

November 30, 2023

## Relations between China and Central Asian countries: a new stage of cooperation (2022-2023)

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Changes in China's policy towards the countries of Central Asia in recent years are largely dictated by its own internal reasons rather than by external factors (in particular, the transformation of Russia's policy towards the region as a result of a new round of the "Ukrainian crisis"). The main reason is a change in China's approaches to implementing projects within the Belt and Road Initiative. The maximum volume of foreign investment from China to other countries, including those within the framework of the Belt and Road Initiative, occurred in 2016. Since 2017 a steady decline in the volume of Chinese investment abroad had been taking place. Despite some recovery in investment activity after 2020, the volume of investments did not reach the peak values of the mid-2010s. The main reasons for the decline in investment were that China was faced with a slowdown in economic growth, weakening yuan, a trade war with the United States, as well as the low efficiency of projects under the Belt and Road Initiative, many of which were associated with corruption scandals and inefficient use of loans and investments.

At this stage, China has moved to a more balanced and focused approach. Instead of spending massively on new businesses and infrastructure, China has focused on supporting existing projects that are already underway, giving them very serious audits. The coronavirus pandemic, which began in 2020, also made serious adjustments to the development of the Chinese project. On the one hand, due to disruption of logistics supply chains and border closures, a number of infrastructure projects were frozen. On the other hand, the Chinese economy experienced severe stress due to coronavirus restrictions.

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***This study was supported by the Tomsk State University Development Programme (Priority2030).***

The lifting of these restrictions in China at the end of 2022 and the unfreezing of cross-border contacts gave impetus to a new stage in the development of China's relations with the countries of Central Asia. An important step on this path was the 3rd "China – Central Asia" summit, held in Xi'an in May 2023. Xi'an, which historically in China has always been a symbolic "gateway to the West" to Central Asia, once again recalls the old historical connections from the times of the Great Silk Road. At the present stage of relations, the countries of the region have become key participants in the Chinese Belt and Road Initiative. The volume of direct Chinese investments disbursed in Central Asian countries had reached \$40 billion by 2023, of which Kazakhstan accounts for \$21 billion, Uzbekistan – \$10 billion, Kyrgyzstan – \$5 billion, Tajikistan – \$3 billion, Turkmenistan – \$1 billion. Since 2010, China has been the largest investor in the economies of Uzbekistan, Tajikistan and Turkmenistan. China is among the TOP 3 largest investors in Kyrgyzstan, as well as the TOP 5 in Kazakhstan. For comparison: the volume of accumulated Russian direct investment in the countries of the region, according to the Eurasian Development Bank, is \$22 billion, including in Kazakhstan – \$11 billion, in Uzbekistan – \$9 billion, in Kyrgyzstan – \$1 billion, in Tajikistan – \$0,6 billion, and to Turkmenistan – \$0.4 billion.

There are thousands of companies in Central Asia in which Chinese business has invested. The main areas of investment are the oil and gas sector, mining, transport, logistics, finance, construction, energy and communications. Following the summit in Xi'an in 2023, China again demonstrated its serious intentions towards the region by allocating \$3.7 billion for the development of the region. The economies of the Central Asian countries are growing at a fairly rapid pace; the average annual increase in their GDP over the last decade was 3.6%, according to a review by the Eurasian Development Bank. As the size of their economies increases, the foreign trade turnover of these countries also grows. Until 2020, Russia remained the largest trading partner for the Central Asian countries, but the trade of the Central Asian countries with China is growing at a faster pace and their trade turnover with China has grown more than 25 times over the past 20 years. China's trade with Central Asian countries in 2022 increased from \$42 billion to \$70 billion. Russia also increased its trade volumes - from \$36 billion to \$42 billion, but it is obvious that the gap is widening. According to the results of 2023, China will further strengthen its status as the largest trading partner for Central Asia. At the same time, China is already almost twice ahead of the Russian Federation in terms of the volume of direct investments made in the region.

The processes outlined above are not unambiguous. Significantly record growth in the trade turnover between China and Central Asian countries in 2022-2023 was associated with the expansion of Russian parallel imports against the backdrop of powerful sanctions pressure. Despite all the economic difficulties, sanctions pressure, ruble devaluation, etc., the Russian labor market is still attractive for labor from Central Asia. Specialists are concerned about the fact that the bulk of joint projects between China and Central Asian countries are based not on direct investments, but on borrowed funds. Servicing and repaying these loans is a big problem. At the same time, there is a noticeable asymmetry in mutual trade. China is the region's largest trading partner, but the share

of the Central Asian countries in Chinese foreign trade is only 1%. Central Asia is interested in increasing the supply of agricultural products, minerals and other goods to China, but gaining access to the Chinese market is not so easy. Many flagship infrastructure projects, for example, the China-Kyrgyzstan-Uzbekistan railway, have not been implemented. Nevertheless, the faster growth of China's trade and investment presence in Central Asia compared to Russia is a fact.

A serious obstacle to the development of China's relations with the countries of Central Asia is Sinophobia, the waves of which periodically pass through the countries of the region. The most powerful anti-Chinese protests in recent years took place in Kazakhstan and Kyrgyzstan. The most massive protests under anti-Chinese slogans were organized in Kazakhstan in 2016 and 2019. In 2016, mass rallies took place across the country against amendments to the Land Code, allowing the sale and long-term lease of agricultural land to foreigners. A significant part of the population was afraid of Chinese entrepreneurs buying up land, so the authorities announced a moratorium on the entry into force of the amendments until 2021, and then completely banned the sale of land to foreigners. A new wave of anti-Chinese protests in Kazakhstan occurred in the early autumn of 2019, on the eve of the first state visit of new President of Kazakhstan K.-Zh. Tokayev to China. Unrest gripped the country's largest cities: Aktobe, Shymkent, Almaty, Uralsk, Aktau and Astana. In 2021-2023 Unrest swept across Kazakhstan among workers involved in the implementation of joint Kazakh-Chinese projects. For example, in January 2021, employees of "KMK Munai" went on strike in the Aktobe region; in October of the same year, there was a strike by employees of «Buzachi Operating Ltd.» in the Mangystau region; in April 2022, there was unrest among workers during the construction of a road in the Zhambyl region of Kazakhstan, in April 2023, employees of "Batys-Munai" LLP went on strike in the Aktobe region.

In Kyrgyzstan, the peak of anti-Chinese rallies and speeches occurred in 2018-2019, and conflicts between the local population and representatives of Chinese companies during this period spanned more than a dozen cities and villages in various regions of Kyrgyzstan. The largest of these was the conflict at the Solton-Sary gold mine in the Naryn region, when more than two dozen people were ultimately injured. In recent years, there have been fewer conflicts, but a significant number of companies with Chinese participation have reduced or completely stopped their business activities. There were no open anti-Chinese protests or rallies in Uzbekistan, Tajikistan and Turkmenistan, but everyday conflicts between local residents and the Chinese occur regularly, and labor disputes at joint ventures are developing more and more often. The low efficiency of implemented projects, the corruption scandals that accompanied their implementation, and the lack of real improvement in the lives of ordinary people are often used by some politicians and activists in Central Asia as an illustration of the danger of expanding cooperation between the countries of the region and China.

Another important trend in relations between China and the countries of Central Asia is the gradual strengthening of China's presence in the security sphere. This trend manifested itself in the

beginning of the 2010s, when China began to increase supplies of weapons, military and special equipment, and ammunition. After the collapse of the Soviet Union, there was a situation where the key security partner in Central Asia was Russia, which, through a system of multilateral and bilateral formats, actually acted as a guarantor of security and territorial integrity for all countries in the region. Russia's military equipment and technology, security and anti-terrorism standards were prevalent. However, in recent years, China has significantly increased its supplies; now in all Central Asian countries, except Kazakhstan, it is among the TOP 3 suppliers of weapons and military equipment; according to some data, it accounts for up to 20% of all military supplies to Central Asia. Countries in the region are actively trying to diversify arms imports; this pushes them, first of all, to cooperate with China, as well as with European and other countries of the world.

Over the past 10 years, the largest supplies to Central Asian countries were:

- to Turkmenistan – supply of medium-range anti-aircraft missile systems KS-1A and FD-2000 (HQ-9);
- to Uzbekistan – supply of medium-range anti-aircraft missile systems FD-2000 (HQ-9) and Pterodactyl (Yilong-1) drones;
- to Tajikistan – supplies of MRAP VP-11 and Tiger armored vehicles;
- to Kyrgyzstan – supplies of Tiger armored vehicles and some types of special military equipment;
- to Kazakhstan – supplies of AR-3 multiple launch rocket systems, Pterodactyl (Yilong-1) drones, Y-8F-200WA military transport aircraft.

In fact, only during the period from 2016 to 2022, all Central Asian countries received hundreds of million dollars worth of technologically advanced weapons from China. The Chinese side has recently intensified cooperation in the field of joint military developments. The main partner in this area is Kazakhstan. For example, in the summer of 2023, joint stock company “Petrovavlovsk Plant of Heavy Machine Building (PZTM JSC of Kazakhstan presented samples of four unmanned aerial vehicles (UAVs), assembled as part of a joint project with China. The components for the drones are from China, the assembly took place in Kazakhstan. In the future, it is planned to localize production 50/50.

Kazakhstan is China's most important regional partner in terms of economic cooperation (the lion's share of Chinese investments and loans goes to Kazakhstan), infrastructure construction (key trans-Eurasian transport corridors from China to Europe pass through Kazakhstan), security cooperation (the largest volumes of aid and projects in this area also occur in Kazakhstan) and political interaction. An important step towards closer cooperation between China and Kazakhstan was the introduction of a full-fledged mutual visa-free regime for citizens in 2023, which was agreed upon in May at the summit in Xi'an. Back in July 2022, Kazakhstan unilaterally introduced a visa-free regime for Chinese citizens; the maximum period of stay in the country was set at 14 days. The procedure for discussing a full-fledged agreement took about a year. The parties are confident that the visa-

free regime will contribute to the intensification of business and personal ties, the development of cross-border trade and other forms of cooperation.

In general, China's policy towards the countries of Central Asia has become more restrained and focused on efficiency and results. Increasingly, the emphasis in relations is moving from purely economic interaction towards the sphere of security and politics. However, China has finally become the main trading partner and key investor for Central Asia, expanding its technological presence, gradually promoting “soft power” through working with the media and deepening educational cooperation.