediments affecting its economy. Pursuant to this, it explores the significance of Central Asia region for China. In the final part, this thesis examines BRI initiative and its distinct perspectives.

China is the rising power of the modern world. Its economic as well as political influences can be observed around the globe. Due to its juxtaposition, Central

¹ Stephen Blank, "Whither the new great game in Central Asia?", *Journal of Eurasian Studies* 3, 2012, p.147

² Emilian Kavalski, *The New Central Asia The Regional Impact of International Actors*, World Scientific Publishing Co. Pte. Ltd 2010, p.120

³ Victoria Kelly-Clark, "Why is Central Asia dumping Russia for China?", *Global Risk Insights* 2016, <https://globalriskinsights.com/2016/05/why-central-asia-is-dumping-russia-for-china/>

Asia is directly impacted by China's influence. The statistics shows that China can be considered the leader of the region in terms of its economic prowess. BRI is the locomotive of China's policies in Central Asia. China has economic, energy as well as geopolitical motivations in this initiative. With the use of region's energy potential China aims to secure its energy supply. On the other hand, BRI helps China to keep its internal security through economic development in its Central Asia borders.

In relation to the argument, the main research question of this thesis is "Is BRI important for China's energy policies?" The following sets out the sub-questions complementing the main research question:

1. What are China's main economic and security needs?
2. What is the importance of Central Asia region for China?
3. What is the regional dynamics in Central Asia?
4. What is Belt and Road Initiative?

In light of the main research question the main argument of this thesis maintains that Central Asia is essential for China both in economic and security dimensions. It will be argued that China attempts to place itself as the hegemonic country in the region for the purpose of overcoming its internal security obstacles in addition to securing its energy supply. BRI as the mega and the largest infrastructure project in the region serves China's objectives.

The current world order entails states to provide security to their territorial domains. Within this system, intentions of competing states are unpredictable and every member of this order has the possibility of adversely affecting other members. The core reason of this situation lies in the brutal and anarchic nature of the system and there is not any central authority to protect the security of relatively weak states. That is why, every single state is using all possible means in order to secure its nation through maximizing its national power in different domains such as economic and geopolitical realms. Since this structure of interstate relations is explained through the lens of the Realist paradigm, the main theoretical direction of our research is based on the Realist way of thinking.

With the aim of answering those research question the thesis is divided in to five chapters including introduction. The theoretical background and the methodology of this thesis will be examined in the introductory chapter. Realism will be

adopted as the primary theory of this thesis and its conceptual background will be analysed. The methodological approach and a research strategy of this thesis will be included in this chapter as well. The first chapter provides the answers to the following research questions: What are China's main economic and security needs? The chapter mainly deals with the development process of China. The different periods of economic reforms and implementation of the liberal market regulations are the main issues of this chapter. Moreover, energy security issue is presented as one of the main challenges for PRC in that part of the thesis. Because, China has rapidly developing economy which is considered a tremendously vital factor for the country's security and the industrial field takes a lion's share in that system. Therefore, uninterrupted flow of energy means to the country is accepted as the part of country's national security understanding. Accordingly, it will provide a literature review on the rise of China and attempt to analyse this situation through the lens of different scholars.

The regional dynamics in Central Asia are analysed in the second chapter. Especially the role of Russia as the most important actor in the region is examined through two main aspects: energy and security.

The third chapter sheds light on the geopolitical importance of Central Asia from the regional security and economic standpoints as it locates in the centre of the main trade and transportation routes. This chapter aims to answer the following research questions: (1) What is the significance of Central Asia region for China? It shows the significance of the region for PRC. The first part examines China's interests in the region. The Xinjiang issue and the role of Central Asian countries in resolving this issue will be analysed. Pursuant to this, the interests and investments of PRC in the energy sector of the neighbouring countries in the region in addition to the implemented projects will be discussed.

The final chapter is dedicated to explore BRI project and China's main motivations in this initiative. It provides the answers to the following research question: What is Belt and Road Initiative? Firstly, it examines main characteristics of the project. Then the economic sides are presented. We argue that BRI has tremendous significance for China in economic, energy and geopolitical terms. The importance of energy corridors in BRI and its geopolitical implications are given.

The secondary sources such as some academic works, periodicals, journal articles and books were the main sources of data collection process during the evolution of theoretical and the practical parts of the thesis. Furthermore, contemporary journal, materials, web sources as well as newspapers were utilized within the aim of reflecting the latest relevant updates about the issue. Official statistical data and the documents of the governments, the statements of the state officials have also played a tremendously vital role in the research process.

An array of academic materials is dedicated to exploring different aspects of this thesis. In the academia, the articles of Stephen J Blank, Niklas Swanström whose main field of study is Central Asia region were tremendously paramount. Swanström's article⁴ mainly analyses the role of China in the newly independent Central Asian countries. As in this thesis he also explores their interaction through China's economic expansionism. The bilateral as well as multilateral relations are also explained in Stephen J Blank's articles. Blank's article⁵ emphasizes on the security motivations of China in enhancing its strength in the region. The Xinjiang issue and China's endeavour towards it are thoroughly discussed by Blank. Also, the work is conducting a detailed research on China's security issues and the situation in Xinjiang is analysed. There are many scholarly works revealing the importance of Central Asian. Emlian Kavalski is one of the foremost experts in this realm. His book⁶ pivots on the role of external powers in Central Asia.

⁴ Niklas Swanström, "China and Central Asia: a new Great Game or traditional vassal relations?", *Journal of Contemporary China*, 14:45, 2007, *TANDFONLINE*.
<https://www.tandfonline.com/doi/full/10.1080/10670560500205001> Accessed date: 11 December 2018

⁵ Stephen J. Blank, "Dragon Rising: Chinese Policy in Central Asia", *American Foreign Policy Interests*, 33, 2011

⁶ Emlian Kavalski, *The New Central Asia The Regional Impact of International Actors*, Singapore 2010

THEORETICAL FRAMEWORK AND METHODOLOGY

This thesis adopts Realist theory as the theoretical framework to examine China's BRI and Central Asia's role in this project. In this regard, an in-depth analysis about its historical background and main concepts and will be provided in this chapter.

Realism

Realism as a term in itself is used in different branches of science. For instance, in the philosophy, cinema and literature, it stresses distinct meanings to demonstrate a variety of ideas and thoughts. On the other hand, in the political sphere its use is mainly related to state's behaviour. Many thinkers and political figures consider Realism as the core theory of politics. It emphasizes human egoism and anarchical style of international system or absence of international government as the main defining factor in the formulation of the states' policies.⁷

Anarchy is considered the core feature of international system by Realism. According to its main assumptions, there is no higher authority above the international system to control the interactions amongst actors. In this sense, states implement their policies from an anarchical perspective⁸. This structure creates the system of self-help. In such anarchical context, it is argued that the absence of higher central authority has empowered hegemonic states to use force as a means of coercion on the weaker states. Thus, power is deemed as the sole guarantee of one's sovereignty and independence in a situation of anarchy.⁹

Realism utilizes Hobbesian point of view to characterize the inter-state relations in the global political order wherein he points out that all humans are equal. However, the scarcity of material possessions make people enemy of each other in the society and it appears that this predicament also extends to states as well. The competition over power increases the chances of conflicts that eventually led to 'great wars'.¹⁰

⁷ Scott Burchill et al., *Theories of International Relations: Third edition*, Palgrave Macmillian 2005, pp.29-30

⁸ Gary Browning, Abigail Halcli and Frank Webster, *Understanding Contemporary Society: Theories Of The Present*, SAGE Publications, 2000, p.192

⁹ Christian Reus-Smit and Duncan Snidal, *The Oxford Handbook of International Relations*, 2008, p.135

¹⁰ Scott Burchill et al., *Theories of International Relations: Third edition*, Palgrave Macmillian 2005, pp.32-33

Neorealism is another branch of realism and it was developed in 1970s during the political conjecture of the Cold War. Kenneth Waltz is considered one of the main thinkers and founders of this political stream. In his work, the structure is presented as the main feature of the political international system. The neorealist proponents assert that there is not any methodological distinction between the political theories and the science of nature. In neorealism, core positivist approaches were adopted.¹¹ According to the neorealist approach, human nature or the motivation of self-help are not the main reasons inter-state conflicts but the structure of the international system induces states to increase their power. Pursuant to this, they are also known as structural realists as well¹² wherein they assume that since there is no higher authority in anarchy, states are induced to gain power in order to realise their survivals. The understanding of the relative gain is deemed the main argument of the structural realists. Moreover, these thinkers do not accept the cultural or political regime differences amongst the states. This is because they based their argument on the structural approach where the international system establishes the same conditions for all political actors. Thus, the ‘authority’ element —whether it is democratic or autocratic leader— is not taken into account.¹³

The structural realists also draw attention to anarchy and the distribution of power in the global political system. They insist that these two components play an indispensable role in the formulation of states’ behaviour in the international sphere. In this regard the question of: “How much power is enough?” sets in motion for a debate amongst structural realists. In this debate they are divided into two groups: offensive realists and the proponents of the defensive camp. John Mearsheimer and Waltz represent the opposing sides respectively. According to the defensive or positional realists, states need power to guarantee their security and they should attempt to conduct moderate policies in order to prevent aggression. If one state endeavours to maximize its power by carrying out invasion, this situation could immediately trigger conflicts.¹⁴ On the other hand, John Mearsheimer as the offensive realist points out that states should maximize

¹¹ Roger D. Spegele, *Political Realism in International Theory*, Cambridge 2004, pp.88-89

¹² Shibley Telhami, “Kenneth Waltz, Neorealism, and Foreign Policy”, *Security Studies* 11:3, 2010, p.159

¹³ Tim Dunne, Milja Kurki and Steve Smith, *International Relations: Discipline and Diversity*, Oxford 2013, p.78

¹⁴ Steven E. Lobell, *Structural Realism/Offensive and Defensive Realism*, Oxford Publications 2017, p.3

their power and in that sense, his position overlaps with Morgenthau. However, he differs from Morgenthau in that he claims the main motivation for power seeking is not solely due to human appetite but is also ascribed to anarchy in the global system.

Further, Waltz in his work emphasizes on the limitation of power for states. He asserts that the political actors in the international system should maintain their power at a certain level, instead of increasing it. Waltz believes that the preservation of status quo can guarantee state survival. This argument forms the main point of contention between offensive and defensive realists.¹⁵ On the other hand, offensive realist thinkers focus on the increase of material capabilities without any limits. They assert that states can guarantee its security and survival by being the most powerful actor in the system. In short, a certain amount of power is not enough to guarantee one's security, as it is absolutely impossible to know the intentions of others beforehand.¹⁶

In this regard, the Realists view power as the bedrock of international system. From the Realist standpoint, states' struggle for power are perceived as ensuring their survival since those who have more relative power than others will have better opportunities to survive. Similarly, it also suggests that more power of one actor is less for another actor. As pointed out by Morgenthau, one of the milestones for realists is that "Whatever the ultimate aims of international politics, power is always the immediate aim. The struggle for power is universal in time and space and is an undeniable fact of experience". In this respect, the Realist thinking accepts the international political system as the main conflict stage of the sovereign states that are fighting for survival through increasing their relative power.¹⁷

In the realist approach, power is mainly associated with military power. Further, another contested issue is on nature of power. The realist camp considers power as an ultimate target, which states attempt to achieve while others see power as an

¹⁵ Glenn H. Snyder, "Mearsheimer's World— Offensive Realism and the Struggle for Security", 2002, p.151 *JSTORE*. Accessed date: 21 May 2019 <https://www.jstor.org/stable/3092155>

¹⁶ Steven E. Lobell, *Structural Realism/Offensive and Defensive Realism*, Oxford Publications 2017, p.4

¹⁷ Duncan S. A. Bell, "Anarchy, power and death: Contemporary political realism as ideology", *Journal of Political Ideologies*, 7:2, 2002, pp.227-228

instrument to reach the final aim.¹⁸ As mentioned above, Morgenthau depicts the behaviour of the actors in the international political arena as the struggle for power and as such, his idea of national power is relevant in realism. The relativity of power is also an essential issue in the International Relations discipline. According to Morgenthau, whether one state is powerful or weak, it is determined in comparison with others. Since some of state's capabilities can change in short or long term, this situation should be taken into account. Moreover, he points out that the geographical location and the size of the lands, natural sources, industrial and military capabilities are the main components of national power. In terms of the kinds of national power there is a distinction as well. The size of population or Gross Domestic Product (GDP) is considered as determinant factors in a quantitative or tangible manner. However, national, moral, quality of the diplomacy and national character are perceived as the qualitative or intangible dimensions of the national power concept.¹⁹ Further, the military or geopolitical power is not the sole criteria of one's capacity of influence. In the last few decades, the latent power or socio-economic indicators have been included in the calculation of national power potential.²⁰

The material instruments such as the financial mechanisms or military efforts may not be sufficient to conduct great power politics in such circumstances. Therefore, the great powers are use another form of power, which is called the soft power. Joseph Nye writes that "one country gets other countries to 'want' what it wants- might be called soft power in contrast with the hard or command power of ordering others to do what it wants." In the concept of soft power, if one state can present its ideology and culture as mode of influence on other states, other states will willingly pursue this approach. It is claimed that culture, international institutions, languages and ideologies are the main instruments of soft power.²¹

¹⁸ Brian C. Schmidt, "Competing Realist Conceptions of Power", *Millennium: Journal of International Studies* Vol.33, No.3, 2005, p.527 <https://doi.org/10.1177/03058298050330031401>
Accessed Date: 2 June 2019

¹⁹ Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*, New York 1948, pp.80,82,86,88,91

²⁰ Tim Dunne, Milja Kurki and Steve Smith, *International Relations Theories: Discipline and Diversity*, 2013, p.78

²¹ Joseph S. Nye, Jr, "Soft Power", *Foreign Policy*, No. 80, *Twentieth Anniversary*, 1990, pp.166-167, *JSTORE* <https://www.jstor.org/stable/1148580>, accessed date: 23 June 2019

Methodology

This thesis adopts qualitative method to examine the role and significance of China's energy policy towards Central Asia and BRI project vis à vis the region. The research design that was adopted in this thesis is the exploratory type.²² It builds upon the 'exploratory' design as it attempts to answer the primary questions involving the 'what' questions in relation to China's economic and security needs in the Central Asia region in addition to the importance this region for China.²³ This thesis also utilizes the use of case study method in order to "enable a researcher to closely examine the data within a specific context. In most cases, a case study method selects a small geographical area or a very limited number of individuals as the subjects of study".²⁴ Accordingly, the energy relationship between China and Central Asia region in relation to the BRI project is analyzed to test the hypothesis that the project further consolidates China's dominance and influence throughout the region.

The qualitative data is predominantly collected via internet-based and document-based research wherein secondary sources such as some academic works, periodicals, journal articles and books were the main sources of data collection process during the evolution of theoretical and the practical parts of the thesis.²⁵ Further, building on the 'realist paradigm', the adoption of the Realist theory seeks to provide a particular lens to explain the political and economic issues stemming from China's attempt to secure its hegemonic position in this region.²⁶ Therefore, this thesis is rooted within geopolitical realm since China takes advantage of this region to further augments its hegemonic power by ensuring that its security and economic pursuits are secured.

Additionally, this thesis also includes quantitative data particularly on the statistical data of China's GDP, energy resources and the oil and natural gas reserves to further explain this phenomenon. The statistical data explicates the driving factor behind for China's rapid economic growth. As the hegemonic power, it faces new and different challenges such as ensuring country's energy

²² Robert K. Yin., *Case Study Research Design and Methods*. London : SAGE Publication, 2014

²³ Robert K. Yin., *Case Study Research Design and Methods*. London : SAGE Publication, 2014

²⁴ Ebneyamini, S, Moghadam, M.R.S, "Toward Developing a Framework for Conducting Case Study Research", *SAGE Journals*, 17(1), 2018

²⁵ Lamont, C, *Research Methods in International Relations*, SAGE Publications, 2015.

²⁶ Scott Reeves, Mathieu Albert, Ayelet Kuper & Brian David Hodges, "Why use theories in qualitative research?", *BMJ*, 337:a949, 2008

security. The following chapter examines China's main obstacles as the great power.

CHAPTER 1: CHINA AS A GREAT POWER AND ITS ENERGY CHALLENGE

China because of its essential role in the “Silk Road” trade route, has been the very significant actor in history. In some periods of the history its role had been weakened by different reasons:²⁷ For instance, In 18th and 19th centuries China’s regional and global political conditions have led it to implement isolationist policies thereby resulting it to lose its position as an inventor and trade centre in the world. Contrary to this process, the western part of the world especially Europe and America have experienced tremendous advances in technology and science in this period. The delay is not only in technological development, but also in terms of military possession wherein China was behind western powers in the late 19th century and early 20th century. This was due to the consequences of different historical processes which were detrimental for China.²⁸

But, even in such detrimental situation Chinese society and the state didn’t lose the sense of greatness. That perception of belonging to the great civilization has impacted the policies of the state and the standpoint of the nation. Almost in every situation China’s Administrators have been claiming the country’s rights.²⁹ In that regard it is absolutely interesting to investigate the possible roots of Chinese people’s greatness perception. Unlike Americans, China’s self-perception doesn’t have any religious linkages. According to Chinese standpoint, they have upper level of cultural and political development than other nations. Because they believe that China has the most ancient and stable statehood tradition in the world. That is why, they call their lands as “Middle Kingdom” and deem that China is located in the centre of the world. According to their belief, who controls “Central Kingdom” it will be the most powerful in the World.³⁰ It is also asserted that the loyalty to their culture and tradition is enormously paramount in keeping China’s self-perception. The performance in the Opening Ceremony of the 2008 World Olympic Games was considered a message to the world community that China returns to the world stage with its more than 5000 years glorious history. The

²⁷ Benjamin Ho. “Understanding Chinese Exceptionalism: China's Rise, Its Goodness, and Greatness”, *Alternatives: Global, Local, Political, Vol. 39, No. 3*, 2014, p.164

²⁸ Ken Moak and Miles W.N. Lee, *China’s Economic Rise and Its Global Impact*, New York 2015, p.66

²⁹ Benjamin Ho. “Understanding Chinese Exceptionalism: China's Rise, Its Goodness, and Greatness”, *Alternatives: Global, Local, Political, Vol. 39, No. 3*, 2014, p.164

³⁰ *Ibid.*, p.166

usage of many historical details such as traditional effects on this ceremony again admitted the loyalty of China's society to its culture and history.³¹ Moreover, the expert on Chinese issues John Fairbank calls the China's "modernisation" process after 1978 as "great people making a modern comeback."³²

The Debate on China's Contemporary Role as a Great Power

A clear sign of economic development in China in the last few decades is evinced by the statistical data of China's GDP. The statistics demonstrate that the total value of goods and services that were produced in China in 1949 was \$40 billion and this figure rose to \$10 trillion in 2014. The Chinese Government aims to keep the development rate of economy at 7 % and it is estimated that the country's purchasing power parity (PPP) will be almost \$34 trillion in 2024. In 2013, China experienced the peak of economic development process.³³ Moreover, World Economic Forum reports that China was the second largest economy in terms of nominal GDP in the world in 2017.³⁴ In 2019 with \$2.641 trillion export China became the largest trading country in the world.³⁵

The economic development process of China has engendered a wide array of analysis. In 1993, Shambaugh asserts that a change from one century to another is followed by a transition process and that the emergence of "Greater China" will be amongst the main realities of our new millennium. Furthermore, he has made some forecasts about the future position of China in the global order. According to Shambaugh, in the early decades of 21st century "Greater China will surpass those of the European Community and United States; it will be the world's leading trader and in possession of the world's largest foreign exchange reserves; it will be a source of state-of-the-art high technology and scientific and medical advances; it will be the world's largest consumer; it will garrison the world's largest military establishment; and may be the pre-eminent member of the Group of Nine nations (including Russia). Greater China will also overtake Japan as the dominant

³¹ Hannah Beech, "Let China's Games Begin", TIME 2008, <http://content.time.com/time/world/article/0,8599,1830806,00.html>

³² John King Fairbank. China: A New History, Belknap Press; 2nd edition 1992

³³ Ken Moak and Miles W. N. Lee, China's Economic Rise and Its Global Impact, New York 2015, p.1

³⁴ Alex Gray, "The World's 10 Biggest Economies in 2017", *World Economic Forum* 2017, <https://www.weforum.org/agenda/2017/03/worlds-biggest-economies-in-2017/>

³⁵ <https://www.investopedia.com/ask/answers/011915/what-country-worlds-largest-exporter-goods.asp>, 18 October 2020

regional power, with Shanghai and Hong Kong the financial nexus of East Asian economic dynamism”³⁶ On the other hand, Zakaria points out that the emergence of China as a superpower is not an expectation but a fact as evinced by the statistics.³⁷ The surveys that were carried out in 2008 revealed that 40% of respondents have already accepted China as a superpower. They believe that China will supersede United States until 2025 and will have the largest economy in the world.³⁸

However, some scholars relayed their concerns over the rise of China’s power and there is a mounting debate whether China’s rise is in a peaceful manner. This is why terms like “the Chinese century,” “the Chinese miracle,” “China’s rise,” and “China’s threat” are debated in different global political as well as academic circles. Some scholars emphasize that the emergence of China as a global power will pave the way for a change in the world order. They attempt to support their ideas with regard to the power transition process argument. The power transitions are generally followed by conflicts such as The First and Second World Wars that occurred during the rise of Germany and Japan. In the first two decades of 2000s, since China is located in the centre of that power shift process, United States perceives the emergence of China as global power as a threat. It is argued that the rise of China in political, economic as well as military realms jeopardizes US’s position in the current world order as a global dominant nation. A public opinion survey corroborates this assertion whereby it reveals that 70% of American citizens perceive China as a serious threat to US military power. On the other hand, Chinese officials attempt to discredit it by insisting that China undergoes an economic growth and that it requires stable political environment in the global level to sustain its growth. Thus, it is not trying to establish its hegemony in the current world order.³⁹

For the better understanding of China’s economic growth as well as its political process, it is important to analyse the country’s recent history especially on the reasons that have played an indispensable role in the process.

³⁶ David Shambaugh, “Introduction: The Emergence of “Greater China”, *The China Quarterly*, No. 136, *Special Issue: Greater China*, 1993, p. 653. <https://doi.org/10.1017/S0305741000032288>, Accessed date: 7 April 2018

³⁷ Fareed Zakaria, “The Rise Of A Fierce Yet Fragile Superpower”, *Newsweek* 2007, <http://www.newsweek.com/rise-fierce-yet-fragile-superpower-94963>

³⁸ Jinghao Zhou, *China’s Peaceful Rise in a Global Context A Domestic Aspect of China’s Road Map to Democratization*, Maryland 2010, p.1

³⁹ *Ibid.*,p.2

1.1 A BRIEF HISTORY OF CHINA

In 1927, a civil war broke out between Nationalist and Communist groups. The communist groups gained massive support in the society because there was common belief that nationalists are a group of corrupt elites who do not aim to defend China's interests. Some actions of Chiang Kai Shek, the leader of Chinese military revolutionary forces — such as letting the members of his family and political circle to get away with “silver stealing” scandal, which resulted in hyperinflation — has deteriorated his position in the society. During that period, the landlords grabbed the lands of the peasants and the peasants could not even produce enough food for consumption.⁴⁰

Thereafter, communists implemented land reform plan to resolve this predicament and it was alleged that the plan is different from that of Soviet Union. In Soviet Union, lands were used as collective property of the peasants but in China, lands were distributed amongst citizens. Since some landlords became so wealthy during the authority of nationalist group, communists insisted them to share their wealth with other poor peasants. At the same time, workers and urban citizens played an essential role in the victory of communists. This is because during the nationalist's period, workers were exploited and marginalized by capitalists in that they did not have any right and were treated like slaves. For this reason, the working class supported communist movement during civil war. Moreover, the low value of national currency, unequal distribution of wealth and other economic struggles were important factors in the victory of communists over the nationalist block.⁴¹

The communists emerged as victors under the PLA (People's Liberation Army) in the civil war, which eventually led to the founding of People's Republic of China on 1 October 1949. Despite the significance of military successes, China could not be considered as a hegemonic power in the region. This is because separatists had threatened the territorial integrity of the country during that period; especially in the region where there is weak presence of the party. The adverse consequences of the civil war have also deteriorated the economic situation of the country. The establishment of communist regime automatically made China an “enemy” of the United States and that situation constituted an obstacle in conducting trade with

⁴⁰ Ken Moak and Miles W.N. Lee, *China's Economic Rise and Its Global Impact*, New York 2015, p.63

⁴¹ *Ibid.*, pp.66,73-75

the west. At the same time, in the early years of communist China, since the government did not have a cadre of economic specialists, it further led to economic decline of the country.⁴²

However, in the years that followed, the Communist Party of China (CPC) started to implement economic reforms in view of the benefits of strong economic system. Due to its “cold” relations with the west, Soviet Union as an ideological ally was the main partner and model for China during its economic reconstruction process.⁴³ The advice of Soviet economists, economic and financial aid of USSR’s government played a crucial role in the formulation of economic policy. Apart from this, theoretically Marxist point of view was the ideological base for China’s economic system.⁴⁴ In that period of economic reconstruction, Soviet’s industry-oriented five-year-plan was adopted by central authority of CPC. However, this industrial plan did not yield positive results. Thus, communist decision makers decided to reformulate the five-year-plan and instead implement the “walking on two legs” policy. According to this policy, the resources of the country will be distributed equally between industry and agriculture sectors with the aim of gaining both urban and rural welfare.⁴⁵

This reformed policy was followed by Mao’s special reforms and political projects such as “Great Leap Forward” and “Cultural Revolution”. Despite the strong central management of the economy, some international as well as regional political processes have impacted the implementation of these reforms. For instance, the outbreak of the Korean War has adversely affected the economic development. The uncertainty of Soviet policies and the threat of US presence in the conflict prompted CPC to strengthen the arms industry across the country. The central government specifically focused on more impoverished regions. This situation played a paramount role in the improvement of economy and welfare in the provinces of Sichuan and Shanxi. Thereafter, the armament manufacturers started to produce some electronic goods and gadgets for local and foreign markets as well.⁴⁶

⁴² Chris Bramall, *Chinese Economic Development*, New York 2009, p.79

⁴³ Ken Moak and Miles W.N. Lee, *China’s Economic Rise and Its Global Impact*, New York 2015, p.77

⁴⁴ Chris Bramall, *Chinese Economic Development*, New York 2009, pp.79-80

⁴⁵ Chuyuan Cheng, *China’s Economic Development: Growth and Structural Change*, Boulder, COLO: Westview Press 1982, pp.265-267

⁴⁶ Ken Moak and Miles W.N. Lee, *China’s Economic Rise and Its Global Impact*, New York 2015, pp.78-79

1.1.1 The First and Second Five- Year Plans

As an integral part of all socialist economies, five-year plans were adopted by CPC in the construction process of economy after the civil war. These plans were accepted as an essential phase to the country's development process.⁴⁷ As mentioned before, the Soviet-type economic model was adopted as the main direction in China's economic and social spheres,. The first five-year plans of China were similar to the actual plan of Soviet Union, which was adopted in 1928.⁴⁸ The industrialization of the country and the collectivization of the economy were amongst the main targets of the government during the preparation and implementation process of those plans.⁴⁹ Amongst the similarities between Soviet and China's economic systems, there were some differences as well. To illustrate this, unlike Soviet Union, China's transition period to socialism was more gradual and the order of events was different in China.⁵⁰ In the framework of this plan, the government set four main objectives namely heavy industrialization, strengthening national defence system, improving people's living standards and the development of the agricultural production. In the implementation of the Soviet-style industry-oriented plan, China experienced some serious setbacks. It was alleged that the Chinese society and its economic system faced difficulties in remodelling the economic system from agricultural tradition to the industrial production. Due to a great number of investments in the industrial development, the quantity of agricultural output was not even sufficient to meet the needs of the people during the initial phase of the plan.

On one hand, the industrial production has increased to 13% in that year. On the other hand, an actual figure for agricultural sector was only 2 %, which was less than the population growth rate. Although CPC could not consolidate the economic system of the country during the initial phase of the five-year plan, the infrastructure projects that were implemented in that period played a significant

⁴⁷ Angang Hu, "The Distinctive Transition of China's Five-Year Plans", *Modern China, Vol. 39, No. 6, Special Issue: Development Planning in Present-Day China—System, Process, and Mechanism: Dialogues among Western and Chinese Scholars*, 2013, p.629 <https://journals.sagepub.com/toc/mcxa/39/6> Accessed date: 5 June 2018

⁴⁸ Stuart Kirby, "China's first five-year plan", *Journal of The Royal Central Asian Society*, 42:3-4, 1955, p.269

⁴⁹ Theodore Shabad, "Communist China's Five Year Plan", *Far Eastern Survey, Vol. 24, No. 12*, 1955, p.189, *JSTORE*, <http://www.jstor.org/stable/3023788>, accessed date: 1 June 2018

⁵⁰ Stuart Kirby, "China's first five-year plan", *Journal of The Royal Central Asian Society*, 42:3-4, 1955, p.269

role in the advancement of the Chinese economy in the Mao and post-Mao's periods.⁵¹

The second phase of the five-year plan was approved by central authorities in 1958 and continued until 1962. In that plan, the government aimed to achieve five main objectives in order to develop communist China's economic as well as political power in the global stage: (1) state had to continue focusing on the heavy industrialization of the country; (2) the transformation to the socialist-style economic model had to be continued by encouraging collective ownership and dissemination of the notion of the property of the people; (3) state aimed at boosting the agriculture, handicrafts, industry, commerce and transportation sectors in order to achieve the advancement of socialist system and a more developed economy; (4) the improvement of the scientific research, education and other cultural aspects of the society; (5) development of national defence as well as the improvement of living conditions were amongst the aims of the second phase in the five-year plans.⁵²

The initial phase of the five-year plans served as a lesson to the CPC. It was revealed that the industrial development was also known as the modern sector of economy while the agriculture sector was considered the traditional sector. In the industrial sector, capital oriented methods were used in nearly all areas such as in the production of machinery or defence materials. The excess production has created labour surplus that leads to unemployment. In view of this, the government reformed its economic policy by developing the agricultural sector through the increase of labour-intensive producing methods. This was the implementation of the "walking on two legs" policy, which dealt with the equal distribution of resources between industrial and agricultural sectors. This policy turned out to be successful, as it had increased China's national income by 30%. However, as will be revealed later, Mao's "Great Leap Forward" campaign has impeded the policy's success.⁵³

⁵¹ Ken Moak and Miles W.N. Lee, *China's Economic Rise and Its Global Impact*, New York 2015, pp.79-80

⁵² The 2nd Five-Year Plan (1958-1962),

<http://www.china.org.cn/english/MATERIAL/157606.htm>, Accessed date: 2 June 2018

⁵³ Ken Moak and Miles W.N. Lee, *China's Economic Rise and Its Global Impact*, New York 2015, p.80

1.1.2 “Great Leap Forward” and Pre-Reforms Period

“Great Leap Forward” project was initiated under Mao’s administration in 1958 and has impacted the faith of the Chinese population. The main aim of this campaign was to modernise communist China into a powerful socialist state by bringing “communist utopia” to fruition.⁵⁴ This project is considered one of the most radical reforms in the history of China. Mao and CPC’s top executives aimed to change the direction of China’s economy from an agricultural tradition to that of heavy industry field. Mao’s government opined that development of irrigational system and the production of iron and steel and agricultural and industrial outputs could be increased.⁵⁵ However, there was an array of problems in China that has hindered the industrial development. The primary obstacles concern with territorial disputes and ideological differences between China and the Soviet Union. In view of this, the Soviet Union experts decided to discontinue providing assistance to their Chinese counterparts especially on the project implementations. In effect, this predicament has resulted in ‘professional deficit’. At the same time, western countries and Japan refused to sell industrial machinery and other technological equipment to China. This set of circumstances has induced Mao’s administration to place self-reliance at the centre of industrial development. Additionally, since the government was of the view that steel production could also facilitate agricultural development, it directed focus to increasing this production.⁵⁶ In order to achieve this, CPC mainly relied on labour surplus wherein workers were relocated from rural areas to towns to participate in the industrial projects. However, this has created problems in the agriculture as well as in the industrial field.⁵⁷ The collectivisation of rural population was perceived as the main strategy to improve agriculture. Rural collectives were then established and individual properties were combined under communal ownership. Under this arrangement, an appointed leader is responsible to submit reports to the top CPC members. It is worthy to note that this system was also tainted with corruption in the communes’ leadership. This is further worsened by lack of

⁵⁴ Zhou Xun, *The Great Famine in China, 1958-1962*, 2012, p.1

⁵⁵ Justin Lin, “The Causes of China's Great Leap Famine, 1959-1961”, *Economic Development and Cultural Change*, 2003, p.53

⁵⁶ Ken Moak and Miles W.N. Lee, *China’s Economic Rise and Its Global Impact*, New York 2015, p.81

⁵⁷ Justin Lin, “The Causes of China's Great Leap Famine, 1959-1961”, *Economic Development and Cultural Change*, 2003, p.53

leadership competency in the selection process of commune leaders. The main criteria boiled down to party and leadership loyalty. In view of this, the implementation of collectivization policies started to decline in the agricultural sector, which eventually resulted in economic stagnation. Furthermore, lack of experience in the industry, especially in metallurgy and steel production has also led to a waste of country's resources. During this period, China experienced the worst economic downturn in the history as evinced by the sharp decline in the GDP of the country. Additionally, the prevailing drought has exacerbated agricultural food production,⁵⁸ which in turn has resulted in famine. Nearly 30 million people died during that period and it was one of the worst famine cases in the world history.⁵⁹ In the wake of this, Mao acknowledged that this project was a mistake thereby compelling CPC to discontinue the implementation of "Great Leap Forward."⁶⁰

Due to the unsuccessful economic reforms, Mao stepped aside as the economic adviser of the government and appointed the vice chairman of CPC Liu Shaoqi to administer economy of China. Shaoqi set up a new team that is responsible to review the economy and they pursued economic reforms for the reconstruction of the economic system of the country. Starting from this period, competency and skills were the main criteria in the selection process of cadres. Additionally, the new reforms include offering rewards and salary differences amongst workers. New governors bought technology and other machinery from western countries. These reforms contributed to the growth of this economy and this process is called an "economic reconstruction" period in the history of PRC.⁶¹

As previously mentioned, Mao's power and influence over the communist party weakened in the aftermath of economic degradation. In 1966, Mao endeavoured to re-consolidate its power over the CPC through the implementation of "The Cultural Revolution". This process continued until Mao's death in 1976. During that period, Mao and his inner circles of ministers were of the view that the chief executives had taken China in the wrong direction thus in order to revive China's revolutionary spirit, Mao encouraged the younger generation to participate in the

⁵⁸ Ken Moak and Miles W.N. Lee, *China's Economic Rise and Its Global Impact*, New York 2015, p.82

⁵⁹ Justin Lin, "The Causes of China's Great Leap Famine, 1959-1961", *Economic Development and Cultural Change*, 2003, p.51

⁶⁰ Ken Moak and Miles W.N. Lee, *China's Economic Rise and Its Global Impact*, New York 2015, p.83

⁶¹ *Ibid*, p.83

process.⁶² Furthermore, Mao opined that since the policies implemented by the previous administrators have deepened class distinctions, the participation of younger generation is essential to prevent this further. The social movement “Red Guards” consisting of mostly secondary school and college students played an indispensable role in that process.⁶³ This group attacked majority of the urban population especially the “revisionist” communist leaders and at the same time, the intellectual sphere of the society have experienced violation and imprisonment. Chaos spread out to the rural and urban parts of the country. This situation was eventually contained by an army intervention in different parts of China. It was alleged that this “cultural revolution” process had some long-term and short-term detrimental effects on the Chinese society and its effects were suffered even until decades later in the Chinese society.⁶⁴

⁶² History.com, “Cultural Revolution”, 2009, <https://www.history.com/topics/cultural-revolution>

⁶³ Michael Klare, *Rising Powers, Shrinking Planet*, 2008, p.66

⁶⁴ History.com, “Cultural Revolution”, 2009, <https://www.history.com/topics/cultural-revolution>,

1.2 BEGINNING OF THE NEW ECONOMIC ERA

A disorder pervaded in almost every segment of the Chinese society ten years after 'Cultural Revolution'. During that time, Mao's deteriorating health has sparked a competition between two opposing camps of the communist party over the party leadership. The first camp is comprised of radicals, under the command of Zhang Chunqiao and Jiang Qing. This group is of the view that China should embrace and pursue ideas of "Cultural Revolution" in order to maintain revolutionist spirit. The second revisionist group or known as moderate fraction was led by Deng Xiaoping and Hua Guofeng who had prioritized the economic growth of China over class distinction. At the end of this inter-party conflict, the moderate wing won and began to consolidate its power under the party's leadership. The new government implemented "Four Modernisation" program, which concurrently focused on the development of industry, science, agriculture and defence. The new administration under Deng Xiaoping continued the industrial development of pre-"Cultural Revolution" process and accordingly entered an era of new economic development.⁶⁵ The transition process from central planned economy to market socialism took place gradually and earlier than Soviet Union countries.⁶⁶ This new economic model was unique and different from those implemented in East European countries. The former Warsaw pact has completely changed their economic model to capitalist model. China maintains its socialist nature in the economy while simultaneously expanding the role of markets in the economy.⁶⁷ As an architect of this new reform, Deng aims to establish "State Capitalism" system —also known as "Socialism with Chinese characteristics" —in China. According to Deng, the only difference between socialism and capitalism is that socialism is the former's reliance on planning whereas capitalist economy is determined by the rules of markets. However, he claims that in the implementation of market economy, state's control must be kept in order to continue sustainable development.⁶⁸ During this period, decentralization of economy took place and reliance on the foreign as well as domestic markets has increased. However, state monopoly was retained under the

⁶⁵ Michael Klare, *Rising Powers, Shrinking Planet*, 2008, p.66

⁶⁶ Chris Bramall, *Chinese Economic Development*, New York 2009, p.325

⁶⁷ M.J. Gordon, "China's Path to Market Socialism", *Challenge*, Vol. 35, No. 1, 1992, p.53.

TANDFONLINE, <https://doi.org/10.1080/05775132.1992.11471564>. Accessed date: 7 July 2019

⁶⁸ Ken Moak and Miles W.N. Lee, *China's Economic Rise and Its Global Impact*, New York 2015, p.91

ownership of strategic economic properties and foreign economic relations. These reforms were officially implemented in 1978 where extraordinary economic development began to take place.⁶⁹ This new economic order was later known as “state capitalism”. This is because the critical and most strategic realms of the industry —oil and gas production, transportation, defence, telecommunication— were kept under the monopoly of the government. The private companies were only permitted to have ownership in less essential fields such as textile industry.⁷⁰ Despite its growth in the private sector, Chinese government indirectly controlled the companies through state-owned financial system and different political instruments.⁷¹ This economic reform had several distinct characteristics. Upon analysis, it is observed that the ‘new standards’ were only applied in the economy sector. It thus suggests that the authoritarian regime China did not undergo any changes. There was also preservation of political stability as evinced by tight state control over the economy and society and it is claimed that this is also essential to ensure sustainable economic growth. The reforms did not take place with any blueprint. As mentioned above, the experiments played an indispensable role in the process. Each step was initially experimented in small-scale businesses and was then applied to the economy sector in its entirety. “Gradualism” was another dimension in the economic development process of China wherein new economic structures and reforms were made gradually. This in turn has facilitated Chinese to learn how to run their business. This is especially the case in the gradual development of the agricultural realm where it was deemed crucial for future reforms and development period of the Chinese economy.⁷²

The process of economic reform can be divided into four main stages. The first part covers the period between-1978-1984. During the first period, the agricultural sector has undergone several changes. In this sector, collectivist understanding of early Mao-period was replaced with individual responsibility. It is worthy to point

⁶⁹ M.J. Gordon, “China's Path to Market Socialism”, *Challenge*, Vol. 35, No. 1, 1992, p.53

⁷⁰ Ken Moak and Miles W.N. Lee, *China's Economic Rise and Its Global Impact*, New York 2015, p.93

⁷¹ Nicholas Lardy, “China's economic reforms and growth prospects”, *China Economic Journal*, 8:2, 2015, pp.96-97

⁷² Gregory C. Chow, “Economic Reform and Growth in China”, *Annals Of Economics And Finance* 5, 2004, pp.140-141

out that this rural reform was not initiated by the central government but by the local peasantry.⁷³

This new system was presented as “household responsibility system” in the agricultural tradition and mainly implemented in the poorest regions of the country. The aim was to give an opportunity to the poor peasant families to produce enough food crops for their own consumption, which would then lessen the detrimental consequences stemming from the famine. Under this new system, families were allowed to rent lands from communes in order to harvest anything that is necessary. In return, they are obligated to give a certain portion of their harvest to the state while keeping other portions for their own consumption or for trade purposes.⁷⁴ This new reform did not only pave a way for the improvement of the rural population, but was utilized as a testing ground for further reforms that were implemented in the urban system and industrial production process.⁷⁵

The second period of this reform covers between 1984-1989. During this time, the urban and industrial systems were the main recipients of this reform. “Responsibility contract system” was applied to the industrial production. However, the strong central management of the government over the industry has rendered it difficult to implement ‘individual responsibility’ concept in this industry in comparison with agricultural field.

The following period of these reforms took place between 1992-2001. During this period, the Chinese government began to strengthen the national economic system and make efforts to overcome local as well as international problems by adopting the policy implemented in the 1980s. At this stage, the reforms were applied to private and state-run enterprises. The state managed to rescue the banking system from financial problems. Modern financial system that is integrated with global financial circles was also established during that period.

Additionally, the reforms implemented in the state-run part of the economy have decreased the burden of the state budget. China’s admission to the World Trade Organisation (WTO) marks the final period of this economic system. In this period, the reforms were applied more systematically in that the reforms were

⁷³ Wei Zhang and Xiaohui Liu, “Introduction: Success and challenges: an overview of China's economic growth and reform since 1978”, *Journal of Chinese Economic and Business Studies*, 7:2, 2009, pp.129-130

⁷⁴ Ken Moak and Miles W.N. Lee, *China’s Economic Rise and Its Global Impact*, New York 2015, p.97

⁷⁵ Wei Zhang and Xiaohui Liu, “Introduction: Success and challenges: an overview of China's economic growth and reform since 1978”, *Journal of Chinese Economic and Business Studies*, 7:2, 2009, p.129

implemented in accordance with the membership responsibilities of WTO. In the meanwhile, Chinese government also began to make reforms in the economic legal system in addition to increasing transparency in the government Pursuant to these reforms, the Chinese economy has massively improved over the years.⁷⁶

1.2.1 “Open Door” Policy

The “Open Door” policy was one of the most paramount contributions to the rapid growth of the Chinese economy. It is generally acknowledged that the implementation of the economic reforms in China has put an end to socialist economic systems, which had brought forth several drawbacks in the country’s economic development. Pursuant to Deng’s reforms, China started to integrate its economy with the foreign market. To substantiate, the figures demonstrate that the share of foreign trade in China’s total income was only 7% in 1978. However, after the introduction of the reforms and implementation of the “Open Door” policy, there was a sharp increase to 37% until 1998. Under the framework of this policy, autonomy was given to the regions to encourage exports and to attract foreign investments. Trade companies established connections with industrial plants, which were argued to be important in increasing China’s industrial exports.⁷⁷ On a global scale, China appears to assume a more active role. Due to its export volume, China ranked thirty-second in 1978, but ranked thirteenth in 1989.⁷⁸

This “Open Door” policy in economy has its positive effect as well in that it opens up and attracts foreign investment to China. China’s policies changed in this field wherein foreign investment is used as an engine of the economy.⁷⁹ From the beginning of the reforms, foreign direct investments (FDI) started flowing to China. As a matter of fact, in 1979, the total volume of FDI was almost zero in China, but after the reforms it has increased to 45\$ billion in 1998. In the mid 1990s, foreign investment contributed to the growth of Chinese economy for

⁷⁶ Ibid., pp.131-132

⁷⁷ Gregory C. Chow, “Economic Reform and Growth in China”, *Annals Of Economics And Finance* 5, 2004, pp.141-142

⁷⁸ Shang-Jin Wei, “The Open Door Policy and China’s Rapid Growth: Evidence from City-Level Data, 1995, p.74

⁷⁹ Gregory C. Chow, “Economic Reform and Growth in China”, *Annals Of Economics And Finance* 5, 2004, p.132

nearly 40%.⁸⁰ Furthermore, the data demonstrate that China has been the largest recipient of the FDI since 1993.⁸¹ The ethnic Chinese who reside in Taiwan, Hong Kong, Macau and other parts of China mainly supplied the lion shares of FDI in China.⁸²

In the light of the government's aim—to attract foreign investment to China—the government firstly adopted a law regarding FDI in 1979. The “Joint Ventures Using Chinese and Foreign Investment (Sino-Foreign Equity Joint Ventures)” law was important in the promotion of FDI. During that period, there were three main forms of foreign investment in China. The first one is “Equity Joint Venture” project where it was established by local as well as foreign investors. The second one is “Contractual Joint Ventures” wherein while it is supplied by foreign investors, local companies are responsible for providing labour, land and etc. The final form of the investments is “wholly owned subsidiaries.” In this project, foreign investors own the entire share of the enterprises. Due to the socialist nature of the state, the Chinese government imposed some restrictions on this form of investments. The foreign companies bringing cutting-edge technology to China or export more than half of the final products can whole the enterprise.⁸³

Additionally, the Chinese government introduced several requirements to foreign investors. These requirements played an indispensable role in enhancing the country's technological advancement in three main fields. To illustrate this, with FDI, technological need was met, technological advances were introduced to the country's industry and existing technologies were developed.⁸⁴ Apart from the legislative reforms, other attempts — such as implementation of new tax policy — were pursued by the Chinese government to encourage foreign investment. According to this new tax policy, which was implemented after Deng's reforms, the companies are not required to pay any taxes in the first three years and are required to pay 50% of taxes in the subsequent two years. Furthermore, the tax

⁸⁰ Lu Yuan and Terence Tsai, “Foreign Direct Investment Policy in China”, *Chinese University Press*, 2000, p.223 *JSTORE*. <https://www.jstor.org/stable/23453369> Accessed date: 15 July 2018

⁸¹ Guoqiang Long, “China's Policies on FDI: Review and Evaluation”, *Does FDI Promote Development*, 2005, p.316

⁸² Ronald. C Keith, *China As a Rising World Power and Its Response to 'Globalization'*, New York 2005, p.39

⁸³ Lu Yuan and Terence Tsai, “Foreign Direct Investment Policy in China”, *Chinese University Press*, 2000, pp.223-225,232

⁸⁴ Guoqiang Long, “China's Policies on FDI: Review and Evaluation”, *Does FDI Promote Development*, 2005, pp.322,327

policy also emphasised on technology import. The firms that had brought in the state-of art technologies to China would have other tax discounts.⁸⁵

1.2.2 Special Economic Zones

The creation of Special Economic Zones (SEZ) was another dimension of the “Open Door Policy” in China that contributed to the inflow of foreign capital to the country. It is thus essential to analyse the definition of SEZ. According to the World Bank’s criteria, the region with a more secure position and more liberal laws is considered a good area for the establishment of the SEZ. These special zones have some direct as well as indirect positive effects on the country’s economy. The increase in exports, FDI and the growth in country’s incomes are direct effects of the SEZ whereas technological advancement or improvement of labours’ skills is considered main indirect benefits for this region.⁸⁶

The establishment of the SEZ was China’s priority in the framework of the implementation of new reforms. The creation of SEZ forms an integral part of the reform policies. In 1980, four SEZs were established in China. In this region, the government implemented more liberal policies to attract foreign investors. The construction of SEZ in Hainan in 1985 has led to an increase of 5 SEZs in other areas. In these areas, China’s central authority endeavoured to implement dual-management of the economy. It implies that the market economy was implemented under strong control of the state and this turned out to be successful.⁸⁷ The Chinese government took into consideration the location of the SEZs as well. These zones were created far from the centre in the coastal areas. Three of them were established in Guangdong and one in Fujian where a satisfactory trading history with the external world was observed.⁸⁸ Shenzhen was the most important SEZ in that period as this province is nearby Hong Kong. Since Hong Kong adopts capitalist system, this aspect is considered essential to

⁸⁵ Lu Yuan and Terence Tsai, “Foreign Direct Investment Policy in China”, *Chinese University Press*, 2000, p.233

⁸⁶ Douglas Zhihua Zeng. China’s Special Economic Zones and Industrial Clusters: Success and Challenges, Lincoln University 2012, pp.3-4

⁸⁷ Bret Crane, Chad Albrecht, Kristopher McKay Duffin & Conan Albrecht, “China’s special economic zones: an analysis of policy to reduce regional disparities”, *Regional Studies, Regional Science*, 5:1, 2018, p.100

⁸⁸ Tatsuyuki Ota, “The Role of Special Economic Zones in China’s Economic Development As Compared with Asian Export Processing Zones : 1979 – 1995”, *Asia in Extensio*, 2003, p.2

transform China. China experienced the direct effects of SEZs immediately after their establishment. In 1989, 59.8% of total FDI came to these newly established SEZs. It is an established fact that the income of the SEZs exceeded the Chinese government's expectations. In the period between 1980-1984, the country's economy grew 10% per annum. However, Shenzhen zone's economic growth rate was 58%. This huge disparity encouraged Chinese government to install SEZs in other economically advantageous regions. As a result, 14 provinces were declared as "open coastal cities" in 1984. This "openness city" reform was also applied in other coastal cities and regions until 1992.⁸⁹ Despite the fact that the SEZ has improved China's overall economic situation, it has also created income and development disparities in the country. The statistics revealed that the coastal or eastern regions of the country developed faster than the other parts. This has also adversely affected the life standards and social lives in different parts of China.⁹⁰

1.2.3 China as the World's Manufacturing Centre

During the period of China's implementation of economic reforms, China has experienced a high level of the industrial production development. The country is one of the biggest manufacturing nations around the globe. The statistics reveal that the country has surpassed the world's average in terms of manufacturing industrial value and become amongst the world's top producers with 11.5% annual rate. In 1975, 3.5% of the world's total output was solely produced in China, but the country's share was 20% in 2002 wherein it overtook US and became the largest producing nation in the world.⁹¹

The positive development in the manufacturing sector has increased the trade capacity of the country and resulted in a "trade boom". The liberalisation of the economic institutions, devaluation of the Chinese currency, total growth of the economy and rapid increase in FDI flow have accelerated this "trade boom" trend in China.⁹² Three main turning points could be observed during the rising period of China's export capacity, which brought forth changes in the export structure of

⁸⁹ Yue Man Yeung, Joanna Lee, Gordon Kee, "China's Special Economic Zones", *Eurasian Geography and Economics*, 2009, pp.224-225

⁹⁰ Bret Crane, Chad Albrecht, Kristopher McKay Duffin & Conan Albrecht, "China's special economic zones: an analysis of policy to reduce regional disparities", *Regional Studies, Regional Science*, 5:1, 2018, p.101

⁹¹ Angang Hu, *Economic and Social Transitions in China: Challenges and Opportunities*, New York 2007, pp.13-14

⁹² Kevin Honglin Zhang, *China as the World Factory*, New York 2006, p.12

the country. The first point took place in 1986 where there was a shift from resource-intensive products to labour-intensive goods in the export share. The second point was in 1995 where the export of capital-intensive products such as machinery and electronic gadgets exceeded the labour-intensive goods for instance textile manufacturing. The last significant point in the export share occurred in 2001 after China's accession to WTO. In that period, in addition to the challenges of global supply and demand structure, the export of high technological advancements and cutting-edge electronic products grew rapidly and began to take a crucial role in China's trading balance.⁹³

China is claimed to have leverage over other regional powers in its high-level trading capacity development on account of several factors, which could be explained by comparative advantage theory.⁹⁴ According to this theory, the countries in the world market differ from each other because of two main factors. The first one concerns natural factors and the second is the possession of the technological advancements. In view of these factors, countries can produce some products at a lower cost than others. Countries that produce and export goods with comparative advantage could receive more benefits.⁹⁵ Possessing a large population has helped China to attract an array of investment. In other words, ranked as the biggest nation in the world with a nearly 1.3 billion people⁹⁶, China has a comparative advantage in the world market in terms of export and production of labour intensive goods. There are two kinds of comparative advantage known as static and dynamic comparative advantages. The Chinese government is one of the unique countries that utilize the initial advantages and endeavour to create new ones. This plays an immensely significant role in the country's economic development.⁹⁷ Abundance of labour force in China paves the way for cheap labour costs, which in turn has attracted global as well as regional

⁹³ Ligang Song, Ross Garnaut, Cai Fang, Lauren Johnston , China's Manufacturing Performance and Industrial Competitiveness Upgrading International comparison and policy reflection, 2015, p.307

⁹⁴ Comparative advantage is an economy's ability to produce a particular good or service at a lower opportunity cost than its trading partners. A comparative advantage gives a company the ability to sell goods and services at a lower price than its competitors and realize stronger sales margins. The law of comparative advantage is popularly attributed to English political economist David Ricardo.

⁹⁵ Kevin Honglin Zhang, China as the World Factory, New York 2006, p.11

⁹⁶ The World Bank, "China", <https://data.worldbank.org/country/china> accessed date: 9 September 2018

⁹⁷ Ligang Song, Ross Garnaut, Cai Fang, Lauren Johnston , China's Manufacturing Performance and Industrial Competitiveness Upgrading International comparison and policy reflection, 2015, p.307

investors in the country. The accounts of LABOURSTA demonstrate that the Chinese workers in a manufactory earned almost \$1200 per annum while actual indicator was approximately \$36000 in the United States. This suggests that China can produce cheaper products than United States. This comparison reveals the benefits of human capital in China's development process. Abundant labour force not only accelerates the inflow of FDI, but also gives China a comparative advantage in the global market in terms of the production of labour intensive goods. It is worthy to point out that in 1990s, the share of labour intensive products such as clothing, toys or footwear in total export amounted to 40 %. This figure declined in 2000s but it still takes into consideration the crucial parts of the total production.⁹⁸ All of these factors have rendered as China the biggest manufacturing nation in the world. As a result, both academic as well as political circles have emphasised on the concepts of "World's workshop" or "World's manufacturing centre".

In sum, the analysis above shows the enormous changes and progress that took place in China in the economy as well as other realms in the last decades. However, at the same time, China has to overcome several challenges such as providing country's energy security, construction of new trade roots in order to maintain this positive development.

⁹⁸ Kevin Honglin Zhang, *China as the World Factory*, New York 2006, p.73

1.3 ENERGY SECURITY AS A CHALLENGE

All forms of energy have impacted sustainable development and human progress in a global scale since the Industrial Revolution. The motorization of industrial systems has made fuel an indispensable part of daily production cycle. The unique geopolitics of energy raises issue in the global energy order. It mainly concerns the distribution of energy sources. The countries that produce more industrial output have relatively less energy sources. Most of the sources are located in less industrialised parts of the world.⁹⁹ Apart from the challenges stemming from distribution of energy sources, there are security concerns on the geopolitical situation of energy sources as well. It is well-established fact that the Middle East region —where political stability is considered a ‘blessing’— possesses the lion share of crude oil and natural gas reserves. It suggests that the security of local and international investments in the energy sector is under threat in these countries. In view of the political instability, China had to explore another area to achieve its energy sector goals.¹⁰⁰ Taking into consideration these challenges, energy security issue has been one of the most debated issues in political, economic as well as academic realms in the last decades. The oil crisis in 1960s and 1970s has rendered energy security to gain more importance. Yergin points out that energy security is not related to energy in itself as it also covers the relationship between countries in a wider spectrum. He also asserts that this issue is further exacerbated by threats to the world’s energy supply such as geopolitical issues, nationalist movements and terrorism.¹⁰¹ International Energy Agency (IEA) officially defines the term energy security in two aspects: (i) long term and (ii) short term energy security. The first one mainly concerns with ‘timely investment’ as it aims to maintain sustainable economic development and simultaneously meet environmental needs. The ‘short term’ deals with the energy system capacity to react promptly to the changes in supply.¹⁰² Pursuant to the definition set out by IEA, there are five main components of energy security namely “accessibility”, “availability”, “affordability”, “sustainability” and

⁹⁹ Walter Leal Filho and Vlasios Voudouris *Global Energy Policy and Security*, Springer-Verlaq London 2013, p.2

¹⁰⁰ Xiaolei Sun, Jianping Li, Dengsheng Wu And Shanli YI “Energy Geopolitics and Chinese Strategic Decision of the Energy Supply Security: A Multiple-Attribute Analysis”, *Journal Of Multi-Criteria Decision Analysis*, 2011, p.151

¹⁰¹ Daniel Yergin, “Ensuring Energy Security”, *Foreign Affairs Volume 85 No.2*, 2006, p.69

¹⁰² International Energy Agency, “Energy Security”, <https://www.iea.org/topics/energysecurity/>, accessed date: 6 October 2018

“acceptability”. The first two are mainly related to natural and mankind risks whereas the last three deal with the economic as well as environmental impacts of energy.¹⁰³

1.3.1 China’s Energy Security Vision

As mentioned above, China’s massive economic power compels it to secure its energy supply. Energy security was only considered ‘internal affairs’ matter for several decades due to its low economic development. However, rapid economic growth, which in turn led to industrial progress, has changed the country’s position in the global energy market. In 1993, China failed to meet its energy needs only by utilizing local sources thus it started to import oil from foreign markets. In view of this, securing its energy is considered one of the most pivotal problems in the Chinese administration starting from the end of 1990s.¹⁰⁴ In the main stream, political vision of the Communist China’s self-reliance is the main factor in almost all fields. This factor also constitutes core aspect of Mao doctrine in energy security concept.¹⁰⁵ According to the US Energy Information Administration (EIA), China’s proven oil sources are 24.6 billion barrels.¹⁰⁶ However, Rand Cooperation disputes the statistics, as they are not substantiated with cogent evidence and likely to be manipulated by Chinese government in an attempt to present the country as more attractive and reliable to the international investments.¹⁰⁷ Notwithstanding the statistics, it is alleged that the reserves are not sufficient to meet the country’s needs due to its explosive growth of skyscrapers, highways, railways, subways, bridges, airports, planes, automobiles, and appliances. Since the infrastructure projects and technologies require a huge amount of energy and raw materials, its consumption has also increased along with the rapid economic development. As such, it was impossible for China to remain self-sufficient.¹⁰⁸ To illustrate, the total oil consumption in China was 88

¹⁰³ Aleh Cherp and Jessica Jewell, “The concept of energy security: Beyond the four As”, *Energy Policy* 75, 2014, p.417

¹⁰⁴ Zhang Jian, *China’s Energy Security: Prospects, Challenges, And Opportunities*, The Brookings Institution, 2011, p.3

¹⁰⁵ Downs Erica Strecker, “China’s Quest for Energy Security”, *Rand Cooperation*, Santa Monica, 2000, pp.11

¹⁰⁶ US Energy Information Administration, “China” Report, 2015, p.3

¹⁰⁷ Downs Erica Strecker, *China’s Quest for Energy Security*, *Rand Cooperation*, Santa Monica, 2000, pp.11-12

¹⁰⁸ Michael Klare, *Rising Powers, Shrinking Planet*, 2008, p.70

million tons in 1980 but this figure rocketed to 368 million tons in 2007. Additionally, China was the net importer of oil in 1993 and due to its increase in oil consumption; its dependency from imported oil was 55.2 percent in 2007.¹⁰⁹ China is currently one of the biggest importers of the crude oil. It even surpassed US in 2017 and remains the largest oil importer in the world.¹¹⁰ The British Petrol forecasts that the Chinese dependency from imported oil will rise to 72% until 2040 while the share of imported natural gas in the energy mix will reach 43%.¹¹¹ With the aim of sustaining the country's internal stability and international power prestige, energy security is perceived as an important part of national security strategy in China. It is not only vital for the economy but also in diplomatic, military as well as political aspects of the country. The unanticipated energy shortage can result in a catastrophe. Since there is a correlation between sustaining economic development and internal political situation of the country, the Chinese Communist Party aim to make diplomatic efforts in different parts of the world such as the Middle East, Russia and Latin America in order to diversify the country's energy sources and secure its stable economic progress.¹¹² From a theoretical standpoint, Constantin claims that the Chinese stance in energy security can be analysed from a realist paradigm. According to him, China perceives energy security as "oil, being a scarce, highly prized, and geographically concentrated commodity, can be used as a "weapon" of blackmail on the international scene. Thus, proponents of this understanding recommend energy self-sufficiency or, at least, the diversification of supplies sources and 4 of the energy mix, and the establishment of reserves to help face a sudden tightening of supply"¹¹³.

As such, it reveals China's vulnerability in the international energy market as mentioned above.

¹⁰⁹ Hongyi Lai, "Asian Energy Security: The Maritime Dimension", 2009, p.29

¹¹⁰ US International Energy Agency, "Today in Energy", <https://www.eia.gov/todayinenergy/detail.php?id=34812>, accessed date: 6 October 2018

¹¹¹ BP Energy Outlook, "China", <https://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/energy-outlook/bp-energy-outlook-2018-country-insight-china.pdf>, 2018

¹¹² Ryan Clarke, Chinese Energy Security: The Myth Of The Plan's Frontline Status, The LETORT Papers, 2010, p.2

¹¹³ Christian Constantin, China's Conception of Energy Security: Sources and International Impacts, 2005, pp.3-4

1.3.2 Securing Energy Supply

According to Jian, the evolution of the energy security concept in Communist China can be divided into four main periods. As previously mentioned, the first period took place between 1978 and 1992 and is described as self-reliance on locally produced oil. The second period covers from 1993 until 1999 where state understands the vitality of imported oil and encourages State Organised Enterprises (SOE) to explore for oil overseas. In the third period between 2000-2008, the administration launched “Go Abroad” project. China’s accession to the WTO has paved a way for private companies to compete with SOE with the aim of establishing energy-related business network on a global scale. According to him, the final period of Chinese energy security policy commenced in 2008 and continues until today. The global financial crisis has impacted this period and accelerated country’s global investment in resource-related sectors.¹¹⁴ In effect, the Government sets its goals to secure the country’s energy supply. They are “diversifying and increasing domestic production of energy sources, establishing strategic oil reserves”, “securitization of the import routes and increasing the role of pipelines” and “developing overseas activities in the energy sector”.¹¹⁵

1.3.3 Diversifying and increasing domestic production

For economic growth increasing domestic production and diversification of energy sources are pivotal for energy importing countries. However, China takes different measures to decrease its dependency from foreign energy sources. According to British Petroleum’s (BP) energy outlook, the local energy production in China —especially in nuclear energy and shale gas—has increased to 45% in 2017. It is estimated that China will produce 36% of the world’s nuclear energy until 2040 and it will also become the second largest country in shale gas production, only surpassed by US.¹¹⁶ As previously mentioned, since China could not meet its oil demands, it was compelled to look for other alternatives, which in turn has led to ‘high dependency’ on foreign markets. In that regard, the

¹¹⁴ Zhang Jian, *China’s Energy Security: Prospects, Challenges, And Opportunities*, The Brookings Institution, 2011, p.6

¹¹⁵ Downs Erica Strecker, *China’s Quest for Energy Security*, .Rand Cooperation, Santa Monica, 2000, p.13

¹¹⁶ BP Energy Outlook, “China”, <https://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/energy-outlook/bp-energy-outlook-2018-country-insight-china.pdf> , 2018

government has formulated two strategies to reduce this dependency. Firstly, the Chinese government attempts to make use of the local oil reserves more efficiently. At the same time, China makes an effort to increase domestic production. This is especially the case in the wake of Trump administration's implementation of new tax policies against the leader of the Communist Party Xi Jinping. In response, Xi Jinping exhorted all of the petrol companies in the country to strengthen the country's energy security system. According to *Reuters*, this has led to an increase in the domestic oil production and it has also achieved the highest production rates in the last three years with a 16-million tonnes monthly output in August 2018.¹¹⁷ Furthermore, alternative energy sources also contribute to the diversification process. The solar, wind and hydro-electricity shares have also simultaneously increased in China. In 2008, the share of hydropower in country's total energy consumption was 7.4% and this renders China to become the largest consumer of hydropower in the world. Further, the capacity of wind power has also rocketed in the last decades. With 12.21 million capacities, China is ranked fourth in both consumption and production of wind power.¹¹⁸ In view of this, China aims to focus its efforts on the securing the country's energy supply.

The establishment of Strategic Petroleum Reserve (SPR) constitutes another dimension of China's energy security strategy. These reserves are constructed with the support of IEA in order to increase the capacities of oil-importing countries to react to short-term crisis in the international energy market. China's government considers SPRs as an integral mechanism of energy security strategy.¹¹⁹ Moreover, it is maintained that since oil plays an indispensable role in economic development, this mechanism could also guarantee its sustainability. At the same time, it also stabilises the relations between importing and exporting countries. According to the IEA's regulations, the country should have a reserve

¹¹⁷ Reuters, "China's crude oil output climbs for first time in nearly three years", 14 September 2018, <https://www.reuters.com/article/us-china-economy-output-oil/chinas-crude-oil-output-climbs-for-first-time-in-nearly-three-years-idUSKCN1LU0C2>

¹¹⁸ Zhang Jian, *China's Energy Security: Prospects, Challenges, And Opportunities*, The Brookings Institution, 2011, p.7

¹¹⁹ Downs Erica Strecker, *China's Quest for Energy Security*, .Rand Cooperation, Santa Monica, 2000, p.29

equal to the 90 days amount of net import in time of oil shortage.¹²⁰ Strecker asserts that the Chinese government sets four main objectives in the establishment of SPRs. This mechanism is primarily aimed at decreasing the possibility of social and economic crisis that can occur in case of short-term oil shortages or interruptions. Since the Middle East is the main source for China's energy consumption, this aim is particularly relevant in view of the political instability in the Middle East. Secondly, these reserves would assist the government to maintain price stability in the domestic energy market in case of short-term crisis. As for the third benefit, these oil reserves would be able to decrease any politically motivated interruptions by suppliers. According to the Chinese experts, SPRs will prevent foreign supplies from imposing sanctions on China's energy trade. Finally, the existence of such reserves will give an additional diplomatic instrument to China to make more profitable negotiations in this energy field.¹²¹ The Chinese government aims to possess 500 million barrel oil storage in three sections of SPRs. It is estimated that the third part of SPRs will be constructed by 2020 and this could meet 100 days of oil consumption demands in China. Furthermore, the SPRs in China are mainly divided into two sections. The government manages a huge part of these reserves whilst other SPRs are under the control of private sector. However, these reserves were under the monopoly of giant state enterprises until 2010. Subsequently, the government allowed small and medium-sized business entities to possess SPRs.¹²²

1.3.4 Securing Import Routes

Securing the transportation of energy sources is as vital as other parameters of the energy security system. As one of the largest importers of oil and natural gas, China pays great attention to the transportation related issues as well. The Middle East, North Africa and Latin America countries are the main suppliers of China's oil demands. The statistics indicate that 80% of China's energy and goods is transported by sea. This explains why maritime routes play a significant role in

¹²⁰ Erfu Guoa , Meiting Jua, Na Gong, "Development of Chinese Strategic Petroleum Reserves Base on Comparable Research about Japanese Situation and Policies", *Energy PROCEDIA* 5, 2011, p.2263

¹²¹ Downs Erica Strecker, *China's Quest for Energy Security*, .Rand Cooperation, Santa Monica, 2000, p.30

¹²² Mandip Singh, *China's Strategic Petroleum Reserves: A Reality Check*, 2012, pp.2-3

the country's energy security.¹²³ In particular, the situation in Malacca strait is a great source of concern for China. In 2003, the premier of the country HU Jintao even went as far as to label the situation as "Malacca Dilemma" in his speech.¹²⁴ The military interest and power of India, US and Japan in the region have jeopardised the security of Chinese transportation routes. Additionally, unconventional threats such as terrorism and piracy rendered the sea lines vulnerable for China. The vulnerability of this predicament has been emphasized in the Chinese media with the implication of whoever is in control of the transportation in Malacca also controls China's energy security.¹²⁵ Taking into consideration these factors, the Chinese government endeavours to increase the role of pipelines in the transportation of energy sources. In that regard, the neighbouring regions such as Central Asia, Russia and Myanmar are considered as significant actors. Since transportation risks are greatly reduced in comparison to that from the Middle East, several of the pipelines projects are implemented.¹²⁶ The oil and natural gas pipelines between China and Myanmar are deemed one of the most important energy projects in the South-East Asia region. As a resource-rich country, Myanmar began to play a pivotal role in China's energy security after the beginning of 2000s. The Chinese government and National Oil Companies (NOC) paid great attention on China's increasing influence in the country's oil and natural gas sectors. CNPC and CNOOC participated with the largest shares in the exploration and production process of Myanmar's oil and natural gas reserves. This agreement ensures purchase rights of the biggest gas field in the country to China for 30 years. The gas pipeline that connects western Myanmar to China costs 2.3\$ billion.¹²⁷ These pipelines constitute an important phase for the securitization of country's energy security vis-à-vis the increasing importance of ground transportation.

¹²³ Malcolm Davis, "China's 'Malacca Dilemma' and the future of the PLA", *China Policy Institute: Analysis*, 21 November, 2014, <https://cpianalysis.org/2014/11/21/chinas-malacca-dilemma-and-the-future-of-the-pla/> accessed date: 15 October 2018

¹²⁴ Ian Storey, "China's Malacca Dilemma", *China Brief Volume: 6 Issue: 8*, 12 April, 2006, <https://jamestown.org/program/chinas-malacca-dilemma/> accessed date: 15 October 2018

¹²⁵ ZHONG Xiang Zhang, "China's Energy Security, the Malacca Dilemma and Responses", *Energy Policy* 39, 2011, p.7613

¹²⁶ Zhang Jian, *China's Energy Security: Prospects, Challenges, And Opportunities*, The Brookings Institution, 2011, p.16

¹²⁷ ZHAO Hong, "China-Myanmar Energy Cooperation and Its Regional Implications", *Journal of Current Southeast Asian Affairs*, 30, 2011, p.92

1.3.5 China's Overseas Energy Diplomacy

China's accelerated economic growth also requires it to manage its development plans by taking control over its energy resource supply system. This is because China's position has changed from "relative dependency" to "absolute dependency" in the world energy market. Due to its insufficient energy sources, the Chinese government has increased its efforts in other regions such as Middle East, Central Asia, Africa and Latin America in order to provide security for energy supply.¹²⁸ In this process, the NOCs of the country play an important role. As mentioned in previous sections, China's oil companies began to be more influential in the global energy market after 2000s. State-supported oil companies such as the China National Petroleum Corporation (CNPC) and the China Petroleum and Chemical Corporation (Sinopec) became amongst the largest players in the world energy order. With the support of the government, these two firms manage the domestic as well as international energy sectors of PRC. Furthermore, China National Offshore Oil Corporation (CNOOC) was established in recent years to enhance the investment and development capacity of China in the energy sector of the foreign market.¹²⁹ In the 1990s, China was the new emerging player in the global energy order and the Chinese companies realized that large companies have already owned most of the oil and natural gas fields. In view of this, China attempts to establish trade relations with the countries that were blacklisted by US such as Iran and Sudan. In the aftermath of US sanctions, the companies of Japan, South Korea and EU countries left Iran's oil industry. Accordingly, India and Chinese companies began to fill this vacuum.¹³⁰ As such, the Chinese government and energy companies made contracts with controversial and undemocratic regimes for instance Omar al-Bashir. This situation has created an alternative supply sources for China and at the same time decreased its pressure in the international energy market. Sudan is one of China's largest overseas production fields. This fact does not however prevent China from extending its support to this regime. In 2004, when the UN Security Council

¹²⁸ Ryan Clarke, *Chinese Energy Security: The Myth Of The Plan's Frontline Status*, The LETORT Papers, 2010, p.16

¹²⁹ Gerald Stang, "China's energy demands: Are they reshaping the world?", European Union Institute for Security Studies, *Brief Issue 12*, 2014, pp.1-2
https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief_12_China_energy.pdf

¹³⁰ Zhao Hong, "China's Dilemma on Iran: between energy security and a responsible rising power", *Journal of Contemporary China*, 23:87, 2014, p.414

warned the regime on imposition of sanctions due to its human rights violations, China announced that it would veto this resolution in favour of Sudan.¹³¹

Another significant actor for PRC's energy diplomacy is the Middle East region. Gulf region has gained more importance for China from 1990s to 2020. China attempts to develop mutual dependency with Gulf countries. In that regard, China secures its energy supply while the Gulf countries gained an opportunity to have a share in the emerging Asia energy market by being a participant in the refinery projects with their own investments. Moreover, the Gulf region means a huge market for Chinese products and a passage to Greater Middle East. Despite the fact that America is not "happy" with the cooperation between China and region countries, there are common interests between them. China seeks solutions to maintain its sustainable growth while the Gulf countries implement policy of diversification for the destination of their energy sources.¹³² Middle East has been one of two largest suppliers for China with Asia Pacific since the 1990s. In 1995, 45.4 % of China's total oil imports came from the Middle East but this figure rose to 54 % until 2000. Oman and Yemen remain as top oil suppliers of China but this situation has changed in 2003 in that Iran and Saudi Arabia became China's largest oil suppliers.¹³³

1.3.6 Russia-China Energy Relations

With its hydrocarbons resources Russia is the attractive country for energy thirsty China. On the other hand, Russia is endeavouring to deliver more energy to the rising Chinese energy market and it motivates the country to construct new ventures and pipelines which will carry coal, natural gas and petrochemicals.¹³⁴ Especially, in terms of oil and natural gas trade the countries have a big cooperation. Between 2008 and 2017 Russia increased its energy exports to China more than five times and was the top supplier of oil to China in 2016.¹³⁵ In 2020

¹³¹ Ryan Clarke, *Chinese Energy Security: The Myth Of The Plan's Frontline Status*, The LETORT Papers, 2010, p.17

¹³² Ibid., p.18-19

¹³³ Hongyi Lai, *Asian Energy Security: The Maritime Dimension*, 2009, pp.30-32

¹³⁴ Yohei Ishikawa And Shunsuke Tabeta, "Russia deepens China ties with expanded energy exports", January 6, 2021, <https://asia.nikkei.com/Politics/International-relations/Russia-deepens-China-ties-with-expanded-energy-exports>

¹³⁵ Erica Downs, James Henderson, Mikal E. Herberg, Shoichi Itoh, Meghan L. O'Sullivan, Morena Skalamera, and Can Soylu, *The emerging Russia-Asia energy nexus*, 2018, p.18

Russia became China's second oil supplier with 1.69 million barrels per day after Saudi Arabia.¹³⁶

Natural gas takes a lion share of energy relations between China and Russia. China is the largest importer natural gas while the Russia is the biggest exporter. "Power of Siberia" pipeline is one of the most significant energy projects which is directly implemented between these countries. This project is not only accepted as the energy cooperation, it is considered the symbol of deepening Sino-Russian relations when both countries' have tense relations with the West. China takes some advantages from natural gas deal from Russia. It gives an opportunity to China to diversify its natural gas portfolio. The natural gas cutbacks from Turkmenistan in the winter of 2017-2018 was the bad example for China. On the other hand Russia's natural gas sources will help China to reduce the dependency from coal and switch to more clean energy types. All those facts make Russia a strong partner of China in terms of natural gas supply.¹³⁷ However, this situation can bring up another issue of heavy dependency on Russian energy market in future. China views that the Russia might use its energy dependence as a "political weapon" hence there are attempts to diversify its natural gas and oil suppliers with other countries.¹³⁸

1.3.7 Iran-China Energy Cooperation

The political standing of two nations in the world political structure and their cultural ties create suitable conditions for the development of bilateral relations between these countries. The leaders of both countries perceive international system as unjust and that it is led by Western powers such as the United States, EU.¹³⁹ As a result of its strategic geopolitical location and its capabilities to balance Western domination in the Gulf region and Middle East, Iran is

¹³⁶ Glenn Wilkins, "Saudi Arabia Remained China's Top Oil Supplier In 2020" 21 January 2021, <https://www.baystreet.ca/commodities/4465/Saudi-Arabia-Remained-Chinas-Top-Oil-Supplier-In-2020>

¹³⁷ Erica Downs, "China-Russia Energy Relations: Why the Power of Siberia Pipeline Matters to China", 18 D2019, <https://www.cna.org/news/InDepth/article?ID=25>

¹³⁸ Erica Downs Strecker, *China's Quest for Energy Security*, .Rand Cooperation, Santa Monica, 2000, p.13

¹³⁹ Scott Harold and Alireza Nader, *China and Iran*, Santa Monica, CA; Arlington, VA; Pittsburgh, PA: RAND Corporation, 2012, p.2

considered an important ally for China.¹⁴⁰ Furthermore, since Iran possesses rich oil and natural gas reserves, China views Iran as an attractive country for China's National Oil Companies.¹⁴¹ Iran has also some interests and expectations from its cooperation with China. Iran views China as a main alternative to US hegemony in the region. Tehran considers Beijing to have sufficient power to change the power balance in its favour. Moreover, China is the main economic partner of Iran and in the case of the West's isolating policies, UN sanctions; China acts as a guarantee to ensure Iran's survival. Finally, in contrast with Western countries, China does not pay any attention to Islamic Regime's internal behaviour such as suppression of opposition groups or human rights issues. This fact paves way for the improvement of diplomatic relations between these countries.¹⁴²

Iran-China relations during the pre-revolution period became complicated due to the political environment and conditions of the Cold War. In the different periods of the Cold War, Sino-Iran relations also experienced different dynamics.¹⁴³ With the US pressure in the late 1970s, the relations between communist China and Iran had minor importance for Shah Regime. However, in the aftermath of Iran's Islamic Revolution, relations between these countries started to improve and China recognized the legitimacy of revolutionary regime only after three days of declaration.¹⁴⁴ Iran-Iraq war is considered the turning point for the development of bilateral relations between them. Apart from the USSR and US, China supported Iran in that war. China's arms sale to Iran during this war was an important step in strengthening the bilateral relations between these countries as well as in giving economic benefits to China.¹⁴⁵ Cooperation in arms sale and energy issues was remains the crucial aspect in the bilateral relations in 1990s. From the 1990s, as a consequence of rapid economic rise, the need for imported oil has increased in many folds in China. At the same time, the political events in both countries such

¹⁴⁰ Parris H. Chang, "China's Policy Toward Iran And The Middle East", *The Journal of East Asian Affairs*, Vol. 25, No. 1, 2011, p.2

¹⁴¹ Erica Downs and Suzanne Maloney, "Getting China to Sanction Iran: The Chinese-Iranian Oil Connection", *Foreign Affairs*, Vol. 90, No. 2, 2011, p.17 *JSTORE*
<https://www.jstor.org/stable/i25800449> Accessed date: 1 November 2018

¹⁴² Scott Harold and Alireza Nader, *China and Iran*, Santa Monica, CA; Arlington, VA; Pittsburgh, PA: RAND Corporation, 2012, pp.5-6

¹⁴³ Rashida Hameed, "Sino-Iran Relations Current Developments and Future Scenario", *Policy Perspectives*, Vol. 7, No. 1, *Special Issue: MIDDLE EAST*, 2010, p.136

¹⁴⁴ John W. Garver, "China and Iran: Ancient Partners in a Post-Imperial World", Seattle: University of Washington Press, 2007, pp.29,31-33,63

¹⁴⁵ Rashida Hameed, "Sino-Iran Relations Current Developments and Future Scenario", *Policy Perspectives*, Vol. 7, No. 1, *Special Issue: MIDDLE EAST*, 2010, p.137

as Iran –Iraq war and Tiananmen Square incidents in 1989 have also contributed to the improvement of their relations. Notwithstanding US economic pressure and imposition of sanctions on China, the Iranian government supported the actions of Chinese government against protestors in the Tiananmen Square. Additionally, the isolation policies implemented against Iran by US and western countries have brought China and Iran closer in terms of economic partnership.¹⁴⁶

In the last three decades, the United States have portrayed Iran as a real threat to international peace and stability.¹⁴⁷ Since Iran's nuclear deal was at the forefront of the global political agenda of the 21st century, the role played by China was pivotal in resolving this issue. As such, a brief explanation on China's role in the development of Iran's nuclear program is essential for further clarification. During Shah's period, the government aimed to become a nuclear-armed state and France and the United States were the most important partners of Iran in the nuclear field. However, in the aftermath of revolution, Khomeini suspended all nuclear cooperation with the United States and France. In the post-revolution period, the first agreement between China and Iran concerns the peaceful use of nuclear energy. During 1980s and 1990s, nuclear cooperation was one of the most improved realms of partnership between Iran and China. In 1991, both governments officially announced their cooperation in the nuclear field. Official documents regarding the cooperation in nuclear realm were presented to International Atomic Energy Agency (IAEA) in 2003. However, due to increased US pressure and the importance of American capital for China's economic development, China ceased its nuclear partnership with Iran in 1997.¹⁴⁸ Despite the fact that China's policies aimed to protect Nuclear Non-Proliferation Treaty (NPT), there is also a belief that Iran, with its nuclear capabilities can be very useful in the Persian Gulf region for China's interests. To illustrate this, China voted against the IAEA report that was submitted under Article 7 of United Nations (UN) Charter Iran's nuclear program wherein it alleges that Iran is a threat to international peace. Furthermore, China did not veto UNSC resolutions compelling Iran to put a halt to its "uranium enrichment as well as plutonium

¹⁴⁶ Scott Harold and Alireza Nader, "China and Iran", Santa Monica, CA; Arlington, VA; Pittsburgh, PA: RAND Corporation, 2012, p.4

¹⁴⁷ Erica Downs and Suzanne Maloney, "Getting China to Sanction Iran: The Chinese-Iranian Oil Connection", *Foreign Affairs*, Vol. 90, No. 2, 2011, p.15

¹⁴⁸ John W. Garver, *China and Iran: Ancient Partners in a Post-Imperial World*, Seattle: University of Washington Press, 2007, pp.139,143

reprocessing”.¹⁴⁹ However, in the issue of Iran’s nuclear program, China endeavours to conduct a more sensitive political direction, taking into consideration its rising demand for Iran’s oil sources and the importance of maintaining good relations with the US. In that regard, China supports Iran’s rights in its possession of peaceful nuclear facilities. On the other hand, China condemns any program in Iran regarding nuclear weapons. However, surprisingly in 2008, China supported the adoption of UNSC Resolution 1803, which put pressure on Iran to stop its uranium enrichment activities through the extended sanctions.¹⁵⁰ Garver emphasizes that the support of China helped Iran to survive under the conditions of international isolation policies in that China provides a connection between Iran and global economy.¹⁵¹ China also played an important role in the modernisation of Iran’s army forces during the period of international sanctions. According to the data of The Stockholm International Peace Research Institute (SIPRI), China ranks second as Iran’s weapon supplier between 2002-2009.¹⁵²

As mentioned above, Iran is one of the largest oil suppliers for China. 10% and 16% of proven oil and natural gas reserves respectively are in Iran’s soil. As such, relations with Iran are important for China.¹⁵³ In view of China’s continuous attempt to establish good relations with Iran, western politicians and academicians have constantly criticized Beijing. Kaplan asserts “it is refusing to be a responsible stakeholder in the international political system, cultivating, as it has been, good relations with some of the world’s most odious regimes.”¹⁵⁴ Further, Berman also criticizes China and claims that China supports Iran’s nuclear programs because of oil and as such, it allows its companies to cooperate with Iran in nuclear field.¹⁵⁵ However, China’s standpoint is different. According to the People’s Daily “Normal trade relations and energy cooperation between China

¹⁴⁹ John W. Garver, Is China Playing a Dual Game in Iran?, *The Washington Quarterly*, 34:1, 2011, p.75

¹⁵⁰ Hongyi Lai, *Asian Energy Security: The Maritime Dimension*, Palgrave Macmillan 2009, p.33

¹⁵¹ John W. Garver, “China and Iran: An Emerging Partnership Post-Sanctions” *MEI Policy Focus*, 2016, p1

¹⁵² John W. Garver, “Is China Playing a Dual Game in Iran?”, *The Washington Quarterly*, 34:1, 2011, p.76

¹⁵³ Zhao Hong, “China’s Dilemma on Iran: between energy security and a responsible rising power”, *Journal of Contemporary China*, 23:87, 2014, p.412

¹⁵⁴ Robert Kaplan, “Don’t panic about China”, *The Atlantic*, 2005,

<https://www.theatlantic.com/magazine/archive/2005/10/dont-panic-about-china/307926/>

¹⁵⁵ Berman, Ilan. “Beijing and Tehran’s coming divorce.” *The Wall Street Journal*,

2012, <https://www.wsj.com/articles/SB10001424052970204257504577152790202880890>

and Iran have nothing to do with the nuclear issue, and they should not mix issues of different nature. China's legitimate concerns and demands should be respected.”¹⁵⁶

In 2000, China's National Oil Companies made a huge investment in Iran's energy industry wherein a great deal of agreements worth more than \$10 billion were signed between China National Oil Company and National Iranian Oil Company on the exploration of Iran's North Azadegan oil field and South Pars Gas field. Additionally, Sinopec participated in the development of Yadavaran oil field and the improvement of Iran's oil refinery industry.¹⁵⁷ This country has been the third biggest source of oil for China until 2012. Due to Iran's nuclear program and US sanctions on Iran, China reduced its crude oil import in order to maintain good relations with EU and US. However, the political situation impelled China to gradually replace the share of Iran, Libya, Sudan and South Sudan's shares in its oil structure with other Middle East countries such as Iraq, Oman and UAE.¹⁵⁸ In the last two decades, the volume of bilateral economic relations between these two countries has increased manifold. To illustrate this, the data reveals that the volume was \$200 million in the mid1990s¹⁵⁹ but it has sharply increased to \$24 billion in 2017.¹⁶⁰

All mentioned facts and arguments showed that China as the biggest importer of oil and giant economic power is trying to provide its energy security. That is why Central Asia is pivotal area for its energy security.

¹⁵⁶ Zhao Hong, “China's Dilemma on Iran: between energy security and a responsible rising power”, *Journal of Contemporary China*, 23:87, 2014, p.412

¹⁵⁷ Ibid., pp.413-415,419

¹⁵⁸ US Energy Information Administration, “China: International Energy Data and Analysis” , 14 May 2015, p.10

¹⁵⁹ Hongyi Lai, *Asian Energy Security: The Maritime Dimension*, 2009, p.33

¹⁶⁰ Mehr News Agency “Iran-China trade volume hits \$24bn”, 22 October 2017, <https://en.mehrnews.com/news/128869/Iran-China-trade-volume-hits-24bn>

CHAPTER 2. THE REGIONAL DYNAMICS IN CENTRAL ASIA

Central Asia and the Caspian Basin is the region that are at the forefront of many regional as well as global actors' political interests. Russia as the main actor in the region's political structure places it in a stronger position than others. This situation stems from the historical engagement of the country with Central Asia region.¹⁶¹ It is very vital to explore the importance of Central Asia region for Russia. According to Matveeva, Russia's interests in the region are shaped by two main concerns. Firstly, the security issues that have adverse effects on the country's internal security and stability such as illegal trafficking of drugs, international as well as regional challenges, the fear of rising radical Islamist movements and China's growing influence in the region countries are the main security concerns of Russia. Secondly, similar to China, Russia has economic expectation from the region's hydrocarbon resources. These two issues are considered the key factors that make Central Asia a significant region for Russia.¹⁶²

¹⁶¹ Roy Sultan Khan Bhatti and Nazima Shaheen, "Russia: Indispensable for Central Asia", *Pakistan Horizon*, Vol. 64, No. 2, 2011, p.53

¹⁶² Anna Matveeva, "Return to Heartland: Russia's Policy in Central Asia", *The International Spectator*, 42:1, 2007, p.44

2.1 SECURITY CONCERNS OF RUSSIA IN THE REGION

As mentioned before, the proximity of Central Asia to the unstable Middle East region and Afghanistan has increased Russia's concerns about the regional and internal security matters. Thus, cooperation with the region countries in combating terrorism and drug trafficking are amongst the main interests of Russia in the regional context. Russia utilizes this security card as leverage and accordingly it is able to place itself in a stronger position than other external players in the region by sustaining military presence.¹⁶³

In the post-Cold War period, Russia has endeavoured to establish bilateral security relations with Central Asia countries. This is especially the case after the beginning of American anti-terror operations wherein the existence of Western military power in the region has impelled Russia to consolidate its military position. The continuation of Russia's military power in the region is deemed amongst the successes of modern Russian governments. By adopting different strategies such as writing off debts, Russia is able to keep its military installations such as the radar control systems in the regional countries. Kyrgyzstan and Tajikistan have been the main countries in which Russia's regional military interests are reflected. One of Russia's largest international military installation is located in Tajikistan. There are 7000 Russian soldiers in "201st Motorised Rifle Division". The agreement between these countries in 2012 has prolonged Russia's military existence until 2042.¹⁶⁴ Russia's Ambassador to Tajikistan, Igor Lyakin-Frolov stated that this military infrastructure is considered to guarantee the region's security.¹⁶⁵ According to experts, the main importance of Tajikistan for Russia in military realm is the "OKNO" airspace installation. It gives an opportunity for Russia to keep the region's surveillance facilities as well as strategically essential objects under control. Russia's economic instruments are important in this solid cooperation with Tajikistan. To illustrate this, Russia has written off Tajikistan's \$242 million debt.¹⁶⁶ Another military base of Russia is located in the Kant region of Kyrgyzstan. According to their bilateral agreement, Russia's presence in that region will continue until 2032. Furthermore, Russia

¹⁶³ Ibid., p.46

¹⁶⁴ Craig Oliphant, Russia's role and interests in Central Asia, *SAFERWORLD*, 2013, p.10

¹⁶⁵ Anna Matveeva, "Return to Heartland: Russia's Policy in Central Asia", *The International Spectator*, 42:1, 2007, p.46

¹⁶⁶ Anna Matveeva, "Russia's changing security role in Central Asia", *European Security*, 22:4, 2013, p.484

targets to strengthen the region's military capabilities by extending financial support of more than \$1.5 billion in the military sector. After the collapse of Soviet Union, the Kazakh government gave permission to Russia to continue its space and radar operations in Kazakhstan station. The air space installations are considered amongst the most significant parts of Russia's air defence system. Moreover, Kazakh lands play an indispensable role in Russia's space exploration programs. The Baikonur air base hosts almost 70% of Russia's rocket launches.¹⁶⁷ Russia is the leading arms supplier to Central Asia the region is one of the most essential weapon markets. Russia supplies Central Asian armies with different types of rockets, helicopters, planes and tanks. Furthermore, Russian experts also provide repair services and maintenance of the military equipment. It is maintained that Uzbekistan and Kazakhstan are able to support their own armies while Kyrgyzstan and Tajikistan benefit from Russian military equipment in exchange for rental fee of Russian military bases in these countries.¹⁶⁸

As previously noted, combating drug trafficking has become one of Russia's targets in the last few years. The statistical indicators have raised Russia's concern about drug dependence and in effect, it has impelled the Russian government to adopt effective measures to prevent its proliferation. According to the official data of United Nations Office on Drugs and Crimes (UNODC), the number of drug dependent people has increased year by year in Russia. Alarmingly, the youngsters and those between the ages of 18-30 years old take the lion's share of drug-addicted persons in Russia. 90% of the drug products were smuggled from Afghanistan to Russia through Central Asia.¹⁶⁹ Therefore, providing the security of the border between Afghanistan and the regional countries remains one of the main interests of Russia. Every year, 100 tonnes of heroin is passes through Tajikistan and enters Russia. To resolve this, Russia and Tajikistan signed a bilateral agreement establishing a bilateral cooperation to combat illicit drug trafficking.¹⁷⁰

In sum, it can be observed that the domestic security challenges and international

¹⁶⁷ Craig Oliphant, "Russia's role and interests in Central Asia", *SAFERWORLD*, 2013, p.10

¹⁶⁸ Emlian Kavalski, *The New Central Asia The Regional Impact of International Actors*, Singapore 2010, pp.166-167

¹⁶⁹ United Nations Office on Drugs and Crime Regional Office for Russia and Belarus, "Illicit Drug Trends in the Russian Federation", 2008, pp.8,10

https://www.unodc.org/documents/regional/central-asia/Illicit%20Drug%20Trends%20Report_Russia.pdf accessed date: 27 November 2018

¹⁷⁰ Anna Matveeva, "Russia's changing security role in Central Asia", *European Security*, 22:4, 2013, p.483

geopolitical atmosphere compelled Russia to pay particular attention to the cooperation with region countries in the security realm.

2.1.1 The Energy Potential of the Region and Russia

The newly independent Central Asia countries have been an attractive market for Russian companies to carry out investments in the post-Cold War period. This situation has also created an opportunity for governments of Central Asia to attract foreign investment. Thus, with the support of the leaders of the regional countries such as Kyrgyzstan, Uzbekistan and Tajikistan, Russia could exert significant influence in their economic direction.¹⁷¹

The energy resources in the region also have a special importance in shaping Russia's foreign policy. As in other realms such as security, the Soviet legacy allows Russia to have monopoly over the region's energy industry as well. This monopoly is mainly in oil and natural gas' transportation routes. Russia aims to continue its control over the transportation of the region's oil and gas reserves as it gives additional advantages to Russia. By controlling these routes, it can re-export these resources to Europe at a higher price thereby rendering it as leverage against regional countries. It uses this factor as a political instrument against region countries in order to implement its interests in the region.¹⁷²

Kazakhstan is an essential partner of Russia in energy investments. Russian oil and natural gas companies have large amount of shares in the oil and gas industry of this country. To illustrate this, one of the biggest energy companies of Russia Lukoil has about ten offshore and onshore oil and natural gas fields in Kazakhstan. It has a control over the Kazakhstan's main oil pipeline as well.¹⁷³ Furthermore, Lukoil has shares in the Caspian Pipeline Consortium together with two other Russian companies Yukos and Gazprom. This pipeline delivers Tengiz field's oil to Novorossiysk. Putin's declaration on the importance of Caspian Basin to Russia played a crucial role in Russian's entry into the Central Asia

¹⁷¹ Anna Matveeva, "Return to Heartland: Russia's Policy in Central Asia", *The International Spectator*, 42:1, 2007, p.49

¹⁷² Niklas Swanström, "Central Asia and Russian Relations: Breaking Out of the Russian Orbit?" *The Brown Journal of World Affairs*, Vol. 19, No. 1, 2012, p.108

¹⁷³ Craig Oliphant, Russia's role and interests in Central Asia, *SAFERWORLD*, 2013, p.6

market. Russia's companies have signed agreements with the Kazakhstan's state oil company to obtain exploration rights of oil and gas fields. They have also established a joint venture known as KazRosGas wherein oil and gas exploration such as the Imashevskoye, the Orenburg is operated by this joint venture.¹⁷⁴

Uzbekistan is another main economic partner of Russia in energy trade. In Uzbekistan, Gazprom and Lukoil are the most active private sectors. They control almost 20% of the country's total natural gas production.¹⁷⁵ According to the bilateral agreement between Gazprom and Uzbek government, Gazprom obtained exploration rights in Ustyurt plateau of Uzbekistan. This field is considered one of the biggest natural gas reserves in the region. Additionally, Gazprom took responsibility for natural gas production in Urga, Kuanysh and Akchalak natural gas fields for another 25 years. Moreover, Lukoil together with Uzbekneftegas, Petronas (Malaysia), the CNPC and Korea National Oil Corporation (South Korea) are the shareholders of the joint venture, which operates in Aral deposits.¹⁷⁶

Turkmenistan as the owner of most natural gas reserves in the region renders it attractive for Russian companies. ITERA is the main Russian company that is involved in natural gas production in Turkmenistan. Lukoil also attempts to engage in Turkmen energy industry. However, the Turkmen government implements more protectionist policies than other region states. In Turkmenistan, the foreign companies are only allowed to make investments in offshore explorations due to the high expenses involved. Additionally, the geopolitical confrontations in the Caspian Sea with Iran have hindered Russia's access to these fields.¹⁷⁷

Kyrgyzstan and Tajikistan have also signed agreements with Russia in 2003. As part of this agreement, Gazprom secured an opportunity to participate in all of the exploration processes of domestic energy sources in these two countries.¹⁷⁸ Further, according to this document, Kyrgyz Government has agreed to the

¹⁷⁴ Marlène Laruelle, "Russia's Central Asia Policy and the Role of Russian Nationalism", *Central Asia-Caucasus Institute & Silk Road Studies Program*, 2008, pp.21-23

¹⁷⁵ Craig Oliphant, Russia's role and interests in Central Asia, *SAFERWORLD*, 2013, p.6

¹⁷⁶ Marlène Laruelle, "Russia's Central Asia Policy and the Role of Russian Nationalism", *Central Asia-Caucasus Institute & Silk Road Studies Program*, 2008, p.23

¹⁷⁷ Emlian Kavalski, *The New Central Asia The Regional Impact of International Actors*, Singapore 2010, p.163

¹⁷⁸ Emlian Kavalski, *The New Central Asia The Regional Impact of International Actors*, Singapore 2010, p.163

continuation of the current pipeline system until 2028.¹⁷⁹ The geographical position of Kyrgyzstan and Tajikistan is great potential for the infrastructure of the hydro-electricity production. In this regard, Russian state supported Unified Energy System of Russia (RAO-UES) Company that is the market leader as well. With the support of this company, Sangtuda-1 and Kambarata-2 power generation stations were constructed in Tajikistan and Kyrgyzstan.¹⁸⁰

This analysis about Russia's engagement with Central Asia's energy industry shows that those sources are significant for Russia. Energy field constitutes one of the two main dimensions of Russia's regional interests together with the realm of security.

¹⁷⁹ Gazprom, "Kyrgyzstan", <http://www.gazprom.com/projects/kyrgyzstan/> accessed date: 28 November 2018

¹⁸⁰ Marlène Laruelle, "Russia's Central Asia Policy and the Role of Russian Nationalism", *Central Asia-Caucasus Institute & Silk Road Studies Program*, 2008, p.26

CHAPTER 3. CENTRAL ASIA IN THE FOREIGN POLICY OF CHINA

The dissolution of the Soviet Union in 1991 paved the way for a change in the global political landscape, which eventually led to the emergence of five sovereign states in the Central Asian region. In the wake of the transition period, the region became a strategic position in the political agenda of the great powers.¹⁸¹ Constituting the core part of the historical “Silk Road” and possessing hydrocarbon resources such as oil, natural gas, uranium made the region an attractive stake for states aiming to secure a strong position in the trans-Eurasia axis.¹⁸² In geopolitics, this region is considered tremendously vital. The countries in the region have borders with different regional as well as global powers such as China, Iran and Russia. Similarly, Turkmenistan and Kazakhstan have accesses to the resource rich Caspian Sea.¹⁸³

Central Asian region is also considered a pivotal area as well. In the 19th century, the rise of British Empire and its maritime capabilities have rendered the regions that are lacking in access to the world ocean to be less crucial. However, the enormous changes in technology; especially in the land transportation has increased the importance of continental areas. This is the reason why the Mackinder’s “Heartland” concept — in view of its rich energy reserves in Central Asia is considered pivotal together with Caucasus and Russia.¹⁸⁴ Furthermore, politicians and academicians assess the significance of Central Asia and The Caspian Basin in their analyses by utilizing distinct geopolitical conjectures. Zbigniew Brzezinski defines the region as “Grand Chess Board” while Peter Hopkirk refers Central Asia as a stage of “New Great Game” of the great powers. Moreover, Samuel Huntington explains the Central Asia region in his “The Clash of Civilizations” work.¹⁸⁵ Despite the fact that global powers such as the United States, Russia and the European Union have interests in Central Asia. China is the

¹⁸¹ Eugene Rumer, Dmitri Trenin, and Huasheng Zhao, *Central Asia Views from Washington, Moscow, and Beijing*, London 2007, p.3

¹⁸² Marco ROSSI, “Old games, new players: Russia, China and the struggle for mastery in Central Asia”, *European Union* 2012, p.4

¹⁸³ Eugene Rumer, Dmitri Trenin, and Huasheng Zhao, *CENTRAL ASIA Views from Washington, Moscow, and Beijing*, London 2007, p.3

¹⁸⁴ Michel Hess, “Central Asia Mackinder Revisited”, *Connections, Vol. 3, No. 1*, 2004, p.95 *JSTORE*. <https://www.jstor.org/stable/e26323015> Accessed date: 1 January 2019

¹⁸⁵ Niklas Swanström, “China and Central Asia: a new Great Game or traditional vassal relations?”, *Journal of Contemporary China*, 14:45, 2007, p.570 *TANDFONLINE*. <https://www.tandfonline.com/doi/full/10.1080/10670560500205001> Accessed date: 11 December 2018

most influential player in that region in the economic realm. The geographical proximity, abundance of natural sources and strategic geographical position are considered the core reasons of China's engagement with this region.¹⁸⁶ In view of this, it is crucial to explore the significance of this region in different realms.

¹⁸⁶ Marco ROSSI, "Old games, new players: Russia, China and the struggle for mastery in Central Asia", *European Union* 2012, p.4

3.1 THE ROLE OF CENTRAL ASIA IN CHINA'S FOREIGN POLICY

China has had interactions with Central Asia region throughout the history. However, the rising power of Russian Empire followed by Soviet Union has impeded China's involvement in this region.¹⁸⁷ After the independence of the five Central Asia countries from Soviet Union in 1990s, China started to establish bilateral as well as multilateral relations with those countries. Its relation with the Central Asian countries has a special position in China's post-Cold War diplomacy. The subsequent official visits of Chinese premiers such as Wen Jiabao, Zhu Rongji to regional countries in 1990s are considered another sign of Central Asia's importance for China¹⁸⁸.

It is therefore essential to elaborate on the motivations of China's policies in Central Asian region. Some consider energy, security and economic issues as the main factors underpinning Chinese Central Asia strategy. The strategic political courses based on these dimensions were not simultaneously formulated but in succession. In the evolution process of China's policies on the region, the security aspect was initially given importance. In 1990s, in view of the regional instability, the Chinese government had no other significant interest in Central Asia except for border security and maintaining stability. The collapse of the Soviet Union triggered the concerns of China regarding Uyghurs. China was fearing that the independence of Central Asian countries may create a precedent for Uyghurs to intensify their actions against the central authority. Because in this period a nationalistic opinions grew amongst the Turkic communities in the region. "Shanghai Five" emerged in 1996 from a series of border demarcation and demilitarization talks which the four former Soviet republics held with China. Then Shanghai Cooperation Organization (SCO) in 2001 was established in order to deal with security issues. Thereafter, China's Central Asian diplomacy shifted its focus to the energy sector in 2001 in view of its increasing needs in the industry. Subsequently, since economic issues began to take centre stage, the emphasis again shifted sustaining the economic development of the country's west provinces. The last phase of China's policy-making process towards Central Asia concerns with geopolitical issues. Following 9/11, the presence of US

¹⁸⁷ Ibid, p.6

¹⁸⁸ Valerie Niquet and Nick Oates, "China and Central Asia", *China Perspective No 67*, 2006, p.2

military bases in the region near the Chinese borders has prompted China to pay more attention to the geopolitical situation of the region.¹⁸⁹

3.1.1 China's Internal Security and Central Asia

China has set down its core interests in *White Paper on Peaceful Development* in 2011.¹⁹⁰ According to this document, “territorial integrity, state sovereignty, national security, and national reunification (Taiwan), China’s constitutionally established political system, and the basic safeguards for ensuring China’s sustainable socioeconomic development” are considered country’s top priorities. That is why, China pays an utmost attention to provide its internal security.¹⁹¹

Security issues as mentioned above were the first step in the evolution of China’s policies towards Central Asia. The lack of sufficient military as well as economic resources of the newly established region countries in providing border security was the source of mounting concern for China in the 1990s. This is especially the case with the existence of radical Islamic groups in Fergana Valley in Uzbekistan and other parts of Central Asia that was endangering the country’s security. Pursuant to this, China has extended support in combatting the so-called “three evils-terrorism, separatism and extremism” that were classified by China as the most problematic security issues in the region. The fear of religious regimes coming to power has impelled China to support the policies implemented by current secular regimes in Central Asian countries. This is evinced by China’s arms supply and military support in the anti-terror operations.¹⁹²

In post-Soviet period security dimension especially, the processes around Xinjiang has been a main determinant factor in shaping China’s Central Asian policies. There is a consensus amongst academic as well as political circles that the stability in Xinjiang province is mainly on account of the locomotive security

¹⁸⁹ Eugene Rumer, Dmitri Trenin, and Huasheng Zhao, *Central Asia Views from Washington, Moscow, and Beijing*, London 2007, pp.137-138, 141, 144, 147-148

¹⁹⁰ Information Office of the State Council The People’s Republic of China, “China’s Peaceful Development”, 2011, http://english.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm

¹⁹¹ Stephen J. Blank, “Dragon Rising: Chinese Policy in Central Asia”, *American Foreign Policy Interests*, 33, 2011, p.263

¹⁹² Niklas Swanström, “China and Greater Central Asia: New Frontiers?” *Central Asia – Caucasus Institute & Silk Road Studies Program*, 2011, p.7

issue of PRC.¹⁹³ This region's ethnic structure is mostly dominated by Muslims and they have strong cultural as well as historical ties with the other nations in the Central Asian region. Thus, any political and economic changes in the region would concurrently influence all the other nations.¹⁹⁴

In particular, the demise of Soviet Union had impacted the political structure of the region thereby mounting China's concern towards the region. Since Central Asian countries achieved independence, the political groups in the Xinjiang province became highly motivated towards the East Turkistan independence from China's central government. The Chinese military circles even reported that that military tensions were on the rise in the 1990s. Majority of the officials even alleged that there were more intensive military actions than the 1950's freedom movements.¹⁹⁵ China claims that in the period between 1990 and 2001, "East Turkistan" militarist group carried out more than 200 terrorist attacks, which resulted in more than 162 deaths in the Xinjiang province. Pursuant to this, China sought to pursue tougher policies by strengthening bilateral and multilateral relations in the security realm with the region countries.¹⁹⁶

China regards its policies towards Central Asia as interrelated with its internal stability. This thus explains why China's economic instruments have rendered Central Asian governments as its good allies in the last two decades. Investments, loans and other means of economic support led the region countries to support China's territorial integrity in all regional as well as international initiatives.¹⁹⁷

This is especially the case with the Uighur population in China —exceeding 400,000 —and their affiliated organisations in the Central Asia, constituting the key issues in China's foreign policy. Since majority of the Uighurs reside in Kazakhstan, the political support of the Kazakh government was significant for China.¹⁹⁸ Pursuant to the bilateral negotiations between China and Kazakhstan in 1994, Nazarbayev's government has agreed to support China by providing stability to the Xinjiang region. Nazarbayev even claimed that he 'will never

¹⁹³ Michael E. Clarke, *Xinjiang and China's Rise in Central Asia - A History*, Routledge 2011, p.92

¹⁹⁴ Valerie Niquet and Nick Oates, "China and Central Asia", *China Perspective* No 67, 2006, p.2

¹⁹⁵ Niklas Swanström, "China and Central Asia: a new Great Game or traditional vassal relations?", *Journal of Contemporary China*, 14:45, 2007, p.571

¹⁹⁶ Eugene Rumer, Dmitri Trenin, and Huasheng Zhao, *Central Asia Views from Washington, Moscow, and Beijing*, London 2007, p.142

¹⁹⁷ Stephen J. Blank, "Dragon Rising: Chinese Policy in Central Asia", *American Foreign Policy Interests*, 33, 2011, p.264

¹⁹⁸ Valerie Niquet and Nick Oates, "China and Central Asia", *China Perspective* No 67, 2006, p.4

allow factions of 'East Turkistan' to involve themselves in activities here against China that will hurt Sino-Kazakhstan relations.''¹⁹⁹ Furthermore, as mentioned above, terrorism, separatism and extremism were accepted as common security problems by the region countries. This paradigm played an indispensable role in the establishment of an effective cooperation in combating the Uighur separatists. Similarly, China's attempt to present these problems as a threat to the territorial integrity of the region countries was a key factor in gaining their support.²⁰⁰

3.1.2 Central Asia's Energy Sources and Securing China's Energy Supply

It is generally acknowledged that the energy reserves in the Central Asia and The Caspian Basin has become a much-coveted stake for the hegemonic powers such as China, Russia, India and US in the post-Cold War period. Many experts maintain that this region will experience an intensive competition over the energy sources in the future as well.²⁰¹ The region's significance is not limited to the hydrocarbon resources that are mostly controlled by Kazakhstan and Turkmenistan, but the region is also unique because of its role as a 'corridor' between East Asia and the resource rich Caspian Basin. The control over this 'corridor' would diminish the role of Russia in energy transportation and the rising energy market of East Asia would allow China to get access to the region, which owns 4.7% of oil and 7% of gas sources of the world.²⁰² According to Petelin's data on the volume of the energy sources in Central Asia and the Caspian Basin, Kazakhstan is considered as one of the largest oil-exporting countries in the world. It is noteworthy that Kazakhstan also produced approximately 2.1% of world's total oil production in 2010 alone.²⁰³ Additionally, the fact that it is in possession of natural gas renders the region affluent in the world as well. Besides, Turkmenistan owns approximately 19.5 trillion m³ natural gas reserves. According to the World Financial Review, the potential of natural

¹⁹⁹ M. Taylor Fravel, *Strong Borders, Secure Nation: Cooperation and Conflict in China's Territorial Disputes*, 2008, p.161

²⁰⁰ Valerie Niquet and Nick Oates, "China and Central Asia", *China Perspective No 67*, 2006, p.4

²⁰¹ Daniel Moran and James. A Russell, *Energy Security and Global Politics The militarization of resource management*, Oxon 2009, p.135

²⁰² Marco ROSSI, "Old games, new players: Russia, China and the struggle for mastery in Central Asia", *European Union* 2012, p.11

²⁰³ Evgeny Petelin, "China's Energy Monologue In Central Asia", *Security Index: A Russian Journal on International Security*, 17:4, 2011, p.30

gas ranks Turkmenistan amongst the top 5 natural gas producers in the world.²⁰⁴ Karachaganak, Kashagan and Tengiz fields of Kazakhstan, Galkynysh, Shatlyk, South Gutliyak and South Yolotan fields of Turkmenistan and Gazli, Kokdumalak, Shakhpakhty and Shurtan fields in Uzbekistan are considered as the main oil and natural gas reserves in the world.²⁰⁵

Central Asian countries have other strategic resources as well. To illustrate this, apart from oil and natural gas, the region has a great potential uranium reserves. Kazakhstan and Uzbekistan owe one of the largest oil reserves of the world. These countries are amongst the main suppliers of the uranium in the world's market as well.²⁰⁶ On top of that, Kazakhstan's control of 21 massive uranium mines allows it to hold the largest share of world's uranium output in 2009.²⁰⁷ In sum, the control over natural resources renders the region an asset for the hegemonic powers.

Central Asian Republics	Proven Oil Reserves (Billion Barrel)	World Share	Proven Natural Gas Reserves (Trillion Cubic Feet)	World Share
Kazakhstan	<i>30.0</i>	<i>1.7 %</i>	<i>35.0</i>	<i>0.5 %</i>
Uzbekistan	<i>0.6</i>	-	<i>42.7</i>	<i>0.6 %</i>
Turkmenistan	<i>0.6</i>	-	<i>688.1</i>	<i>9.9%</i>
Kyrgyzstan	<i>Modest Level</i>	-	<i>Modest Level</i>	-
Tajikistan	<i>Modest Level</i>	-	<i>Modest Level</i>	-

Figure 1: Central Asia Republics' Proven Oil and Gas Sources Source: BP Statistical Review of World Energy 2019

<https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-full-report.pdf>

China's relations with the region countries in energy trade began to develop in the late 1990s. The sudden sharp increase in the country's oil imports from 15 million tonnes to 35 million tonnes in 1997 played a significant role in strengthening their relations. Between the years 1990 and 1997, China's position in global energy order changed from that of exporter to net importer of oil. More than that, the

²⁰⁴ David Denoon, "The Strategic Significance of Central Asia", *The World Financial Review*, 4 February 2016

²⁰⁵ INOGATE Program, "Eastern Europe, Caucasus and Central Asia-Energy Policies Beyond IEA Countries", 2015, p.22

²⁰⁶ Ibid., p.22

²⁰⁷ Evgeny Petelin, "China's Energy Monologue In Central Asia", *Security Index: A Russian Journal on International Security*, 17:4, 2011, p.30

sharp rise in the country's annual energy consumption impelled China to not only find alternative resources abroad but to implement a new energy strategy in the 21st century.

The geopolitical changes in regional and global structures have impacted the Chinese energy security strategy as well. In the wake of 9/11 and "War on Terror" campaign, the Middle East region that is still considered one of the world's largest energy suppliers, became vulnerable. The instability in Iraq and Afghanistan has also compelled China to secure its energy imports in another region and at that time Central Asia emerged as a promising prospect for China's energy investments.²⁰⁸ China's interest in the region's hydrocarbon resources is multidimensional. The primary reason lies in China's 'close proximity' with the resource-rich Caspian Basin thereby allowing for easy transportation of the energy sources.²⁰⁹ As mentioned in the previous chapter the piracy situation in Malacca strait has been a great source of concern for China. In view of this, China began to realize that control over Central Asia's transit position could immensely contribute to the country's energy security, which would then decrease its dependence on sea transportation.²¹⁰

In the meantime, favourable bilateral relations with the region countries in addition to strong multilateral interactions within the framework of SCO would guarantee the flow of energy from Central Asia to China.²¹¹ In the energy relations between China and Central Asia countries, Chinese NOCs were the main actors because they had a better opportunity to directly acquire the region's oil and gas reserves compared to all other firms from India and Japan. Thus, China's diplomatic channel and financial assistance have substantially facilitated the oil exploration process.²¹² As seen from Iran-China energy relations China is conducted the distinct and unique energy relations with the producing countries.

²⁰⁸ Eugene Rumer, Dmitri Trenin, and Huasheng Zhao, *Central Asia Views from Washington, Moscow, and Beijing*, London 2007, pp.144-145

²⁰⁹ Kevin Sheives, "China Turns West: Beijing's Contemporary Strategy Towards Central Asia", *Pacific Affairs*, Vol. 79, No. 2, 2006, p.215 <https://www.jstor.org/stable/40022689> Accessed date: 29 December 2018

²¹⁰ Evgeny Petelin, "China's Energy Monologue In Central Asia", *Security Index: A Russian Journal on International Security*, 17:4, 2011, p.32

²¹¹ Kevin Sheives, "China Turns West: Beijing's Contemporary Strategy Towards Central Asia", *Pacific Affairs*, Vol. 79, No. 2, 2006, p.215 <https://www.jstor.org/stable/40022689> Accessed date: 29 December 2018

²¹² Geoffrey Kemp, *The East Moves West*. Brookings Institution Press, 2010, p.90

Therefore, it is vital to analyse the energy relations with the key regional countries separately.

3.1.3 Energy Relations with the Key Regional Countries: Kazakhstan

The energy cooperation with Kazakhstan has been the focal point of China's policy because of the country's rich energy reserves. The Chinese government began to pursue energy trade initiatives with Kazakhstan in 1997. The biggest NOC of China CNPC won the tender against Russia and US companies²¹³ wherein it acquired 60.2% of "AKTOBEMUNAYGAZ" in 1997. The agreement regarding the energy cooperation was subsequently signed between these two countries.²¹⁴ The China-Kazakhstan oil pipeline is the biggest energy project between these two countries. China-Kazakhstan oil pipeline is deemed one of the most significant energy projects in Eurasian region. The pipeline that brings Kazakh oil to China is the vital part of energy cooperation between these two countries. In the second half of 1990s the construction of this pipeline was planned, but due to 1998 financial crisis in Asia and infeasibility of the project China postponed it for this period. In 2002 China initiated the project.²¹⁵ The Atyrau–Alashankou oil pipeline constituted the first part of China-Kazakhstan pipeline project. This part of the pipeline connects western Kazakhstan and China's Xinjiang province. The first phase was completed in 2005. Its length is 2228 km²¹⁶. The last part of this pipeline was completed in 2009 and length is 761 km. After completion of this project Kazakhstan doubled its oil exports to China.²¹⁷ Since this pipeline does not pass through a third country, it provides a secure supply of oil and reduces China's dependency on maritime transportation of oil. More importantly, this pipeline plays an essential role in the improvement of living standards in the rural parts of Western China. This is because energy shortage has been one of the main obstacles for these areas to achieve economic

²¹³ Carla P. Freeman, "New strategies for an old rivalry? China–Russia relations in Central Asia after the energy boom", *The Pacific Review*, 31:5, 2018, p.640

²¹⁴ Evgeny Petelin, "China's Energy Monologue In Central Asia", *Security Index: A Russian Journal on International Security*, 17:4, 2011, p.34

²¹⁵ Janet Xuanli Liao, "China's energy diplomacy towards Central Asia and the implications on its "Belt and Road Initiative", *The Pacific Review*, 2019, p.6

²¹⁶ Shamil Midkhatovich Yenikeeff, "Energy Interests of the 'Great Powers' in Central Asia: Cooperation or Conflict?", *The International Spectator*, 46:3, 2011, p.70

²¹⁷ Janet Xuanli Liao, "China's energy diplomacy towards Central Asia and the implications on its "Belt and Road Initiative", *The Pacific Review*, 2019, p.8

prosperity.²¹⁸ It currently carries 200000 barrels oil per day. It is planned that its capacity will be raised to 500000 barrels per day till the end of 2020. This pipeline project was also important for Kazakhstan as it reduced the country's dependency on Russia's centralized pipeline network.²¹⁹

3.1.4 Turkmenistan

Turkmenistan is the country that possesses abundant oil and natural gas reserves. In particular, Turkmenistan is considered one of the giants in the world market for natural gas. Its proven natural gas reserves are approximately 2.01 trillion cubic metres.²²⁰ It is the second largest natural gas producer after Russia in the post-Soviet space. Taking into consideration the massive oil and gas potential, China attempts to enhance its cooperation with Turkmenistan in order to secure the country's energy supply. In 2000, China's company CNPC and Turkmen government signed a memorandum of understanding (MOU) regarding cooperation in energy trade. Furthermore, the ties were strengthened with the official visit of former president Niyazov to Beijing. In 2006, the bilateral agreement was signed between the presidents and Turkmenistan agreed to sell natural gas of 30 million cubic metres to China between 2009 and 2039.²²¹ In this framework one of the biggest projects between China and Turkmenistan, Central Asia-China natural gas pipeline, was implemented in the region. This Central Asia-China natural gas pipeline carries Turkmen gas to China through Uzbekistan and Kazakhstan. With the Soviet legacy all natural gas sources of the country were exported via Russia and Russia was using this as leverage against Turkmenistan. In the post-Soviet period Turkmenistan started to look for alternatives through Iran. But in this period as the rising economic power China emerged as main market for Turkmen natural gas. The pipeline project was firstly agreed in 1992 during Turkmenistan's formal president Niyazov's visit to China. But due to the high costs and the political problems amongst Central Asian republics there wasn't any advancement until 2000. In 2000 CNPC got an

²¹⁸ Geoffrey Kemp, *The East Moves West*. Brookings Institution Press, 2010, p.97

²¹⁹ Shamil Midkhatovich Yenikeeff, "Energy Interests of the 'Great Powers' in Central Asia: Cooperation or Conflict?", *The International Spectator*, 46:3, 2011, p.70

²²⁰ Daniel Moran and James. A Russell, *Energy Security and Global Politics The militarization of resource management*, Oxon 2009, p.143

²²¹ Can ÖGÜTÇÜ, Mehmet ÖGÜTÇÜ *China's Expanding Energy and Geopolitical Linkages with Central Asia and Russia*, 2017, pp.13-15

opportunity to make natural gas explorations in Turkmen fields and debates initiated again. The costs of construction of pipeline were approximately \$6.5 billion and its capacity is 30-40 billion cubic metres per annum.²²² The project consists of four main parts. The parts A and B started to supply natural gas in 2010. Part C completed in 2013 and started to work in 2014. The last phase of pipeline is the line D. This part is projected to supply 55 billion m³ Kazakh natural gas to China-Central Asia pipeline.²²³ The total length of this pipeline is 7000 km and the longest part outside of China passes through Kazakhstan which continues 1300km. Then it joins the giant West-East natural gas pipeline system of China.²²⁴ Russia has been the biggest importer of Turkmen natural gas until 2010. But Russia-Turkmenistan gas cooperation has experienced some problems as well. Due to lower demand and price problem Russia decided to decrease gas supply from this country in 2016. In lower prices Russia could resell Turkmen gas to Europe and get financial dividends. But the price decrease in European gas market changed this situation and procurement of Turkmen gas became unprofitable. In 2019 Russia resumed gas imports from Turkmenistan in small quantities.²²⁵ That situation made China a top buyer of Turkmen gas. Turkmenistan sends more than 80% of its natural gas exports to China. The pricing problems with Iran and Russia make China as the biggest alternative for Turkmen natural gas. It makes Turkmenistan's economy highly dependent on China's market.²²⁶ For instance, during the COVID-19 pandemic the reduction of China's gas imports influenced Turkmenistan's economy.²²⁷ The implementation of "Power of Siberia" natural gas pipeline project with Russia affects Turkmenistan's position in China's energy market. On the other hand, Turkmenistan-Afghanistan-Pakistan-India natural gas pipeline project cannot be completed. All those factors weaken Turkmenistan's already poor bargaining conditions with China. That is why, Turkmenistan is endeavouring to diversify its

²²² Shamil Midkhatovich Yenikeeff, "Energy Interests of the 'Great Powers' in Central Asia: Cooperation or Conflict?", *The International Spectator*, 46:3, 2011, p.70

²²³ "The Role of Energy within BRI", 2019, <https://www.eurobiz.com.cn/the-role-of-energy-within-bri/>

²²⁴ Evgeny Petelin, "China's Energy Monologue In Central Asia", *Security Index: A Russian Journal on International Security*, 17:4, 2011, p.39

²²⁵ T.J. Sjostrom, Will Turkmenistan Ever Supply Gas to Europe?, 17 January 2020, <https://thediplomat.com/2020/01/will-turkmenistan-ever-supply-gas-to-europe/>

²²⁶ Sam Bhutia, "Is new Russia-China gas pipeline a threat to Turkmenistan?", 2019 <https://eurasianet.org/is-new-russia-china-gas-pipeline-a-threat-to-turkmenistan>

²²⁷ Chen Aizhu, "PetroChina suspends some gas contracts as coronavirus hits demand: sources", 2020, <https://www.reuters.com/article/us-petrochina-gas-exclusive/petrochina-suspends-some-gas-contracts-as-coronavirus-hits-demand-sources-idUKKBN20S10W>

energy buyers and get an access to the expensive European market. Trans-Caspian Gas Pipeline is considered the best alternative for Turkmenistan in order to deliver its gas sources to Europe via TAP and Tanap project.²²⁸

3.1.5 Uzbekistan

Uzbekistan is also one of the richest countries in terms of its hydrocarbon resources. In 2012, “*Oil and Gas Journal*” reported that the country is ranked fourth and nineteenth in the Eurasian region and world rankings respectively because of its proven natural gas reserves. This explains why China pays great attention to the development of its relations with Uzbekistan. 380 joint projects were implemented in Uzbekistan with the support of Chinese energy companies such as CNPC and China Machinery. According to the agreement between CNPC and UZBEKNEFTEGAZ, China obtained exploration rights in the oil and natural gas fields of Aral Sea in 2006. Moreover, the realisation of continent’s biggest pipeline project has been another significant step in strengthening bilateral energy trade relations between China and Uzbekistan. As mentioned in the previous paragraph, since Uzbekistan constitutes a part of Central Asia –China natural gas pipeline, it began to supply China with natural gas via this pipeline from 2012. The annual capacity of Uzbekistan-China part of this pipeline is 25 billion cubic metres.²²⁹

Uranium and electricity generation sector is another important dimension of China’s energy policies in Central Asia. Uranium trade has the special position in the trade between China and Uzbekistan. With the agreement between China’s CGNPC Uranium Resources Co. and Uzbekistan’s State Committee for Mineral Resources, the joint company was founded. Its total value is \$4.6 million. This company has exploration rights in the Uranium reserves of Uzbekistan. Further, China also managed to get an access to the Uranium fields in Boztaus region.²³⁰ All these initiatives demonstrate the significance of Central Asia and Caspian Basin regions for China as a means to secure its energy supply. Apart from that,

²²⁸ Sjostrom, T. “Will Turkmenistan Ever Supply Gas to Europe?”, 2020, <https://thediplomat.com/2020/01/will-turkmenistan-ever-supply-gas-to-europe/>

²²⁹ Oleg Limanov, “Uzbekistan-China Relations During the COVID-19 Pandemic” *Central Asian Bureau for Analytical Reporting*, 2020, <https://cabar.asia/en/uzbekistan-china-relations-during-the-covid-19-pandemic>

²³⁰ Evgeny Petelin, “China’s Energy Monologue In Central Asia”, *Security Index: A Russian Journal on International Security*, 17:4, 2011, p.18

these investment projects place China in a more advantageous position in the region as compared to the other great powers.

Central Asian Republics	Top Destinations of Exported Oil (Share With %)	Top Destinations of Exported Gas (Share With %)
Kazakhstan	<i>France 15%</i> <i>Netherlands-12%</i> <i>Germany-7.5%</i>	<i>Ukraine-36%</i> <i>Switzerland-15%</i> <i>Poland-6.1%</i>
Uzbekistan	<i>China-85%</i> <i>Kazakhstan-15%</i> <i>Kyrgyzstan-0.59%</i>	-
Turkmenistan	-	<i>1.China-99.5%</i> <i>2.Kazakhstan-0.52%</i> <i>3.-</i>

Figure 2: The Top Destinations of Oil& Gas Sources of Central Asian Republics in 2017

Sources: Kazakhstan

https://oec.world/en/visualize/tree_map/hs92/export/kaz/show/2709/2017/

Uzbekistan-https://oec.world/en/visualize/tree_map/hs92/export/uzb/show/2711/2017/

Turkmenistan-https://oec.world/en/visualize/tree_map/hs92/export/tkm/show/2711/2017/

CHAPTER 4. BELT AND ROAD INITIATIVE

China's one of the most significant projects in the transportation sector is Belt and Road Initiative (BRI). This mega-project targets to restore "Historical Economic Silk Road" through developing infrastructures and accelerating the integration of route countries in the economic field. BRI covers but not limited with historical "Silk Road". It mainly connects China, Central Asia, Russia and Europe (the Baltic).²³¹

Xi Jinping proposed this project during a meeting with his Kazakh counterpart Nazarbayev in 2013. Until 2016 this project was called as One Belt One Road (OBOR). On March 28, 2015 the official outline for BRI was adopted by China's Ministry of Foreign Affairs (MFA), Ministry of Commerce (MOC) with the authorization of State Council. The official outline indicates that BRI will make contributions to the diversified, independent, balanced and sustainable development in the recipient countries.²³² BRI is divided into two main parts: "Silk Road Economic Belt" (SREB) and "Maritime Silk Road." The former is mainly associated with the land routes while the latter is emphasizing the maritime corridors. The first one was announced in Kazakhstan and the second one has been proposed in Xi's speech at Indonesia's Parliament.²³³



Map 1: China's One Belt One Road Project

Source: Top China Travel <https://www.topchinatravel.com/silk-road/one-belt-one-road.htm>

²³¹ Belt and Road Forum for International Cooperation, <http://www.beltandroadforum.org/english/n100/2017/0410/c22-45-2.html>

²³² "Belt and Road Initiative", <https://www.beltandroad-initiative.com/belt-and-road/>

²³³ Michael Clarke, "The Belt and Road Initiative: China's New Grand Strategy?", *Asia Policy*, Number 24, 2017, p.71

There are six main corridors which have already been planned. They are China-Russia-Mongolia corridor, the New Eurasian Land Bridge, the Bangladesh-China-India-Myanmar corridor, the China-Pakistan corridor, the China-Central Asia-Western Asia corridor, the Indochina Peninsula corridor.²³⁴ The project connects more than 100 countries across Asia, Africa, Europe, and Oceania within establishing different trade corridors. It is estimated that China will invest between \$1 trillion and \$8 trillion in itself to this project.²³⁵ China as the leader of this initiative established two financial institution in order to finance this project. The Asian Infrastructure Investment Bank and the New Silk Road Fund have been founded and they are the main two investors of BRI.²³⁶

The main aim of this initiative is to link China and the western part of the world through pipelines, railways, highways and etc. Kazakhstan and Pakistan are considered the principal states of this economic corridor. China targets this project to be the main alternative to the western-led trade system.²³⁷ China as the biggest trading nation in worldwide is interesting in reducing transportation time and expenses. All world cargo system will utilize the benefits of this initiative. It is projected that apart from this reduction in transportation costs, the project will provide additional advantages for China. Firstly, the dependence of the construction sector on internal market will decrease through focusing on building overseas projects. China targets that most of the construction parts in the framework of BRI will be planned and realized by Chinese companies. This is expected to consolidate the position of Chinese construction companies around the globe. In 2015 Chinese construction companies signed 1401 contracts worth \$37.6 billion under this project. Secondly, in terms of Yuan China is aiming to strengthen the global value of its currency through funding this initiative with Yuan. Thirdly, the initiative will play an important role in economic growth in the recipient countries of the project. China is planning that the increase in the economies of those countries will raise the need for Chinese produced products

²³⁴ Alessia Ameghini, "China's Belt and Road: A Game Changer?", *The Italian Institute for International Political Studies (ISPI)*, 2017, pp.7-8

²³⁵ Alexandra Ma, "The US is scrambling to invest more in Asia to counter China's 'Belt and Road' mega-project. Here's what China's plan to connect the world through infrastructure is like." November 11, 2019, <https://www.businessinsider.com/what-is-belt-and-road-china-infrastructure-project-2018-1>

²³⁶ Jessica Keough, "The Belt and Road Initiative, China's New Grand Strategy?", *Asia policy*, number 24, 2017, p.2

²³⁷ Liselotte Odgaard, "Beijing's Quest for Stability in its Neighbourhood: China's Relations with Russia in Central Asia", *Asian Security*, 13:1, 2017, p.53

and services and this will have some benefits for country's economy.²³⁸ The development of global business environment for Chinese companies will have the positive impacts on country's "Go Out" policy which deals with encouraging local producers to invest overseas and increasing export capacity especially, in construction and heavy industry fields.²³⁹

4.1 CENTRAL ASIA'S ROLE IN BELT AND ROAD INITIATIVE

Different outsider powers such as The United States, Japan and South Korea have endeavoured to realize the restoration of "Historical Silk Road". Even Japan launched its "Silk Road" diplomacy under Prime Minister Hashimoto's administration. But, only China could start realizing this strategy with the construction of Eurasian Land Bridges and introducing "Belt and Road" Initiative.²⁴⁰ Although the project is targeting to improve connectivity in the different regions of the world such as Middle East, Southern Europe Central Asia is deemed the central point of the project because of its geopolitical position. China devotes a significant attention to this region in that initiative. The "Zhoubian Zhengce" strategy or periphery policy is considered a backbone of BRI. This strategy was adopted in the post-Soviet period in order to find common grounds for conducting good relations in economic and security areas with the newly independent Central Asian countries.²⁴¹ In 2013 at Beijing conference which was dedicated to "peripheral diplomacy" it was stated that Central Asian region has the utmost strategic value. Therefore it is tremendously significant to develop the strategic partnership with these countries in different fields. President Xi Jinping stated that the regional economic integration must be developed: [we must build the Silk Road Economic Belt and 21st Century Maritime Silk Road, creating a new regional economic order]. Further he maintained that China's economic power can play a key role in ensuring regional stability.²⁴² The

²³⁸ Simeon Djankov And Sean Miner, China's Belt And Road Initiative Motives, Scope, And Challenges, PIIE Briefing 16-2, 2016, pp.7-8

²³⁹ Marlene Laruelle, China's Belt and Road Initiative and Its Impact in Central Asia, The George Washington University, 2018, p.2

²⁴⁰ Timur Dadabaev, "'Silk Road' as foreign policy discourse: The construction of Chinese, Japanese and Korean engagement strategies in Central Asia", *Journal of Eurasian Studies* 9, 2018, p.30

²⁴¹ Alessia Ameghini, "China's Belt and Road: A Game Changer?", *The Italian Institute for International Political Studies (ISPI)*, 2017, p.9

²⁴² Peter Cai, Understanding China's Belt and Road Initiative, Lowy Institute for International Policy, 2017, p.3

President identified several advantages for the region countries vis-à-vis the project. Firstly, he asserted that this project would induce the region countries to formulate common policies, and at the same time establish cooperation in the economic sector. Secondly, this project would construct the biggest transportation line from the Pacific Ocean to the Baltic Sea. Finally, he mentioned that this area comprising of almost 3 billion people would be the largest market in the world and that this project would assist the development of trade relations amongst these countries.²⁴³

4.1.1 Central Asia as a Transit Hub

Central Asian region has a crucial position in the implementation of BRI. It is located on crossroad of Europe and Asia. That is why, the region plays a transit role in the initiative. China treats this region as a single space in order to facilitate the trade relations with the West. Central Asia is turning to be the western gate for the exported Chinese goods and products. An array of bridges, railways and road infrastructures consist a significant part of China-Europe economic corridor. The increase in the volume of China-EU trade relations plays the significant role in the development of this trade route. Despite the fact the maritime shipping is the cheapest mean of transportation, the change in the structure of transported goods reshapes the global transportation climate. The share of middle price products such as car parts, electronic devices grows. In this regard maritime shipping is considered very late and the air transfer system is deemed expensive for the transportation of such goods. That is why, the importance of Central Asia in transportation sector is growing year by year.²⁴⁴

Central Asian countries has their own expectation from this transportation hub role. The transit fees can accelerate the decrease of the dependence of national economies on oil and natural gas realm and the diversification of economic development.²⁴⁵ Thus, they are interested in improving transportation infrastructure as well. China and Kazakhstan are working together to develop the transportation routes along the initiative. In the last years the total value of

²⁴³ Xi Jinping, Çin'in Yönetimi, (Xi Jinping, The Governance of China), Kaynak Yayinlari 2017, p.340

²⁴⁴ Martin Russell, "Connectivity in Central Asia Reconnecting the Silk Road", *Members' Research Service PE 637.891*, 2019, p.2

²⁴⁵ Azhar Serikkaliyeva, "The Role of The Central Asian Region in China's New Silk Road Economic Belt Project", *Eurasian Research Journal Vol. 1, No. 1*, 2019, p.74

transportation and cargo services between China and the region countries experienced a sharp increase. For instance, in 2016 84% of services between Kazakhstan and China belonged to the transportation sector.²⁴⁶ The development of the railway infrastructure is another objective of China in the framework of BRI. In 1990s China started to connect its railway system to the Trans-Siberian system via Kazakhstan. This uninterrupted railway infrastructure between Lianyungang city of China and Kazakhstan is called the New Eurasian Land Bridge or the Second Eurasian Continental Bridge. This transportation line provides a direct connection between Atlantic and Pacific Ocean.²⁴⁷



Map 2: The New Eurasian Land Bridge

Source: <https://www.oboreurope.com/en/beltandroad/one-belt/>

This rail route will have an access to the different significant port cities in Europe. The Chinese manufactured products will directly go to Madrid, Rotterdam, Antwerp, even London thanks to The New Eurasian Land Bridge. The total length of this route is planned to be 12000 kilometres. It is projected that in its full capacity around 400000 containers will be carried by trains in this direction per year.²⁴⁸

²⁴⁶ Marlene Laruelle, China's Belt and Road Initiative and Its Impact in Central Asia, The George Washington University, 2018, p.2

²⁴⁷ Azhar Serikkaliyeva, "The Role of The Central Asian Region in China's New Silk Road Economic Belt Project", *Eurasian Research Journal Vol. 1, No. 1, 2019*, p.74

²⁴⁸ Salvatore Babones, "The New Eurasian Land Bridge Linking China And Europe Makes No Economic Sense, So Why Build It?" 28 December 2017, p.59

Another vital part of BRI is China-Central Asia-Western Asia Economic Corridor. This transportation route is planning to establish the connection between China and the Arab Peninsula through Central Asia. It starts from Xinjiang region and reach Persian Gulf and Mediterranean. It passes through 17 countries including Iran, Saudi Arabia and Turkey. Five Central Asian countries gets an opportunity to have an access to the Pacific Ocean with this project as well. The Lianyungang transportation terminal of China plays an indispensable role in this regard. This terminal is considered the gate for Central Asian goods.²⁴⁹ The project's implementation don't go smoothly. COVID-19 pandemic affected nearly 20% of projects which are implemented in the framework of BRI.²⁵⁰ Investments in the initiative were 23.4 \$ billion in the first six months of 2020, dropping by about 50% from 46 \$ billion of 2019 and dropping by 60% compared to the first six months of 2018. BRI investments in 2020 were the least since the BRI had been announced in 2013. Especially in the energy sector decrease was recorded. The energy investments were reduced from 19.7 \$ billion to 8.8 \$ billion.²⁵¹

4.1.2 BRI and Region's Energy Potential

Not only these transportation projects, highway and railway infrastructures, but also energy projects are essential parts of Belt and Road Initiative. As one of the biggest importers of oil and natural gas sources China is conducting its bilateral policies with the recipient countries of BRI in line with its energy security understanding. Chinese increasing energy needs in domestic consumption pushes country to implement more dedicated overseas energy diplomacy in order to provide the uninterrupted supply of its needs. The use is rising in private consumption as well. It is estimated that China will have 360 million private vehicles until 2035. If the country cannot manage its energy security policies accurately it will face sever energy shortages in the future. Moreover, China will import 85% of its oil needs by 2030. Data indicates the importance of Central Asia in terms of energy source hub for China. China is planning to invest \$10

<https://www.forbes.com/sites/salvatorebabones/2017/12/28/the-new-eurasian-land-bridge-linking-china-and-europe-makes-no-economic-sense-so-why-build-it/#1109db905c9c>

²⁴⁹ Azhar Serikkaliyeva, "The Role of The Central Asian Region in China's New Silk Road Economic Belt Project", *Eurasian Research Journal Vol. 1, No. 1, 2019*, p.75

²⁵⁰ "China says one-fifth of Belt and Road projects 'seriously affected' by pandemic", 19 June 2020, <https://www.reuters.com/article/us-health-coronavirus-china-silkroad-idUSKBN23Q0I1>

²⁵¹ Christoph Nedopil Wang, "Investment in China's BRI", July 2020, <https://green-bri.org/investment-report-belt-and-road-initiative-bri-2020-covid19/>

billion in energy projects in the framework of BRI. Especially, this direction takes the lion share of relations with Central Asian and Middle East states.²⁵²

The construction of energy corridors has been in the focus of Chinese central government in post-Cold War period. As the region with abundant hydro-carbon sources and sharing long land borders with China Central Asia has been in the centre of China's energy policies. China is interested in establishing new energy corridors in order to secure its uninterrupted energy supply. Central Asia China-Kazakhstan oil pipeline and China-Central Asia natural gas pipeline are considered the main energy corridors in the scope BRI.



Map 3: China-Central Asia Main Energy Transportation Corridors

Source: Financial Times <https://www.ft.com/content/ee5cf40a-15e5-11e6-9d98-00386a18e39d>

²⁵²Almir Mustafic, China's One Belt, One Road and Energy Security Initiatives: A Plan to Conquer the World?, 2017, p.156-158

4.2 GEOPOLITICAL IMPLICATIONS OF BRI

Analysing these energy corridors and other transportation infrastructure projects reveals that the role of economy in Belt and Road Initiative is very significant. In its official documents such as “White Paper” Chinese government declares that the pure aim of BRI is economic and it targets to promote economic connectivity and development along the project countries. Five main cooperation areas are defined. They are policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bond.²⁵³ Chinese government states that the official aim of this initiative is economic and relies on “win-win” cooperation. It means both China and the recipient countries can get socioeconomic benefits from this project.²⁵⁴

But it should be taken into consideration that China as the great power it has some important geopolitical objectives in this initiative as well. It is also noted that BRI is the brand-new strategy of China to promote its ideas and extending its sphere of influence. In this framework China is endeavouring to change global world order and increase its benefits. BRI formulates not only a new geo-economic structure, but also this project creates a great power strategy which mainly deals with enhancing China’s geopolitical and geostrategic interests in Eurasia and the other parts of the world.²⁵⁵ With the realisation of this initiative China is trying to create a peaceful and friendly environment for its development through mutual trust amongst the neighbour countries both for security and economic spheres. This secure relations in the region can be deemed the most favourable condition for China’s long-term development strategy.²⁵⁶

4.2.1 China’s Security Concerns and BRI

When the security and geopolitical expectations of China are examined, it is crucial to look at its internal security concerns. The situation in Xinjiang is a very important security issue in China’s geopolitical agenda. Therefore, in late 1990s it has developed a special “Great Western Development” policy in order to decrease

²⁵³ Zhang Zhexin, *The Belt and Road Initiative China’s New Geopolitical Strategy?*, 2018, p.328

²⁵⁴ Alessia Ameghini, “China’s Belt and Road: A Game Changer?”, *The Italian Institute for International Political Studies (ISPI)*, 2017, p.18

²⁵⁵ Weifeng Zhou & Mario Esteban, *Beyond Balancing: China’s approach towards the Belt and Road Initiative*, 2018, p.488

²⁵⁶ Zhang Zhexin, *The Belt and Road Initiative China’s New Geopolitical Strategy?*, 2018, p.332

the economic disparity, which often paves the way for the political turbulences, between the east and west regions of the country. This campaign is aiming to facilitate the integration of underdeveloped western regions, Guangxi, Inner Mongolia, Ningxia, Tibet, and Xinjiang, of the country to the developed economy through huge investments and mega infrastructure projects such as the Xinjiang-Shanghai gas pipeline and the Qinghai-Tibet railway. BRI can be considered the extended version of this campaign in terms of China's internal security measures. With BRI Chinese government targets to integrate Xinjiang with Central and West Asia through the China-Central Asia-West Asia economic corridor.²⁵⁷

China has other economic expectations from BRI for this region as well. The investments to Central Asian countries can stimulate the development of trade relations with this part of China. Chinese government believes that those positive changes in region's trade environment can result the solution of economic problems which usually pave the way for the rise of violence and aggression. Xinjiang government devotes much attention to BRI as well. The local government invested \$24.6 billion for roads in 2016.²⁵⁸

BRI is considered the core part of China's national strategy in in geopolitical terms and it plays an indispensable role in Xi's two "One Hundred Year Plans". The first plan ends in 2021, dedicated to the establishment of Chinese Communist Party and deals with increasing living standards of Chinese people to the standards of European countries. The second one will continue until 2049 and China is targeting to gain "modernity" and being amongst the greatest nations of the world with the implementation of this plan. BRI is the geopolitical and transitional pace of this grand strategy. If the country can successfully complete this project, it will be able to establish Chinese form of global order.²⁵⁹

4.2.2 China's International Strategy

In China's international strategy maintaining favourable conditions for country's peaceful development is considered as a top priority. In general, this strategy is aiming China's development through safeguarding its core interests. China is also

²⁵⁷ Michael Clarke, "The Belt and Road Initiative: China's New Grand Strategy?", *Asia Policy*, Number 24, 2017, p.74

²⁵⁸ Marlene Laruelle, *China's Belt and Road Initiative and Its Impact in Central Asia*, The George Washington University, 2018, p.2

²⁵⁹ Shirley Yu, "The Belt And Road Initiative: Modernity, Geopolitics And The Developing Global Order", *Asian Affairs*, 50:2, 2019, p.189

accepted as one of the guards of international peace and stability in this political strategy. In this framework China has adopted “New Asian Security Concept” in order to establish a secure environment in the region. China is endeavouring to increase the security measures in its neighbouring regions through creating mutual trust and intensifying economic integration. These policies are making of China the most powerful nation in the world. But, Chinese officials state that their understanding of power is different from Realist insight. They don’t aim to be a hegemonic power. It is a “Confucian” approach which deals with peaceful, consultative and commonly beneficial nature of power. In this sense, BRI as one that serves to the benefits of participating states is serving as the core domain of China’s international strategy.²⁶⁰

Geopolitically, The United States could not possess a strong position in this area in Cold War and post-Cold War period. But China as the dominant actor of the region is consolidating its influences in Central Asia through different economic mechanisms. China can be considered more powerful in Central Asia with respect to the United States and the EU. This situation requires to look at Mackinder’s “Heartland” theory again. According to this concept “whoever rules the Heartland commands the World-Island; and whoever rules the World-Island commands the world” In that approach Russia and Central Asia are considered the “heartland”. The continental Asia has the special significance in BRI project. Even, Central Asia is the birthplace of BRI. Therefore, it is given that China’s economic endeavours in the region will help it to reshape global political environment in favour of itself.²⁶¹

BRI is accepted as the new version of regional as well as international cooperation among the countries. Even, it was mentioned in The UN General Assembly resolution (A/RES/71/9) in 2016: urging “further efforts to strengthen the process of regional economic cooperation, including measures to facilitate regional connectivity, trade and transit, including through regional development initiatives such as the [Belt and Road]”²⁶²

²⁶⁰ Zhang Zhixin, *The Belt and Road Initiative China’s New Geopolitical Strategy?*, 2018, pp.334-335

²⁶¹ Shirley Yu, “The Belt And Road Initiative: Modernity, Geopolitics And The Developing Global Order”, *Asian Affairs*, 50:2, 2019, p.196

²⁶² United Nations Resolution A/RES/71/9 adopted by the General Assembly at its 47th plenary meeting, November 17, 2016, http://www.un.org/en/ga/search/view_doc.asp?symbol%4A/RES/71/9, p. 12

Analyse of Belt and Road initiative revealed that global power status pushes China to implement huge, ambitious projects especially in economic realm. With economic and geopolitical motivations China is conducting its bilateral and multilateral policies in Central Asia. In terms of economy energy potential of the region and its importance as a transit route are deemed China's main motivations behind its policies. On the other hand, the project has some geopolitical implications. Internal stability in the country induces China to structuralize its politics with Central Asian states in different way. BRI is giving an opportunity to China to have a strong position in the region countries through its economic strengthen.

4.3. EVALUATION

In this part, the main findings of the thesis will be evaluated in the framework of Realist theory.

This thesis takes main insights and elements of Realism as the theoretical framework. Given that power emerges as the main concept of the Realist view, the enhanced material capabilities such as military and economic possessions are accepted as the main components of the state power.²⁶³ The third chapter mainly deals with the manner by which China increased its economic power. The newly established communist China had relatively weak position in the world politics. The country experienced scarcity of food and other essential necessities. Due to its weak economic situation, China could not be influential in the global arena during the Cold War. Furthermore, it was difficult for China to provide people with the good life standards. Pursuant to this, the communist leaders of PRC decided to make new reforms in order to boost the economic power of the country. Starting from 1978 as applying new reforms it opened its economy to foreign investors. In view of the benefits provided such as the existence of cheap labour force, it attracted huge investment. The findings revealed that China's main economic and security needs are providing country's energy security, security in Xinjiang region and Uyghur issue.

In its energy security policy, China considers the uninterrupted flow of energy sources to the country the significant part of its national security. In that regard, it is also tremendously vital to generalize China's main motivations which push the country to implement different sorts of energy security policies. The continuation of the huge economic and industrial growth, the lack of domestic natural sources make country be worried about its increasing energy needs. That can be deemed the main push factor in country's energy security discourse. The country has implemented a wide range of measures such as developing alternative energy sources and finding distinct energy markets in different parts of the world to cope with its energy challenge. The latter has been the main driver of China's energy policies in energy abundant parts of the world. China's economy is benefitting from different overseas energy activities. In that regard, the role of Central Asia as the nearest energy rich region has gained more significance. China is prioritizing

²⁶³ Tim Dunne, Milja Kurki and Steve Smith, "International Relations Theories: Discipline and Diversity", 2013, p.79

the realisation of many energy transportation projects with regional countries in order to decrease the role of the maritime transportation due to its different security challenges such as piracy.

Geopolitics studies the relations between politics and geography. It focuses on the interactions amongst the states in the given geographical structure. The land, air and sea possessions have special values in geopolitics and are considered the main components of inter-state conflicts.²⁶⁴ The fourth chapter showed that due to the proximity and vital geographical position of Central Asia, China has geopolitical interests in this region to maintain and increase its power. This chapter presented the region as a significant area for China in particular in the realm of security. In view of internal security threat from Xinjiang province and protection of the territorial integrity of the country, China focuses on providing security in the region. Because Central Asia's complicated ethnic structures and the risk of raising extremist religious groups may trigger instability in the region which in turn doesn't keep up China's interests. Another dimension of Central Asia's importance is its hydrocarbon sources. The region possesses one of the largest energy reserves of the world. In the realist paradigm, energy sources are regarded as essential assets. Morgenthau argues that the geography and the natural sources are paramount components of the state power together with military capabilities.²⁶⁵ On that note, Central Asia is a tremendously crucial region for China. China diversifies the source of its energy supply in addition to providing the country's energy supply.

Belt and Road Initiative is one of the largest infrastructure projects and reflects China's power. The initiative has two main dimensions. Security and economic directions. In terms of economy, BRI is serving as China's main trade corridor with the West. That is why, this project increases Central Asia's transit role with Europe. On the other hand, important energy transportation routes pass through BRI area. These two factors make BRI is tremendously vital project from economic standpoint. As mentioned above China's main security concern is

²⁶⁴ Virginie Mamadouh and Gertjan Dijkink, "Geopolitics, International Relations and Political Geography: The Politics of Geopolitical Discourse", *Geopolitics*, 11:3, 2006, p.350 *Tandfonline*. <https://www.tandfonline.com/doi/full/10.1080/14650040600767859> accessed date: 15 March 2019; Francis P. Sempa, *Geopolitics: From the Cold War to the 21st Century*, 2002, p.3

²⁶⁵ Giedrius Česnakas, "Energy Resources In Foreign Policy: A Theoretical Approach", *Baltic Journal of Law & Politics* 3:1, 2010, p.31; Peter Sutch and Juanita Elias, "International Relations: The Basics", Routledge 2007, p.49

regarding Xinjiang. Providing economic progress in this part of the country is considered one of the most important solutions to this problem. BRI is presenting opportunities for China to develop this region economically and sustaining security. All those parameters shows the importance of BRI for China in different realms.

It was explored that Central Asia is a vital region for China to meet its security and economic needs. China is conducting its policies in Central Asia in different dimensions. The huge infrastructure and investment projects are implemented by China in order to realize its goals in regional and global stages. From a Realist point of view, China sees Central Asia as the main region for its security. Now China has the positive investor image in Central Asia and it is accepted as a new game maker in the region.

CONCLUSION

This thesis has endeavoured to explore the connections between BRI and China's Central Asia policies. It examined the importance of BRI for China from different perspectives in the framework of the Realist approach. The research revealed that China as the new rising power aims to strengthen its position in the region. Because, Central Asia is tremendously essential for it in terms of energy security and geopolitics. Therefore, BRI as the mega project help China to consolidate its position in the region countries.

An introductory part of the thesis firstly attempted to demonstrate the political puzzle in the region. China used this new structure as an opportunity to be the new game maker in economic, military and other fields in the last decades. It invests massive funds in the development of interregional as well as international energy and transportation projects in the Central Asia countries. This made the China the leader of region in terms of economy. Belt and Road Initiative is the main dimension of China's regional policies in Central Asia. Further, this chapter provided the main research structure and hypothesis of the thesis. As seen from the introduction, the realist approach is most suitable approach to analyse China's modern policies in Central Asia. The anarchical nature of the international system induces states to provide security by themselves. The states fought in order to get more power and better position to secure their territories. They are using all possible mechanisms to provide their interests. The second chapter examined the main domains of Realist thinking.

The first chapter shed light on China's rise in the economic realm and its energy problems. After the Second World War, the communist revolution took place in the country and it changed the direction of China's history. The economic as well as political reforms pursued by the communist party were also examined in this chapter. The debate on China's rise; whether it rises peacefully or not was provided in that part as well. Since the economic reforms of Deng Xiaoping played an indispensable role in the growth of China's economy, these economic measures were also analysed. China's energy needs are growing every year due to its huge increase in the industrial output. Energy remains one of the core obstacles for China to become the great power in the region. Insufficient local resources has rendered China to utilize distinct measures such as investing in local sources, conducting overseas projects and strengthening intercontinental energy

transportation routes in order to secure its energy supply. Since Central Asia is one of the most strategic areas for China to achieve this objective, this chapter therefore examined energy security issue of China.

The regional dynamics in Central Asia and the role of Russia in the region as one of the most important external powers analysed in the second chapter through mainly energy and security dimensions.

Throughout the research process, it is evident that because of the region's abundant natural endowments and strategic geopolitical location, it has strategically important position in the foreign policy course of China. The following chapter was dedicated to examining the significance of this region to China. Primarily, the internal security challenges of China regarding the Xinjiang province were analysed. The security issues are at the centre of China's policies with the region countries in bilateral as well as multilateral level. China attempted to make contributions to the defence capacity of these nations in order to prevent the spread of extremist movements across the region. Moreover, the energy resources of the region are considered the core factors of China's interests in the region. Chinese government and the private companies invested a huge amount of money in the energy sector of the region countries. This chapter showed that from energy and security perspectives Central Asia is tremendously vital for China.

The final chapter explored that Belt and Road Initiative is the main project of China in a global scale. In post-Cold War period China has made significant inroads to the region countries with its great economic instruments. This situation made China as an attractive alternative for the five Central Asian countries. This chapter revealed that the implementation of BRI gives an array of dividends to China. Central Asia as the transit area between East and West is playing a key role in BRI. More than that, energy projects which are constructed with region countries in the framework of this project are an essential part of China's energy security policies. From the geopolitical perspective the security in country's border regions is directly influenced by the economic situation and BRI presents new alternatives for the development of these areas. It helps China to make new investments to those regions. This part of the research examined BRI's different perspectives for China and Central Asia's role in this initiative.

In conclusion, this thesis has sought to explain that having a powerful position in Central Asia region is the primary objective for China. China as the rising economic and military power in the world, with great thirst for energy resources

attempts to consolidate its position and becomes the real power in Central Asia. Because of the region's energy sources and strategic transit position China is conducting a unique type of policies with the countries of Central Asia. BRI is constituting an important part of those relations. This project has different dimensions including energy, economics and geopolitics. Central Asia is significant for this initiative in all those dimensions. Developing its trade relations with the West and securing country's energy supply are very essential for China. However, taking into consideration China's security concerns regarding its internal stability it can be said that BRI is the important for it in terms of geopolitics as well.

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