

Augusto Soto

### A Central Asian Dimension of EU-China Relations

#### Introduction

In mid-June 2012 the situation could not be more different in both extremes of Eurasia. The EU's economic crisis is deepening while China, although at a slower rate, continues its economic rise. Albeit China's political transition to a new generation of leaders may appear slightly different than expected, as a whole Beijing's political trajectory is still clear, something which cannot be said of the EU's travails affecting both its hard and soft power. As a result the EU has become a shadow of the assertive power that used to be in the preceding decade, first of all at bilateral level with both China and Central Asia.

The EU is China's biggest trading partner while China is on the verge of becoming the EU's largest trading partner. At the same time Central Asia's first trading partner, Europe, was overtaken by China two years ago. Also, in spite of being far ahead Russia, the United States, Japan and India in terms of trade with Central Asia, Europe is losing influence in the region in favor of China's growing trade, investments and presence in that strategic former Soviet space.

Europe's weakness and a stronger China in Eurasia pose new challenges. They offer new possibilities for both competition and cooperation. Nevertheless China and the EU are not the only powers and factors of the geopolitical equation in Central Asia understood as macro-region.

#### Brussels-Beijing-Central Asia: a changing scenario of collaboration and competition

EU-China relations were established in 1975 and in 2010, in less than two generations reached strategic partnership status. As a result they also cover hot issues, from security matters and global challenges to exchanges on climate change and the recovery of the global economy<sup>1</sup>.

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#### Abstract

Europe's weakness and a stronger China in Eurasia pose new challenges, among them new possibilities for both competition and cooperation.

Nevertheless China and the EU are not only powers and factors of the geopolitical equation in Central Asia understood as macro-region.

Furthermore, Central Asia is in the process of positioning itself at the vanguard in some hot issues of the global agenda

*Augusto Soto, Professor, ESADE, member of The Global Experts of United Nations.*

(\* The opinions expressed herein are strictly personal and do not necessarily reflect the position of ISPI.

<sup>1</sup> European Union Factsheet, "EU-China Summit", Beijing, February 2012, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127836.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127836.pdf).

Curiously the relationship is still governed by the 1985 EU-China trade and cooperation agreement plus seven legally binding agreements in spite that that fundamental document does not match reality even prior to the economic crisis.

Indeed it has been correctly said that the 1985 bilateral agreement was signed when Europe enjoyed a trade surplus with China, then a modest regional Third World country<sup>2</sup>. It also does not correspond to China's current status as the world second economy and the largest world exporting power, and particularly since the end of 2011, when Beijing is perceived as a global banker with the potential to decisively help in Europe's financial and economic recovery. Another discrepancy with reality in the old document is the Eurocentric "change through trade" approach whose full meaning is that a way to contribute to a democratic and open society in China is possible to reach via the transformational powers of trading with Europe.

These expectations, plus the fact that nowadays China has also become Russia's main trading partner, have dramatically changed Beijing status from being a peripheral regional actor a generation ago to a decisive power in large parts of Eurasia.

As for EU-Central Asia relations, they date back to the break-up of the Soviet Union. Soon after Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan became independent it was apparent that Kazakhstan was about to have strategic importance for Europe's interests. Bilateral relations EU-Kazakhstan were formalized in the Partnership and Cooperation Agreement which came into effect in 1999. This frame provided the basis for trade, investment, technical assistance and cultural exchange<sup>3</sup>.

In 2005 the EU created the post of European Union Special Representative for Central Asia. Two years later Brussels enhanced the relationship by adopting "The EU and Central Asia: Strategy for a New Partnership". The commitment of resources of this strategy is 750 million euros and is being channeled towards the five Central Asian ex-Soviet countries to bolster very concrete projects such as the construction of a trans-Caspian gas pipeline to Europe. The Strategy covers wide areas of cooperation, such as the reinforcement of EU-Central Asia political dialogue with regular meetings of EU and Central Asian Foreign Ministers, the dialogue on human rights, democracy promotion, trade and economic relations, cooperation in education, rule of law, energy and transport, environment and water. The strategy is also aimed at addressing common threats and challenges, including counter-terrorism measures, border management and combating drug trafficking.

From a broad perspective, Europe's approach of semi-democratic and developing former Soviet Central Asia has similarities with Brussels approach to China. That is to say the goal is to contribute towards a democratic and open society through trade and exchange<sup>4</sup>.

As for China-Central Asia relations, they are clearly related to the end of the USSR, in 1991. Suddenly Beijing was confronted to its Western frontier with the newly independent states of Kazakh-

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<sup>2</sup> J. FOX - F. GODEMENT, *A Power Audit of EU-China Relations*, European Council on Foreign Relations, April 2009, pp. 19-21.

<sup>3</sup> A. SOTO, *Reflections on Central Asia and the World Economy. Threats and Opportunities*, in *Security, Diplomacy and International Law*, Astana, Diplomatic Academy of the L.N. Gumilyov Eurasian State University, 2001, pp. 109-112.

<sup>4</sup> The General Secretariat of the Council, *The European Union and Central Asia: the new partnership in action*, Brussels, June 2009, [http://www.eeas.europa.eu/central\\_asia/docs/2010\\_strategy\\_eu\\_centralasia\\_en.pdf](http://www.eeas.europa.eu/central_asia/docs/2010_strategy_eu_centralasia_en.pdf); Also see European Community, *Regional Strategy Paper for Assistance to Central Asia for the period 2007-2013*, Council of the European Union General Secretariat, October 2007, [http://www.consilium.europa.eu/uedocs/cms\\_data/librairie/PDF/EU\\_CtrlAsia\\_EN-RU.pdf](http://www.consilium.europa.eu/uedocs/cms_data/librairie/PDF/EU_CtrlAsia_EN-RU.pdf).

stan, Tajikistan and the Kirgыз Republic<sup>5</sup>. Those events almost took place when China lost its oil self-sufficiency, in 1993. Beijing started to import oil from abroad.

Broadly speaking, EU-China, EU-Central Asia as well as Central Asia-China relations are now full-fledged and regular exchanges, even though asymmetric, unbalanced and rapidly changing in China's favor.

### **The core of Central Asia: Kazakhstan, Turkmenistan... and Russia**

The EU imports 3.5 per cent of its fuel from Central Asia, while by far Kazakhstan is the EU's largest trading partner in Central Asia with almost 90% of that trade made up by EU oil imports.

For its part, China's approach to Central Asia is centered on security and energy concerns. Tajikistan, the Kyrgyz Republic, Uzbekistan and Kazakhstan are important, but specifically the latter is by far the most strategic country for Beijing. After all Kazakhstan is the former Soviet country whose oil production has increased the most between 1985 and 2011, from 470,000 barrels per day to just over 1,540,000 barrels per day. Nowadays the proportion of Central Asia's oil and gas imported by China is well beyond 10% mostly from Kazakhstan and Turkmenistan.

With half a dozen countries to transit in order to reach significant potential clients, Astana is keeping its strategic options open by continually readjusting the possibilities of oil supply to achieve a balance between Russia, China and the southern Caucasus<sup>6</sup>. This game is shaped by economic, political and geo-strategic considerations, all elements which advise extreme caution.

For its part, Beijing is taking action to secure control of both production and transport of energy. In the Caspian area, semi-State-owned and State-owned Chinese companies regularly pay the highest market prices and with little or no bargaining, effectively elbowing out competitors from Turkmenistan to Kazakhstan.

China's most recent strategic move in the region was 2011's bilateral agreement with Ashgabat by which Turkmenistan increases its natural gas deliveries to China by two-thirds, thus reinforcing the natural gas pipeline between Turkmenistan and China launched two years earlier<sup>7</sup>.

As for Kazakhstan, after securing smaller fields than major Western oil companies that managed to position themselves around the Caspian Sea, in the late 1990s China began buying local oil fields. And over the last four years, China has step up its presence, handing immense and much-needed loans to Kazakhstan in exchange for a stake in a local oil producer and a pledge of future oil supplies. Currently, the energy trade is reinforced by a China-Kazakh oil pipeline bringing oil to China's Xinjiang province<sup>8</sup>. As with Turkmenistan, China has signed agreements with Kazakhstan on security issues, including tackling terrorism and money laundering.

Certainly, attempts at defining prospects for EU-China cooperation and competition in Central Asia are unavoidably related to Moscow's foreign policy<sup>9</sup>. Indeed Russia's post-Soviet main geostrategic goal includes space control and energy strategies. That means defending Russia's preferential

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<sup>5</sup> F. GODEMENT, *The New Great Game in Central Asia*, The European Council on Foreign Relations (ECFR), October 2011.

<sup>6</sup> A. SOTO, *Central Asia in the EU's Ever-changing Geo-strategic Horizon*, Elcano Royal Institute, WP 29, 3 October 2007.

<sup>7</sup> WU JIAO - CUI HAIPEI, *Key gas agreement signed*, in «China Daily», 24 November 2011.

<sup>8</sup> Kazaag News Agency, "Foreign Minister Yang Jiechi Receives Written Interview by Kazaag News Agency Beijing Branch on the 20th Anniversary of China-Kazakhstan Diplomatic Relations", 20 February 2012, <http://www.fmprc.gov.cn/eng/zxxx/t907826.htm>; ZHAO SHENGNAN - CUI JIA, *Oil and money: a match made in Kazakhstan*, in «China Daily», 9 December 2011.

<sup>9</sup> On Russian accommodation in Eurasia see D. TRENIN, *Wettlauf der Supermächte*, in V. ULLRICH - E. BERIÉ, *Russia und der Kaukasus*, Frankfurt am Main, 2005, pp. 115-117.

position as a transit bridge towards Europe, linking Central Asia with the exploitation of resources on its own territory (as it coordinates notably with gas from Turkmenistan). It also includes the direct export of its own future production (like the highly interesting prospects of supply from western and eastern Siberia, towards the West plus Japan and China) as part of its bid to strengthen the monopolistic focus of the energy business, which is also a resource in its international policy.

Seemingly the notion of Eurasia will play a role in Vladimir Putin's new presidential term which started last May. On taking office he mentioned Russia's complexities in a very geostrategic fashion by highlighting Russia's oil-based economy, the development of the Far East and the country's role as a regional leader<sup>10</sup>.

A potential tool to propel forward a stronger Russian presence in Central Asia would be Putin's own potential mandate until 2018 (or even longer). This could help his drive for a strong presidential diplomacy first of all with almost all the former Soviet republics. Still from Moscow's standpoint, in mid-2012 a cooperation scheme with the EU, China and Central Asian powers at the same time is not in the agenda due to its complexity.

### **The Shanghai Cooperation Organization's Frame**

The Shanghai Cooperation Organization (SCO) so far, it has distinguished itself as a notable framework for political entente for all six of its members (Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan), which together comprise the largest Eurasian organization. Last year celebrated its tenth anniversary and in June 2012 its heads of state decided to give Afghanistan the status of SCO observer state and the Republic of Turkey the status of SCO dialogue partner<sup>11</sup>.

The SCO has two branches, one in charge of security, encompassing predominantly military and, to a considerably lesser degree, intelligence aspects, focusing on extremism, separatism and terrorism, with an antiterrorist office in Tashkent. It has been superficially described as the "NATO of the East" or compared to the Warsaw Pact, but in 2012 still does not have the infrastructure, resources and history to justify this kind of comparison. Nevertheless, its decisions are not without impact. The very application of India and Pakistan for upgrading their SCO observer status to full membership is quite telling<sup>12</sup>. At political level, so far it has not envisaged a doctrine towards the West beyond the Caspian, only as regards the national unity and stability of the States in the post-Soviet region and China. A question of long-term importance is the interoperability of Chinese and Russian troops within the broader framework of action of greater Central Asia<sup>13</sup>.

The other area of significance of the SCO is trade. In the last years, the SCO has begun to orient itself towards a more decidedly commercial system based on the dynamism of the Chinese economy. It has declared that it is considering investment and operating involvement in the hydrocarbon, transport and communications sectors, including e-commerce, which China has been particularly fomenting with Kazakhstan for the last years. In early June 2012, Chinese president Hu Jintao

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<sup>10</sup>Президент России, "Владимир Путин вступил в должность Президента России" (President of Russia, "Vladimir Putin took office as President of Russia"), Kremlin, 7 May 2012, <http://kremlin.ru/news/15224>; E. PFEIFER, *Amid Protests, Putin Sworn In for Third Presidential Term*, in «The Moscow Times», 7 May 2012.

<sup>11</sup> Press Communiqué of the Meeting of the Council of The Heads of the Member States of The Shanghai Cooperation Organization, 07-06-2012, <http://www.sectSCO.org/EN/show.asp?id=334>.

<sup>12</sup> V. Radyuhin, *Afghanistan may join SCO*, in «The Hindu», 15 May 2011.

<sup>13</sup> A harmonization which could reach a central-southern Eurasian dimension as in the future the Organization moves closer to observers such as Iran, India and Pakistan.

offered a loan of \$10 billion to support economic cooperation within the Shanghai Cooperation Organization (SCO)<sup>14</sup>.

### A macro overview of Central Asia's developments

Certainly, there is an equally inspiring macro narrative unfolding before our eyes when it comes to assess China-EU, EU-Central Asia and China-Central Asia relations. For example, we could look at things from the viewpoint that Europe and China, as two of the great civilizations in world history are getting closer. One could highlight that between these two titans lies Central Asia, which historically is a central part of Eurasia thanks to the Silk Road. We should bear in mind that during Soviet times the region would slightly relate to the West or the East and only via Moscow.

We could also highlight that the region managed to establish ties with both the EU and China in an unparalleled short period of time thanks to an outstanding political and diplomatic rapprochement. Furthermore, the macro-region is in the process of positioning itself at the vanguard in some hot issues of the global agenda. One example is integration processes. Ancient continental trade routes have begun to revive. Over the last years international financial institutions have been cooperating building a network of highways that will eventually link Central Asia with China, Europe, India, and the Middle East and even the Persian Gulf (without cultural contact with Muslim Central Asia during most of the XX century). These new routes enhance previous infrastructure linking Central Asia to Russia. Some of these new routes will eventually connect to newer highways via Afghanistan in spite of the country's extremism, illegal trafficking of weapons and drugs<sup>15</sup>.

Regarding multilateralism and multiculturalism Central Asia is a key piece in Eurasian affairs. The five post-Soviet neighbors and China began bilateral approach in the very beginnings of the nineties. Subsequently, the creation of the SCO set up one of the new roads for Eurasian integration. Actually there is an alternative way to understand the SCO as its members define it as the first regional multilateral organization of the XXI century<sup>16</sup>.

Central Asia has been changing dramatically even before 1991 and clearly people are also changing in tune with globalizing processes. Tens of thousands of the region's students have gone to study to the best universities abroad, mainly to Russia, the EU and the US. Currently China is joining as an educational pole<sup>17</sup>.

On the other side, integration on sharing some key natural resources, particularly water, it is another issue which is a great challenge for the region and if successfully managed might turn to become a reference for regional cooperation in other parts of the world. According to current projections, within a decade Central Asia will suffer from the effects of rapid population growth and water shortages due to the likely reduction in reserves from the mountain ranges of the Pamir and Tian-shan, upon which Afghanistan, China, Kazakhstan and Uzbekistan all depend to varying degrees.

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<sup>14</sup> *China offers \$10 billion SCO loan*, in «Xinhua», 7 June 2012.

<sup>15</sup> There is hardly a European macro-infrastructure project looking East whose broad guidelines are not related to the notion of Silk Road. It is present in the idea of TRACECA (Transport Corridor Europe-Caucasus-Asia) and INOGATE (Interstate Oil and Gas Transport to Europe). The conspicuous Asia Europe Meeting (ASEM) has already broached the matter in the Trans Eurasia Information Network, to which is added the Trans-Eurasian Railway project (also called the "Iron Silk Road"). For recent developments of TRACECA see *Forecast for €4 million TRACECA project - transport dialogue and networks interoperability*, EU Neighbourhood and Partnership Instruments (ENPI), 13 February 2012, [http://www.enpi-info.eu/maineast.php?id=27935&id\\_type=1&lang\\_id=450](http://www.enpi-info.eu/maineast.php?id=27935&id_type=1&lang_id=450).

<sup>16</sup> Communication channels are fluid and the exchange is carried out in several languages, echoing past and present Central Asian and Eurasian multiethnic mosaic, European multiculturalism, Chinese diversity.

<sup>17</sup> Beijing will train 1,500 experts from SCO country members over the next three years, provide 30,000 government scholarships and invite 10,000 Confucius Institute teachers and students to go to China for research and study over the next decade, *China offers \$10 billion SCO loan...*, cit.

This dependence is unique in the world, due to the strategic magnitude of the region, with some similarities with the dependence on energy supply (including electricity). The problem could be addressed with integrated macro regional assistance from Russia, the EU and China, among other countries. After all, over the last years, talks, fora and dialogues have taken place on the Aral Sea and Caspian Sea ecological balance<sup>18</sup>.

These very few examples, among many, show that Central Asia shares challenges that sound familiar in the EU and in China, but also in Russia. It has to do with real macro-regional integration.

## Conclusions

As big actors with large resources and key interests in the region, the EU and China will continue playing a very significant role in Central Asia. Nevertheless, it is clear that for the foreseeable future EU countries and Brussels's budgets are diminishing, China's are rising. It remains to be seen what a continuation or adaptation of the EU Central Asia 2007-2013 Strategy will be like.

On the other side, China's demand of energy from Central Asia continues growing. It seems plausible to assume that failure in negotiating prices and conditions of Russian energy resources, notably gas, may imply Beijing's tilting towards a stronger presence around the Caspian Sea, where the EU is trying to keep its own presence. Thus in assessing potential competition factors between the EU and China, energy is clearly one of them.

Another factor for both cooperation and competition in EU-China relations in Central Asia is a stronger Russia with a stronger Eurasian identity as announced by incoming president Putin. Within the SCO it is clear that Moscow does not feel absolutely at ease with China's unparalleled and growing influence in its former strategic backyard around the Caspian Sea.

Another factor of competition would be EU's soft power promoting the benefits of democracy and the rule of law versus Beijing and Moscow, both aligned stressing the strategic importance of stability and prosperity, bolstering each other's systems and supporting similar strong Central Asian polities.

To the end of the last decade Moscow managed to take the initiative in the Caspian, with traditional personal and historic ties in Central Asia which the currently perplexed EU lacks. The EU is likely to be unable to deploy such ties in the region.

This does not mean that block politics has little to contribute, quite the contrary. But cultivating a high profile to focus solely on supply and energy networks requires an integral network of infrastructure and added prestige for maintaining those same interests which can be achieved only through a highly visible and multidimensional long-term commitment. This is why it is so crucial to re-dimension and reactivate long term neglected projects such as TRACECA (Transport Corridor Europe-Caucasus-Asia).

Also, in evaluating the activity of transnational energy companies it is important to consider the particular action of Chinese firms, competitors with formidable offers in their projection to the West when they manage to position themselves. It seems necessary to evaluate with them, indeed one might say directly with Beijing, feasible synergies in the sphere of infrastructure. This is one possi-

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<sup>18</sup> It is estimated that Central Asia's population of 66 million people will double before the current generation of new-borns reaches adulthood. Accordingly, water, rather than hydrocarbons, will become the most critical and immediately sought-after resource. An updated overview in K. KONYROVA, *Water scarcity seen in 2 decades, predict experts*, in «New Europe», 26 February 2012. A macro study on water and environment in L. JALLING, *Environmental Issues in Central Asia. A source of hope or despair?*, in T. EVERETT-HEATH, *Central Asia. Aspects of transition*, London, RoutledgeCurzon, 2003, pp. 167-180.

ble area for talks between the EU and the SCO which could indirectly impact on a renewed dialogue with Russia.

And last but not least, still due to the asymmetric magnitudes among the actors as well as the polities involved, it seems too soon but not impossible to organize simultaneous dialogues and trialogues between Central Asia, China and the EU, neither at official or civil society levels nor without Russia and other Eurasian and non-Eurasian powers.

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ISPI  
Palazzo Clerici  
Via Clerici, 5  
I - 20121 Milano  
[www.ispionline.it](http://www.ispionline.it)

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