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PAMIR Executive Brief

China–Central Asia Summit

5 June 2023

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Executive Summary

- Beijing is courting Central Asian nations to shore up its western border against a perceived Western threat, maintain stability in Muslim-dominated Xinjiang, increase trade with the region, and eclipse Russia's waning influence in the region.
- China recently hosted a summit of Central Asian leaders and committed $3.7 billion to support projects with these countries.
- China and the US are engaged in a regional rivalry as Central Asia seeks external power partners to offset a defiant and revanchist Russia.

China–Central Asia Summit

Competing for Influence

China hosted presidents from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan for the inaugural China-Central Asia Summit, held in Xi'an on 17-19 May — signalling China's countermove to the G7 Summit held the same week in Hiroshima, Japan. According to China's Foreign Ministry, the meeting produced 82 agreements covering 8 categories:

- **Institutionalization of dialogue platforms.** In addition to the establishment of the China-Central Asia Summit for the heads of state, the parties also agreed to set up dozens of dialogue platforms covering industry, agriculture, transportation, and education.
- **Expanding economic and trade ties**. The meeting agreed to upgrade bilateral investment treaties, streamline customs clearance for agricultural and other products, and promote digital trade.
- **Improving connectivity.** China agreed to increase the volume of cargo going through the five countries; support the development of a trans-Caspian transport corridor; and set up more logistics and distribution centers in these countries for the region, as well as for European and Middle East markets.
- **Strengthening energy cooperation**. The countries will expedite construction of Line D of the China-Central Asia Gas Pipeline; increase the volume of oil and gas trade; expand oil and gas-based industries; and tap into nuclear energy cooperation.
- **Promoting Green development.** China will work with the Central Asian countries to address the ecological crisis of the Aral Sea and improve the use of saline-alkali land and irrigation systems and promote water-saving technologies. China will help these countries set up sustainable development programs.
- **Pushing poverty relief.** China will establish a special aid program to help the Central Asian countries reduce poverty.
- **Increase cultural and educational engagement.** China will provide more scholarships for students from Central Asian countries to study in China and invite these countries to participate in programs like the "University Alliance of the Silk Road"; China will open special tourism train services to these countries.
- **Strengthening security cooperation**. The countries agreed to increase coordination and cooperation among their militaries and law enforcement to fight cross-border crimes, terrorism, and "color revolutions." They also agreed to help Afghan reconstruction.

In contrast to the US approach, China agreed at the summit to provide RMB 26 billion ($3.7 billion) to support projects in these five Central Asian countries. This amount probably will be in the form of loans.

The five land-locked Central Asian countries were once former Soviet Union republics. After the USSR's collapse, they maintained closer political and economic ties with Russia than with any other countries.

With Russia's waning power, particularly after its invasion of Ukraine, these countries started to look for new external power partners, which intensified regional rivalry between the US and China.

- In February 2023, the US established a "5+1" dialogue mechanism with the five countries, and Secretary of State Blinken met with top officials from these countries in Astana, Kazakhstan. Blinken promised to provide $25 million in economic aid to the five countries on top of $25 million provided in 2022 and stated that "the US is a far more reliable partner" and will help them diversify trade routes. He promised that the US "supports the sovereignty, independence, and territorial integrity" of the five countries.
- In contrast to the US approach, China agreed at the summit to provide RMB 26 billion ($3.7 billion) to support projects in these five Central Asian countries. This amount probably will be in the form of loans.

Kazakhstan

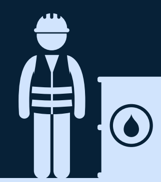
Kyrgyzstan

Tajikistan

Turkmenistan

Uzbekistan

ACCORDING TO CHINESE DATA
CENTRAL ASIA HOLDS
18%-25%
OF GLOBAL OIL
RESERVES



Driving Factors

The Xi'an summit is China's major move to counter the US and win over the five Central Asian countries. According to various Chinese analysts, security and economic concerns are driving these latest, competing Central Asian initiatives from the US and China.

Security

China finds its security environment deteriorating rapidly. Beijing believes the US is tightening the encirclement of China on the east and south with enhanced US alliances — Japan, South Korea, the Philippines, and Australia. The establishment of new blocs like the QUAD (US-Japan-India-Australia) and AUKUS (Australia-UK-US), as well as NATO steadily moving into Asia, further reinforces Beijing's perceptions. China's new initiative with Central Asia seeks to halt US encirclement and shore up the western flank.

China also wants to create a new gateway to the Middle East and Europe. One agreement reached in Xi'an was to expedite construction of a new 523km China-Kyrgyzstan-Uzbekistan railway line that would become the second Euro-Asia land bridge for China after the trans-Siberian railway line in the north. The new line will eventually connect to Iran.

- This second land bridge will help connect China with the Middle East and southern Europe, particularly at a time when sea routes through the Indian Ocean and South China Sea are disrupted.
- The railway line was agreed to in 1997, but Russia objected to the project, fearing it would compete with the trans-Siberia line and leave its backyard vulnerable. The project never took off, but in May 2022 Russia green-lighted it, hoping to win support for the invasion of Ukraine from the Central Asian countries and China.

China hopes good relations with these predominantly Muslim nations will help maintain stability in its Muslim-dominated Xinjiang, which borders three of them.

Economics

According to Chinese data, Central Asia holds about 18%-25% of global oil reserves and 7.9 trillion cubic meters of discovered natural gas. Kazakhstan has the world's second largest uranium deposit, and Uzbekistan has the fourth largest gold deposit in the world. The five countries are also major producers of grain and cotton. The five countries have a combined population of 79 million.

China started its Belt and Road Initiative (BRI) with the five central Asia countries in 2013 and has become the largest trading partner for each of them. In 2022 China's trade volume with these countries was $70.2 billion. In the first four months of 2023, trade was up 37.3% YoY, to $24.72 billion.

- 55% of China's imports from these countries were energy products.
- 45.2% of China's exports were electronic and mechanical products.
- China also is the largest investor in these countries. In Kazakhstan alone, China has invested $21.2 billion in 52 projects, most of which are related to energy and chemicals.

President Xi Jinping said he hopes to make China's relationship with the five Central Asian countries a "model" for global BRI, which provides China with markets and raw material supplies as well as political influence.

ACCORDING TO CHINESE DATA CENTRAL ASIA HOLDS 7.9 TRILLION CUBIC METERS OF DISCOVERED NATURAL GAS

Strategic outcomes

Projects and loans influence Central Asia

LEVEL OF CONCERN

5 4 3 2 1

Central Asian governments are considering the relative benefits of US assurances for “sovereignty, independence, and territorial integrity” against the obligations attached to substantial amounts of Chinese funding. Despite China’s “debt-trap” reputation in global BRI projects and infrastructure loans, Central Asian strongman governments will balance between China and the US to serve their countries’ respective national interests.

Pamir Position

Pamir assesses that Central Asian autocracies can and have quickly changed their minds about greater foreign access in the post-9/11 era, both letting the US in and escorting it out. Despite their seeking outside assistance, they will be more wary of antagonizing Russia than of offending China or the US and will be more suspicious of near power China’s intentions than those of the US.

Business Impact

Pamir sees two emerging phases: Near-term support from the regimes could create opportunity for a wide range of potential projects, but funding sources probably will be scarce or uncertain. In the longer term, regional infrastructure development and the expansion of transportation networks probably would tend to favor China’s trading interests.

Business Opportunity

Pamir expects that potential business inroads will depend on the success or failure of US diplomatic overtures. The fact that Central Asia is opening up requires that interested US firms introduce proposals now to enhance the US position overall.

Strategic outcomes

Level of Concern indicators - what they mean

1 - indicates no change to the status quo

2 - indicates escalating tensions

3 - indicates aggressive escalation

4 - indicates high probability of impending crisis event

5 - indicates a full-scale crisis or conflict situation.

How we calculate them

- Frequency of references to subject in Chinese-language official government statements, credible press reporting, and social media
- Frequency of references to subject in English-language official government statements, credible press reporting, and social media from the US, EU, UK, Australia, Japan, etc.
- Consistency of historical, current, and emerging trendlines related to the subject
- Aberrations in official Chinese-language policy formulations
- Strategic shifts in official Chinese government and military signaling through diplomatic, information, military, and economic actions and behavior

Analytic Methodology: internal monitoring with quantitative and qualitative analysis of Chinese media and propaganda; comparative trend analysis, intelligence tradecraft; other proprietary methods.

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