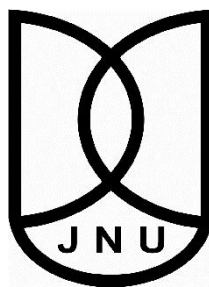


**CENTRAL ASIA-CHINA ENERGY COOPERATION:
IMPLICATIONS FOR RUSSIA, 2001-2013**

Thesis submitted to Jawaharlal Nehru University
for the award of the degree of

DOCTOR OF PHILOSOPHY

MEENU



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DECLARATION

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CERTIFICATE

We recommend that this thesis be placed before the examiners for evaluation.

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Prof. Archana Upadhyay

Chairperson (CRCAS)

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Prof. Phool Badan

Supervisor

Dedicated to my Parents

Preface

Energy security has become the most debated issue of the 21st Century with the emergence third world economies. The unprecedented economic growth of China has been the core reason for its worldwide search for energy resources. An old Chinese proverb says '*A Close Neighbour is Better than a Distant Relative*'. For various reasons China is trying to diversify its energy import and neighbouring countries of Central Asia has suddenly become important for China. Central Asia's energy resources and its geostrategic location in the heart of Eurasia make it special for China's global search for energy resources. The research covers the period from 2001 to 2013. The year 2001 is important for two reasons: first, China joined World Trade Organization (WTO) in 2001; and secondly, in the same year Chinese Government formulated its '*Go Global*' strategy. China's economic integration with world economy became a driving factor for its economic growth. To fuel its economy China required vast amount of energy and it permitted its state-owned firms to invest in overseas oil and gas fields. Due to the rise in World energy prices in 2001, China showed its interest in Central Asian energy rich states.

Central Asian countries also started looking beyond Russia and they drafted multi-vector foreign policy. Multi-vector policy has helped in diversifying their export on the one hand and has reduced dependency on Russia. However, it does not mean that Russia is no more important in the politics of the region. Russia is still influential in the region on account of its military presence in the region through the mechanism of CSTO. China is also dependent on Russia for the protection of its huge investment in Central Asia. The presence of sizable Russian diaspora in the region also gives strategic leverage to Russia in the region.

The question of energy security is inevitably interlinked with other issues like ethnic conflict, cultural and linguistic diversity, military rivalry, institutional mechanism, legal provisions, and availability of finance. The research addresses all these issues in a comprehensive way. In the light of strengthening relation between China and Central Asia, Russia's role in the region has also been assessed thoroughly.

This challenging work would not have been possible without help of my supervisor, teachers, friends and well wishers. Their unstinted support, diligent efforts, and suggestions helped me a lot to bring the research in its final stage.

First of all, I am deeply indebted to my supervisor Prof. Phool Badan for his invaluable guidance, constructive suggestions and patience shown during the entire period of my Ph.D. His deep insights and critical comments helped me a lot in shaping my ideas about the topic. I am deeply grateful to him for granting me much freedom to carry out the research at my stride and pace. Without his affection, positive encouragement and cooperation this work would not have been possible.

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I received support and co-operation from many, professors, scholars and individuals during my field trip in Kazakhstan. I acknowledge the role of inspiring discussion I had with Akbota Zholdasbekova -Dean ,Faculty of International Relations at Eurasian National University. Prof. Svetlana Kozhirova enabled me to explore the critical areas for further research on the topic. I would also like to thanks Prof. Aigul Khazhmuzatobe, Prof. Roshan, and discussion with Daleluhan Aibolat, Aidar Kurmashev, Elnur Eshim, Alima, Marzhan, Saltanat. Besides, I also received help from research scholars of the Eurasian National University, which was very productive for my research. I am greatly thankful to warm welcome shown by Dana Akhmedyanova, Head of the Department of International Relations. She passionately helped me in arranging many interviews with scholars and faculty members at Eurasian National University, Kazakhstan.

Most importantly, I am highly indebted to my friend Ashutosh Roy, a research scholar of Centre for Historical Studies, for editing and proof- reading of the thesis. I have enormously benefited from the long discussions with him on various themes related with my research work.

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I express my gratitude to my family members for the affection and care provided by them. I am specially thankful to my sisters Sudha, promila, and brothers Amit and Ashish who have been source of inspiration for this work.

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Meenu

JNU, New Delhi

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ABBREVIATIONS

ADB	Asian Development Bank
BP	British Petroleum
Bbl/d	Billion Barrel Per day
CNPC	China National Petroleum Corporation
CNOOC	China National Offshore Oil Corporation
CPC	Communist Party of China
CIS	Commonwealth Independent States
CSTO	Collective Security Treaty Organization
EEU	Eurasia Economic Union
EU	European Union
NATO	North Atlantic Treaty Organization
OPEC	Organization of Petroleum Exporting Countries
SCO	Shanghai Cooperation Organization
IMU	Islamic Movement of Uzbekistan
OBOR	One Belt One Road
SREB	Silk Road Economic Belt
ETIM	East Turkestan Islamic Movement
Mb/d	Million Barrel Per Day
PLA	People Liberation Army
SLOCs	Sea Line of Communications
TCF	Trillion Cubic Feet
WTO	World Trade Organization
OECD	Organization for Economic Co-operation and Development

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CHAPTER- FIRST

INTRODUCTION: CONCEPT OF GEOPOLITICS, ENERGY SECURITY AND REVIEW OF LITERATURE

I. Historical and Theoretical Discourses on Geopolitics

The concept of geopolitics was emerged in the 19th century. The term was first coined in 1899 by the Swedish political scientist Rudolf Kjellen. Rudolf Kjellen himself was influenced by a leading German scholar Friedrich Ratzel. Later, the writing of Friedrich Ratzel and Rudolf Kjellen, had a great influence on another German scholar Karl Haushofer who popularised the word geopolitics in the 1930s (Tuathali and Toal 1994:259). All these prominent scholars belonged to the German school of geopolitical thinking. Later the Anglo-American geopolitical school developed which was dominated by the geopolitical thinking of: Alfred Mahan, Halford Mackinder, Nickolas Spykman, Zbigniew Brzezinski and Henry Kissinger.

i) Definition of Geopolitics

The term ‘geopolitics’ is not only limited to geographers but it is popular among the political scientists interested in international relations, diplomats, military experts and journalists (Mamadouh 1998:237). However, when it comes to the definition of geopolitics this is not an easy question. Geopolitics means different things, in different times and places, to different people (Dittmer and Sharp 2014: 3). Devetak thinks that “Geopolitics is the study of effects of geography (human and physical) on international politics and International relations” (Devetak et al. 2012: 492). Ewans and Newnham believe that “Geopolitics is a method of studying foreign policy to understand, explain, and predict international political behaviour through geographical behaviour. It includes area studies, climate, topography, demography, natural resources and applied science of the region being evaluated” (Evans and Newnham 1998). In era of globalization which demands “the opening of national space to the free flow of goods, capital and ideas” Halford Mackinder’s biographer Brian Blouet was of the view that “geopolitical policies seek to establish national or imperial control over space

and the resources, route ways, industrial capacity and population the territory contains”. (Gray 2004:10). Friedrich Ratzel a leading German geographer said that “great statesmen have never lacked a feeling for geography...When one speaks of healthy political instinct, one usually means a correct evaluation of the geographic bases of political power” (Sempa 1990:17). Geopolitics can be divided into two parts (i) classical geopolitics and (ii) critical geopolitics

ii) Classical Geopolitical Discourse

Friedrich Ratzel (1844-1904), a leading German Scholar, played an important role in the development of modern geopolitical thinking. Inspired by Charles Darwin’s idea of ‘*the survival of the fittest*’, he imagined state as “Lebensraum” or ‘living space’. In his organic theory of state he came with the conclusion that as living space state requires resources and land for its survival. His concept of ‘organic state’ later became the essential feature of *German geopolitik* in the nineteenth and early twentieth century. It created the base for modern geopolitical thinking (Sidaway 2001: 226). Space occupies a central place in Ratzel’s geopolitical thinking. Expansion of space was considered of utmost importance for the survival while static and shrinking territories signified the death of state (Schnitzer 1955: 410).

Ratzel’s ideas influenced Swedish political scientist Rudolf J. Kjellen who coined the word geopolitics in 1899. He was dissatisfied with the contemporary analysis of relations between states which was limited to the legalistic framework. In order to overcome such limitations, he realised the potentialities of geography (Hagan 1942: 481-482). By critiquing liberal point of view, he supported the organic notion of state and claimed that “as long as political science remains ‘in the air, then geography must fill the vacancy’”. For Kjellen state is undividable from its land and people in this regard he quoted Friedrich Ratzel ‘*Every state is in part a piece of humanity and in part a piece of land*’ (Tunander 2001: 454).

Based on his understanding of state, Kjellen viewed ‘geo-politics’ as the influence of geography on the behaviour of state. However, he emphasised that geo-politics must be complemented by ‘*ethno-politics*’ - the study of ‘*ethnic organism*’, which includes population as people. While Geo-politics represents state, ethno-politics focuses on nation, thus for

Kjellen, both geo-politics and ethno-politics were complementary to each other. Kjellen's idea of nation- state is fused with geo-politic, ethno-politics, economic-politics (Tunander 2001: 457). When Samuel Huntington discusses the "*The Clash of Civilization*" and draws the geographical division between East and West Kjellen's idea of 'the great culture line between Russia and Europe' becomes relevant (Tunander 2001: 459). Kjellen argues that the more vigorous and 'advanced' the culture, the more right it has to expand its domain or to control more territories. Hence, promoting the national interest of a state requires to promote the interest of a specific racial group. The idea of cultural superiority of Kjellen and the idea of living space of Ratzel later provided ideological background for Nazi Germany. (Flint 2006: 10-11).

Though, the word geopolitics was coined by Kjellen but it was Haushofer (1869:1946) who popularised the word. By the 1930s geopolitics became a catch word of the day not only in German political language but in international politics also. In 1923, Karl Haushofer founded "Journal for Geopolitics" and became an editor of it and published his geopolitical ideas to provide a guidance for the rise of Nazi Germany. His geopolitical thinking draws on Friedrich Ratzel and Rudolf Kjellen. He was deeply influenced by Friedrich Ratzel's concept of "law of the growing spaces" and also appreciated Leopold von Ranket who believed "politics is the attempt to safeguard and further national interests in the midst of a conflict of the Great Powers, both in the realm of ideas and realities" (Weigert 1942: 735). Later Haushofer came with the idea of 'pan- regions' (large multi-latitude regions that were dominated by a particular core power). Haushofer thought that Germany could emerge as a great power only by establishing its colonies outside the Europe to avoid any direct confrontation with Britain. Hence his geostrategic vision focused on East or Russia and eventually to expand its influence to Far East favoured alliance with china and Japan. Since 1924, Haushofer was in favour of establishing friendly relationship with Russia and his geopolitical vision was in favour of an greater Asiatic Alliance between Germany, Russia, Japan, India and China. In Haushofer world-order US was to dominate Americas; Germany was to dominate Eurasia while Britain was to control Africa. However, with the end of the Second World War, German geopolitik thinking came to an end (Weigert 1942: 740).

Nevertheless, the magic word *geopolitik* and mysterious personality of its prophets arouse a new interest in the subject among American and English scholars. In order to help US to emerge as a global power, academicians, businessmen and military strategists strongly advocated for rise of geopolitical thinking (Weigert 1942: 732). During the Cold War period, the classical writing of Makinder, Mahan and Spykam revived a new interest in geopolitics and it started to guide geopolitical thinking of Henry Kissinger and Zbigniew Brzezinski who played an important role to guide American foreign policy in order to contain the Soviet Union.

a) Anglo- American Geopolitical Thinkers: Mapping Geopolitical importance of Eurasia

Alfred Mahan (1894-1914), an American strategist, naval officer and geopolitical thinker, wrote at a length about the significance of Sea power to enable US to project its power in international politics. He believed that US with a sufficient land base, could attain strategic Sea power superiority by acquiring secure overseas bases, “controlling narrow sea” (what is now known as strategic chokepoints) and “lines of communication” (lines of movement of naval force and source of supply”) and he emphasised the principle of concentration of naval force during the war time. (Sempa 1990: 18). He is considered as the main personality who influenced countries for naval arm race in the nineteenth century. His thoughts are still relevant to understand US’s navy domination over the major choke points and sea lanes across the world (Sempa 1990: 18).

Another prominent scholar Sir Halford Mackinder was initially engaged with practical geography in the ‘scientific tradition’. Though, he never used the word geopolitics, he was the most profound and influential theorist of his time. Challenging the long established importance of Sea power he, emphasised the importance of land power in the context of emergence of railway. In Mackinder words:

“A generation ago steam and the Suez canal appeared to have increase the mobility of sea-power relatively to land- power. Railways acted as feeder to ocean- going commerce. But trans-continental railways are now transmuting the conditions of land-power and nowhere can they have such effect as in the closed heart-land of Euro-Asia... Railway works the greater wonders in the steppe because they directly replace horse and camel mobility” (Mackinder 1904: 434).

He was mainly concerned with the declining power of Britain. In the changing international system, Mackinder warned British Government that the rise of the German power and possibility of greater alliance between Germany and Russia, could thwart British national interest and power position in Eurasian land. Though Germany and China were potential contenders, Mackinder's analysis remained focused on Russia and its geostrategic position was viewed by Mackinder as of Mongol Empire of the thirteenth and fourteenth century. According to Mackinder:

“Russia replaces the Mongol Empire. Her pressure on Finland, on Scandinavia, on Poland, on Poland, on Turkey, on Persia, on India, and on China replaces the centrifugal raids on the steppe-men. In the world at large she occupies the central strategic position held by German in Europe. She can strike on all sides and be struck from all sides, save the north”(Mackinder 1904: 436).

He pointed out that the emergence of land -power and land- based air power in Asia would challenge the established Sea-based powers. It would lead to competition and clash of interests between sea and land power for controlling “the pivot region”. He renamed “the pivot region” as “Heartland of Eurasia” and Eurasian-African landmasses as “World Island” in his publication “Democratic Ideals and Reality.” According to Makinder control of the heartland and Eastern Europe could lead to control of Eurasia and most of World Island and “who rules World Island would command the World” (See map no.1.1) (Sempa 1990:17).

To highlight the importance of “heartland of Eurasia” (which is recognised as the territory of Central Asia after the Soviet disintegration) Mackinder observed that “the spaces within Russian Empire and Mongolian are so vast, and their potentialities in population, wheat, cotton fuel, and metals so incalculably great, that it is inevitable that vast economic world more or less apart, will there develop inaccessible to oceanic” (Mackinder 1904: 433). Therefore, he suggested Britain to shift its policies towards “heartland of Eurasia.”

Who Rules East Europe commands the Heartland:

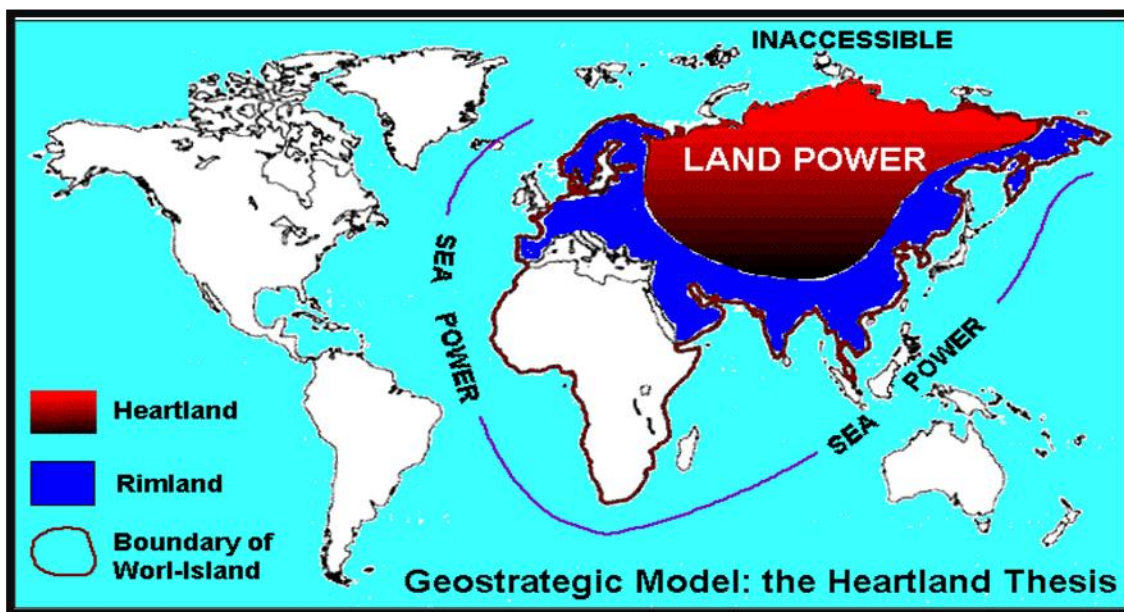
Who rules the heartland commands- World-islands:

Who rules the World-island commands the World.

It is worthwhile to mention that there has been a great confusion in identifying the “heartland” or “pivot area”. After the second world war and during the Cold War era great

attempts were made to identify the heartland of Mackinder theory in the world map. For some period the Northern part of Kazakhstan was identified as pivot region and rest of Central Asia was given rare attention. Siberian energy resources was in the focus and logistically it was considered more accessible (Megoran 2004: 347-348).

Map No. 1.1 Showing Heartland of Eurasia: “Natural Seats of Power”



Source: Birmingham War Studies (2012), “Role of Geography in Strategic Culture”, [Online web] Accessed on 15 June 2017, URL: <https://birminghamwarstudies.wordpress.com/tag/spykman/>.

After the disintegration of the Soviet Union in 1991, this perception has been changed. In the post cold war period, It is the Central Asia (Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan) which is regarded by scholars and strategist as the modern core of heartland or pivot area of Mackinder theory. Given the geostrategic location and vast amount of energy resources, the post cold war period has witnessed a new great game in the region.

Nicholas J. Spykman accepted Mackinder’s concept of heartland but he believed that Mackinder had overemphasised the importance of heartland. According to Spykman the coastal region called as “inner or marginal crescent” by Mackinder are the critical zones of world politics rather than heartland. Thus Mackinder’s “inner or marginal crescent” which borders with the heartland was renamed as Rimland in Spykman’s study “The Geography of the Peace” (Meinig 1956: 554). He viewed Rimland as the potential ‘seat of power’,

therefore predicted that the Rimland would become prone to power politics of Great powers (See the map no 2). The Rimland includes Western Europe, The West Asia, South West Asia, China and the far East combined with the offshore island of Britain and Japan. Spykman is of the view that Rimland area possessed greater industrial and manpower potential and is also blessed with both Sea power and land power. He made changes in Mackinder's statement by adding new dictum: "who control the Rimland rules Eurasia; who rules Eurasia; will control the destiny of the world" (Spykman 1942 xxvii). Why Rimland rather than heartland was "Pivot region" for Spykman? Some scholars think that during the cold war period, direct invasion of 'heartland' did not seem a realist option, therefore by making a departure from Mackinder's view, Spykman suggested Rimland as an important space to contain Soviet Union.

Map No. 1.2 Illustrating Nichols Spykam's Rimland Theory



Source: World Press. Com (2016), "Geopolitical theories driving proxy war during the Cold War", [Online web] Accessed on 17 June 2017, URL: <https://coldwargeopolitics.wordpress.com/2016/03/12/geopolitical-theories-driving-proxy-wars-during-the-cold-war/>

Spykman warned the US Government of possible risks of single power domination over Eurasian land. In order to ensure the protection of American interest in the Eurasian land, Spykman advised the US Government to maintain the balance of power in Europe and Asia (Jr. 1952: 397-398).

During the 1970s period, the term geopolitics again became a buzzword. The man behind revival of geopolitical thinking was Henry Kissinger. He portrayed geopolitics as a philosophy of statecraft (Tuathail and Toal 1994: 263). As Kissinger was passionate about stability, balance and order, he emphasised on the skill of diplomacy and negotiation of statesmen:

The test of statesmen, then is his ability to recognise the relationship of forces and to make this knowledge serve his ends... His instrument is diplomacy, the art of relating states to each other by agreement rather than the exercise of force, by the representation of a ground of action which reconciles particularly aspirations with general consensus diplomacy depends upon persuasion and not imposition (Starr 1980: 478-479).

In multi-polar world finding a traditional hegemonic place for US was a challenging task for Kissinger. Being a Secretary of State and a historian who studied European balance of power theories of nineteenth-century, his major task was to suggest policy prescriptions to US foreign policy (Taylor 1990: 1). Kissinger's geopolitical views can be summarised in three aspects: a) *Equilibrium* b) *Sentimentalism* c) *Connectivity of events* (Tuathail and Toal 1994: 263).

Equilibrium: Kissinger geopolitical ideas were premised on 'historical lesson' taught by two World Wars. He was of view that the First World War occurred because German empire was no longer interested in maintaining balance of power. Similarly in Second World War, victorious powers were uninterested in or incapable of restoring balance of power. Based on his historical understanding of the nineteenth century, Kissinger reached at the conclusion that peace cannot be ensured without balance of power among the great powers. According to him foreign policy driven by geopolitical ambitions seeks to maintain balance of power which helps in restoring peace could in global politics (Howars 1994:134). Kissinger successfully applied it and tried to manipulate balance of power followed by: first, treating Russia not as a criminal but an adult with its own legitimate interests and applying a doctrine of containment which successfully worked. Secondly, recognizing China as an independent actor in the international system. Thirdly, destroying growing aspiration of 'Arab Nationalism' by rescuing Egypt as a Western oriented power. Finally, he accepted that "we are back in multipolar world". Thus in 1970s, strategic vision of American foreign policy

was to recognise China, Japan and Europe as potential powers together with United States and Soviet Union (Howars 1994:137).

Sentimentalism: Kissinger believes geopolitics as a philosophy based on realities of power. To act geopolitically means to act in terms of ‘hardheaded’ power politics rather than based on idealistic and personal views. He believed that “our objective was to purge our foreign policy of all sentimentality” (Tuathail and Toal 1994: 263).

Connectivity of events: to think geopolitically is to think regional struggle of power into global framework. Once the conflict becomes global in nature it enhances the negotiating capacity of a superpower and helps to establish its influence worldwide. Therefore, Kissinger was of opinion to take the regional struggle beyond the immediate geographical location (Tuathail and Toal 1994: 263).

Zbigniew Brzezinski was the national security advisor of US president Jimmy Carter between the period from 1977-1981. His geopolitical views can be found in his well known book (1997) titled as “The Grand Chess Board: American Primacy and its geostrategic imperatives”. Influenced by Mackinder, Brzezinski argued that Eurasia is crucial for America’s continued influence in the world. According to him Eurasia represent 75 percent of the world’s population, accounts 60 percent of the world’s GNP and endowed with three fourth (75 percent) of the world’s energy resources. Most importantly from the geostrategic point of view, Eurasia is the location of most of the world’s politically assertive states (Brzezinski 1997/1998 b: 48). After the United States the six largest economies and next six biggest spenders on military weapons are located in Eurasia. A power that dominates over Eurasia would play a decisive role to control economically productive regions of Western Europe and East Asia and automatically control West Asia and Africa. Hence Eurasia serves as a decisive geopolitical chessboard on which five main ‘active geostrategic players’ are: France, Germany, Russia, China and India. While he perceived United Kingdom, Japan and Indonesia relatively less active player, Ukraine, Azerbaijan, South Korea, Turkey and Iran are pivots. Brzezinski calls Azerbaijan the “cork in the bottle containing the riches of the Caspian Sea basin and Central Asia.” Whereas he recognised Central Eurasia as a “black hole” containing rich energy reserves, having 400 million people in twenty five states- ethnically and religiously heterogeneous- are prone to social conflict (Brzezinski 1997:46)

In addition to this, he pointed out that a wider Europe and enlarged NATO would serve the American interest of expanding its influence in Central Europe and also serve the American interest of establishing pro Western regime in Post Soviet space. In addition to this, Integration of newly independent Central Asia and South Caucasus states in Western community would be an decrease in Russia's influence (Brzezinski 1997/1998 b: 49-50).

iii) Critical Geopolitical Thinking

The post Cold War period has been marked by the end of rivalry of East Soviet vs. American West, and fast growing economic interdependency with the wave of globalization started to shape the world in a quite different way. Increasing role of new actors, growing role of market and institutions in shaping world order led to analysts to come with the new approach. Consequently, geo-economics logic emerged as a dominant approach to explain the evolution of international geo-economic energy relations. The frequently occurring international events like terror attack of 11 September 2001, America's increasing role in Afghanistan, Iraq war in 2003, and bloody conflict between Russia and Chechen separatist groups started to shape international affairs in different way (Agnew 2003: 2).

The tectonic shift had already started in 1970s, when the study of international relations was overtaken by a political economic perspective. Political-economy as an approach believes that geopolitics cannot be understood completely without considering the dynamics of global economy (Dikshit 1982: 183) Within this changing international environment, geo-economics logic was found more useful in explaining world affairs. Therefore, state-centric approach and geopolitical logic seemed an old expression in the changing environment and new expression was emerged in the form of geo-economics approach (Sparke 2007: 339). Critical geopolitics therefore deconstruct those state-centric and traditional geographical based imagination which reduced the scope of other important factors and actors. Geo-economic perspective is an effort to integrate new emerging factors playing an important role in shaping new geopolitics.

Geo-economic as prefixed with 'geo' emphasises the use of economic instrument like free market, Foreign Direct Investment (FDI), energy diplomacy including production, exploration and construction of pipelines have become an integral part of great power

strategy (Patnaik 2016:6). America's interest in Iran is shaped by geo-economic logics. Iran which is supposed to possess world's third largest oil reserves and second largest reserves of natural gas make it important player in shaping world economy. American control of those energy reserves would enable America to regulate the world energy market and open those energy fields of Iran for American private oil companies (Julien 2008: 582). Nevertheless, controlling the energy resources is not the sole motive of external power whether it happens in energy rich West Asia or Central Asia. Classical geopolitical doctrine 'heartland is still relevant to understand ongoing *New Great Game* in Central Asia. New energy geo-politics of Central Asia suggest that apart from controlling energy, tactical control over a territory provide US and other superpowers an additional geopolitical space to maneuver (Mohapatra 2012: 104).

Critical approach enables to understand the motives of the various players involved in energy game. Since 1970s, due to changing environment, competition for geostrategic location and abundant natural resources was not limited to activity of states. Inter-governmental organizations, MNCs and TNCs and Non- governmental organizations (NGOs) participation have been increased. Today MNCs has acquired so massive resources that governments are increasingly dependent on them. In this way, MNCs, have been gaining political power from economic resources and becoming the part of diplomacy (Dikshit 1982: 183). Critical geopolitical thinkers recognise the growing role of non state actors together with state actors and adopt more comprehensive and multi-factor.

In addition to this, critical geopolitics as a new form of geopolitics emerged in the late 1980s and early 1990s. It emerged in the background of "cultural turn" in the discipline of geography and international relations. The key difference between classical geopolitics and critical geopolitics is that classical geopolitics saw geography as the 'reality' which is crucial to guide foreign policy, however, critical geopolitics refers language as tools through which reality is produced. Geopolitics is understood as a discourse through which "our understandings of world are produced through a series of representations that we communicate to one another over and over again to produce a web of common- sense geographical knowledge" (Dittmer and Sharp 2014: 5).

Critical geopolitical theory used post-modernism as a tool to analyse classical geo-politicians and expose their biases and political agendas. It showed that geopolitics was being produced and reproduced through various practices at various levels- political, economic and culture one. Geopolitics is a kind of knowledge/ power and it is better to understand that this knowledge/power is produced by powerful actors for achieving their strategic goals. To understand twentieth century's geopolitics Michael Foucault's concept of 'governmentality' provide a better understanding. 'Governmentality refers to "the ensemble of rationalities concerned with the governing of territories and populations" which emerged in the eighteenth century. A governmentality concerned with the task of hegemonic management and hegemonic managerialism produces its own rationalities and information projects. Their own rationalities and information projects can include the survey and surveillance of important regions, minerals and energy resources which are used in the art of statecraft. The prediction of that strategic important places are usually carried out by establishing strategic institutions, area studies centre, and universities which enables state to prioritise some specific area and place in their foreign policy (Tauthail and Toral: 1994: 269).

It is important to understand that geographic locations possess no absolute and inherent political importance. They are made significant through various discourses. This explains why heartland, Rimland, Chessboard, Choke points, Critical Strategic Zones seems central to world politics and which continue to shape geopolitics (Dikshit 1982: 183). It also focuses on the role of language in creating assumption like 'War on Terrorism', 'Axis of Evil' to justify the military actions and other foreign policy agendas. Critical geopolitics used post-modernism as a tool to analyse the language of classical geo-politics (Flint 2006:5). Geographical importance of a place is constructed which later structures the perceived reality of place (Dodds 1993: 71).

Inspired by Edward Said on his writing on "orientalism" (1978) critical thinkers make an inquiry of how texts, pictures and maps help to constitute Euro-centric view. For example, Huntington's clash of civilization (1996) geopolitically constructs the map of future conflict and strategically prepare a ground for 'The West against the Rest'. As Huntington predicts:

It is my hypothesis that the fundamental source of conflict in this new world (post Cold War era) will not be primarily ideological or primarily economic. The great division among

humankind and the dominating source of conflict will be cultural. Nation states will remain the most powerful actors in world affairs, but the principal conflict of global politics will occur between nations and groups of different civilizations. The clash of civilizations will be the battle line of future (Huntington 1996: 22).

In order to unmask the strategic significance of geopolitical imagined places, critical geopolitical theory follows constructivist approach. In this context Derrida says, “critical geopolitics involves deconstructing the ways in which political elites have depicted and represented places in their exercise of power.” The task of critical geopolitics is to demythologize the manipulative character of such geographical visions (Reuber 2000: 38-39).

II. Concept of Energy Security

IEA defines energy security in terms of various kinds of risks associated with energy security. In the contemporary debate, energy (in)security is perceived as an issue of high politics and as a threat and risk to national security of a nation-state. The most crucial question is to understand how an issue becomes the question of security (Ozcan 2013: 6). Securitization approach view that “security” is a kind of “discursive act”. Political community continuously makes conscious efforts to treat an issue as existential threat to public and the issue becomes “important” and “urgent” which requires special measures to deal. Eventually, it becomes an issue of national security and foreign policy (Ozcan 2013: 8-9).

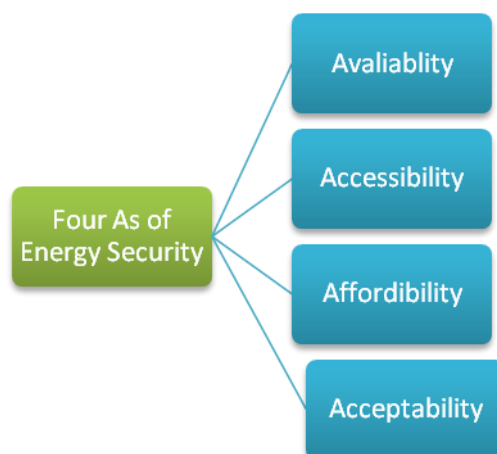
In the 21st Century, energy security and the impact of fossil fuels on environment has become a major concern. It has evoked public and media interest and has attracted the attention of politicians. Despite this, public understanding of the issue is limited. A wide range of research and deliberation on global energy dilemma is the need of the day which could enable a dialogue between experts, knowledge community, civil society, business and policy makers (Bradshaw 2014: 23).

One of the most comprehensive approaches which are also cited by IEA is to define energy security is “Four As” (See figure no.1). Four As defines energy security as availability (geologically, accessibility (geopolitical), affordability (economic), and acceptability (environment and social). This approach treats energy security issue as a long term threat due

to depletion of fossil- fuels and environmental consequences associated with use of energy. In the similar vein US Chamber of Commerce (2010) examine energy security in terms of four dimensions: a)Geopolitical- decrease energy import form political unstable regions. B)Economic- reduce high intensity and trade imbalance, c) Reliability- increase adequacy and reliability of infrastructure, d)Environment- decrease carbon intensity of energy system (OECD/IEA (2011: 9).

Availability and affordability- are the key features of classical definition of energy security. Those two factors remain in the centre of the IEA’s definition which defines energy security: as uninterrupted availability of energy sources at an affordable price.”¹ Accessibility and acceptability was recognised to include the energy security from the perspective of emerging economies of Asia (Cherp and Jessica 2014: 416).

Figure No. 1.1 Four As of Energy Security



Most of the definition emphasise the economic cost and physical availability of energy resources. Environmental concerns are usually treated as constraints rather than integral part of energy security. Environmental sustainability advocates using energy resources in such a manner which will not do harm to environment in long term. Energy efficiency can manage less dependency on fossil fuels while energy equity refers to accessibility and affordability

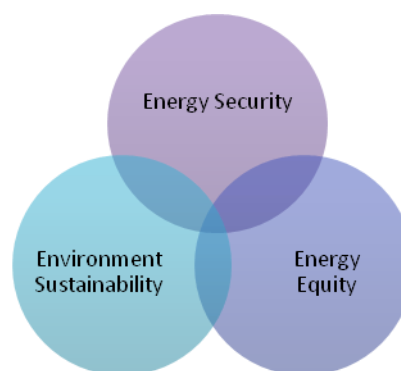
¹OECD/ IEA (2017), “What is Energy Security”, [Online web] Accessed on 23 June 2017, URL: <https://www.iea.org/topics/energysecurity/subtopics/whatisenergysecurity/>.

of energy supply across the population (World Energy Council (2016 b: 12). Nearly 1.1 billion people still remain in darkness due to their lack of access to electricity. Energy security cannot be ensured properly without addressing the poor people in the different parts of world including Asia and Africa (World Energy Council 2016 b: 7).

Figure No.1.2 Two Missing Component of Energy Security

In order to balance between Energy Trilemma (see figure no. 2) International Energy Council (2016 :10) highlight five key areas to focus:

- Transforming energy supply
- Advancing energy access
- Addressing affordability
- Improve energy efficiency and managing demand
- Decarbonising the energy sector



i. Challenges in Defining Energy Security: Different Meaning for Different Actors

Daniel Yergin (2006) is of the opinion that different countries interpret the concept of energy security differently for them. For the developed countries, the definition of energy security is “availability of sufficient supplies at affordable price”. However, for developing countries like China and India, whose largely rely on the importing oil and gas from outside the countries, energy security lies in their ability to adjust their dependency on global market. The major concern before them is to adjust their balance of payment according to changing energy price. On the other hand for Japan the severe scarcity of domestic resources demand the country to focus on diversification, trade and investment. United States however face the challenge of achieving a goal of “energy independence”- a major phrase which has become mantra since it was articulated by Richard Nixon just four weeks after the 1973 embargo was put in place (Yergin 2006: 70-71).

In Europe for most of countries, the major debate of energy security is focused on how to reduce their dependency on imported natural gas. Their heavy dependency on Russia leaves them vulnerable to supply disruption caused by political or commercial dispute or infrastructure failure. Most importantly dispute between Russia and transit Ukraine leaves them with high severe condition as it happened in 2009 and 2014.²

Overview of above discussion suggest that Western approach to energy security is reflected in IEA Policies. It focused on diversification of supply current source at lowest prices by controlling market forces. While for Saudi Arabia, energy security means to keep oil prices at high rate. Keeping energy prices around 70-80 billion barrel per day serve Saudi Arabia's agenda of not to allow energy alternative resources economically viable. However, for non - OPEC energy producing countries like Russia and Central Asia energy security lies in 'security of demand' at highest prices (Christoffersen 2012: 137). In sum, volatility of energy prices and securing reliable energy supply has put energy security high on the political agenda of energy importing countries. While, security of demand and fair prices remain the major concern for energy exporting countries (Bradshaw 2009: 1920-1921).

There is no universal definition of energy security. Energy Security means different things to different people. The word 'security' differs according to the "actors involved at each point in the chain". The energy system is a complex structure (Commission Staff Working Document 2014:3) This complexity can be realised by the fact that today energy security largely depends on global market system and complex infrastructure network of offshore platforms, pipeline, tankers, refineries, storage and generation capacity and transmission systems. Financial market and energy market are closely linked with each other. Technology has played a role in increasing the interdependence of electricity, oil refining and natural gas processing. Extracting the energy resources requires dependency on water resources which itself is a scarce commodity, and it poses additional risks to energy security. Given the high interdependency, failure of one system inevitably lead to disrupt the smooth functioning of

² Official Site of European Commission (2017), "Energy Security Strategy", [Online web] Accessed on 23 June 2017, URL:<https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/energy-security-strategy>.

the other system. Therefore, comprehensive understanding of energy security primary requires to address the complexity of energy system (Chester 2010: 899).

ii) Energy Security: A Multi-Dimension Concept

As briefly discussed above how energy system is a complex system, therefore to understand energy security one need to understand its different dimension. One may add here that complex system requires multi- range of explanation.

□ Internal Dimension of Energy Security

Internal dimension of energy security refers to effective management of energy demand within its domestic sphere. Energy security does not necessarily imply to import energy outside the country but to use its indigenous fossil fuels in a effective way. The another way is to diversify type of energy fuels particularly increasing investment in renewable resources strengthen the energy security of a county. No less important is the choice of policy makers which play the key role in promoting energy efficiency, the focus of policy makers in spreading awareness among all industrial sector and encouraging costumer to continue focusing on energy efficiency energy security. for example, despite abundant fossil fuels, Saudi Arabia and United Arab Emirates are not highly ranked in global energy security list because of their high rate of energy consummation growth. Whereas countries like Ecuador, Canada and Denmark are effectively using their renewable resources for electricity generation and are placed on high rank of energy security. Thus, energy security is about how a country effectively manages its primary demand rather than highly rely on importing energy resources form a politically instable place and spending billions of dollars on security of transportation infrastructures such as pipeline (World Energy Council 2016 b: 21).

□ Safety and Security Dimension of Energy Security: Role of Militarization to Protect Energy Investment.

In addition to this, cross border pipelines and world transit chokepoints are most critical to global energy security because high volumes of petroleum are transported through these chokepoints. During the political conflict and war time situation chokepoints are highly venerable, even temporary blockade might lead to substantial increase in world energy prices. Cost which can be added because of finding thousands of miles of alternative transit route and that inevitability led to increase in world energy price (US Energy Information

Administration 2014: 1). The security dimension of energy security promotes military capability of major geopolitical power like US, Russia and China. They are spending hundreds of billions of dollars to protect their energy investment abroad. Energy security in this sense has become intertwined with increasing militarization of West Asia and Central Asia. Russia protects its energy interest in Central Asia through the CSTO while US has already deployed its military forces in energy rich Iraq, Afghanistan and Central Asian states. China has deployed its military forces on the border of Central Asia and Xinjiang province to protect pipeline infrastructure from separatist groups. It has also sent its troops in Sudan to protect its energy investment. In this regard Michael Clare is of the opinion that “United States and China are not seeking to make war each other...but they are inadvertently contributing to the risks of conflict in Africa and Central Asia by using arms transfer as an instrument of influence” (Researcher 2010: 238).

❑ **Maritime Dimensions of Energy Security**

Choke points are also vulnerable to pirates (see map no. 3). EIA defines chokepoints as narrow channels which are widely used for global Sea routes. Some of them are so narrow that restriction are placed on the size of the ship that can navigate through them. The strait of Hormuz, Persian Gulf and the Strait of Malacca- which links India and Pacific Oceans- are the world’s most crucial strategic chokepoints. According to IEA data of 2013, total world petroleum and other liquids prediction was around 90.1 million barrel per day. Nearly 63 percent of that amounts (56.5 million barrel per day) passed through those critical chokepoints. Among them most crucial is the Strait of Hormuz which is located between Oman and Iran and it connects the Persian Gulf with the Gulf of Oman and Arabian Sea. The Strait of Hormuz is responsible for transporting world’s 30 percent crude oil and other petroleum products while 85 percent of oil towards Asian market has to necessarily pass through the Strait of Hormuz (US Energy Information Administration 2014:4).

The energy security of India, China and Japan are highly vulnerable to any potential risks of supply disruption due to pirates and terrorist attacks. Alfred Mahan’s theory which highlights importance of Sea to maintain its influence and power in the international system. America remains the most powerful country in the 21st century. America dominates maritime security by spending trillions of dollars on maintenance of military security including aircraft carrier

resources. The scarcity and uneven distribution of energy resources have been the reason for triggering international conflicts between states and non state actors. A widely shared concern among scholars and policy makers is that in 21st century, energy has become the new area of competition and cooperation between superpowers. Oil was the central reason for two World Wars. In the Post Cold War Period, new basket of fuels, like natural gas, renewable energy resources and new actors like national and international oil companies and terrorist groups have joined this 'great game'. Emergence of ISIS in Syria, Iran, Iraq and its fight with state to control major oil fields is the new dimension of geopolitics of energy security which shows that energy resources are no less important for terrorist groups for achieving their strategic goals. Energy security driven interests viz-a-viz classical trend of geopolitics which focus on spreading power and influence in a geographical territory still remain the foreign policy agenda of various major powers.

First, one needs to clearly understand that among major energy importing countries, United States still remains profoundly dependent on oil import. Oil demand is mainly driven by its transportation sector and in its global search for oil, West Asia countries remain the key oil supplier. At the same time, US has also diversified its energy market in oil rich Central Asia and Latin America. Secondly, the case of European countries is completely different. Instead of oil, they are dependent on natural gas and most of their gas supplies rely on Russia. However, after Ukraine crisis in 2014, EU member states have been trying to diversify their natural gas market in West Asia and Central Asian states. Thirdly, India and China which is relatively new player in energy market, oil remains the dominating fuels for them mainly for generating electricity and smooth functioning of transportation sector. Most of their oil and natural gas supply comes from West Asia, while they also diversify their market in Central Asia, Latin America and Africa.

In addition to this, the another factor which is crucial for understanding global energy market is that in comparison with Western oil companies, Russian and Chinese oil firms are state-owned and act as arms of government. Unlike Western oil companies, Russian and Chinese oil companies are financially and politically supported and protected by their government. When the oil firms compete for overseas energy investment projects whether it is Western oil firms or state-owned Russian and Chinese oil firms, they represent their respective governments. Though their core interest is profit-making, many times their goals are infused

with political agenda of state. That highlights geo-economic dimension of global energy security.

The first section attempts to measure geographical location of energy resources region which will enable one to understand current geopolitical and geo-economic perspectives of global energy security. It will deals some important question line: who controls how much energy resources in the world? Secondly, which geographical part of the world dominates the energy resources? Who are the driving global energy demand? Thirdly, which fuel is currently a leading fuel in the world's total energy consumption? Fourthly, which sector consumes most of energy resources? Lastly and most importantly, how does volatility of oil price control demand and supply of energy? The present section attempts to examine all these significant questions.

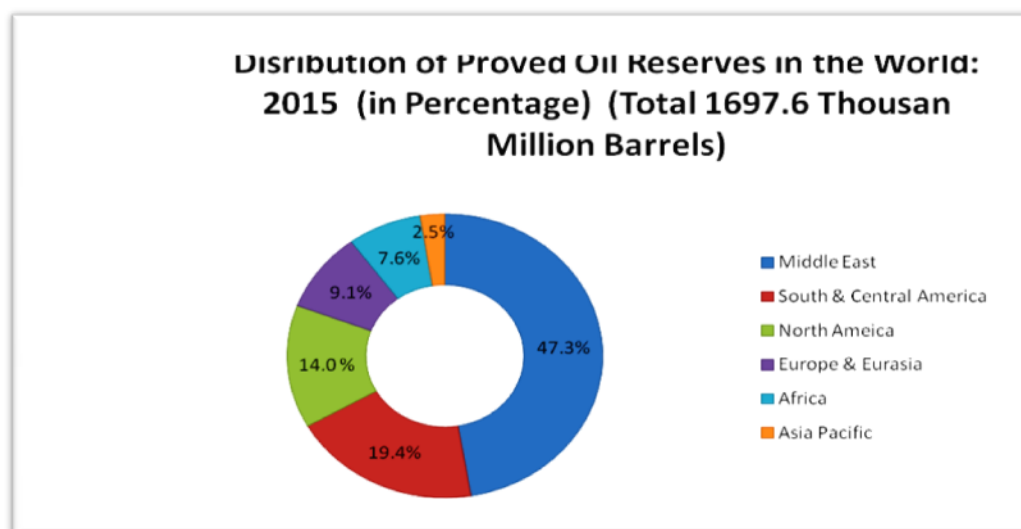
IV. Understanding Current Global Energy Trend

❑ Uneven Distribution of Oil and Gas Resources

❑ *Total proven oil reserves*

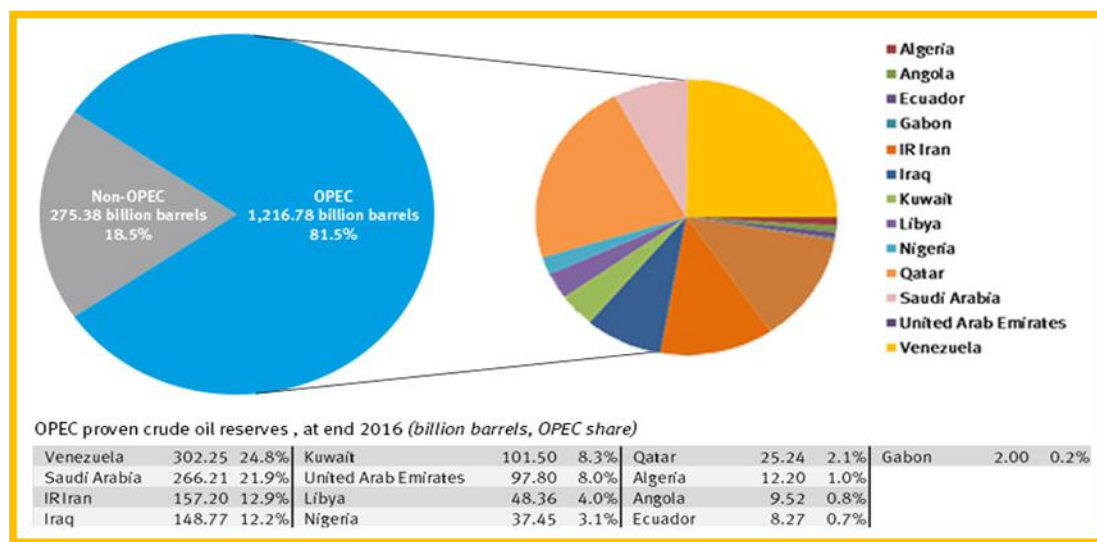
According to BP Statistical Review of World Energy (2016) world's total proven oil reserves are 1697.6 thousand billion barrels in 2015. OPEC countries continue to hold the largest share which accounts 71 percent of total proven global oil reserves. In Regional distribution, West Asia holds the highest oil proven reserves accounting 47.3 percent, South and Central America 19.4 percent, North America 14.0 percent, Europe and Eurasia 9.1 percent, 7.6 Africa and 2.5 Asia Pacific. (See figure no 3) (BP Statistical Review of World Energy 2016: 7). In comparison with data estimated by BP Statistical Review of World Energy, OPEC Statistical Annual Bulletin (2017) reported world's total crude oil reserves as 1, 216.78 billion barrels. Out of it, 81.5 percent are located in OPEC member countries and West Asia accounting 65 percent of OPEC's total. Venezuela holds the largest OPEC followed by Saudi Arabia, Iran, Iraq, Kuwait and others (For details see Figure no 4) OPEC Statistical Annual Bulletin 2017: 26).

Figure no. 1. 3 Total Oil Reserves in the World



Source: BP Statistical Review of World Energy (2016), Page no. 7

Figure No. 1.4 Showing OPEC Share in World's Total Crude Oil Reserves in 2016

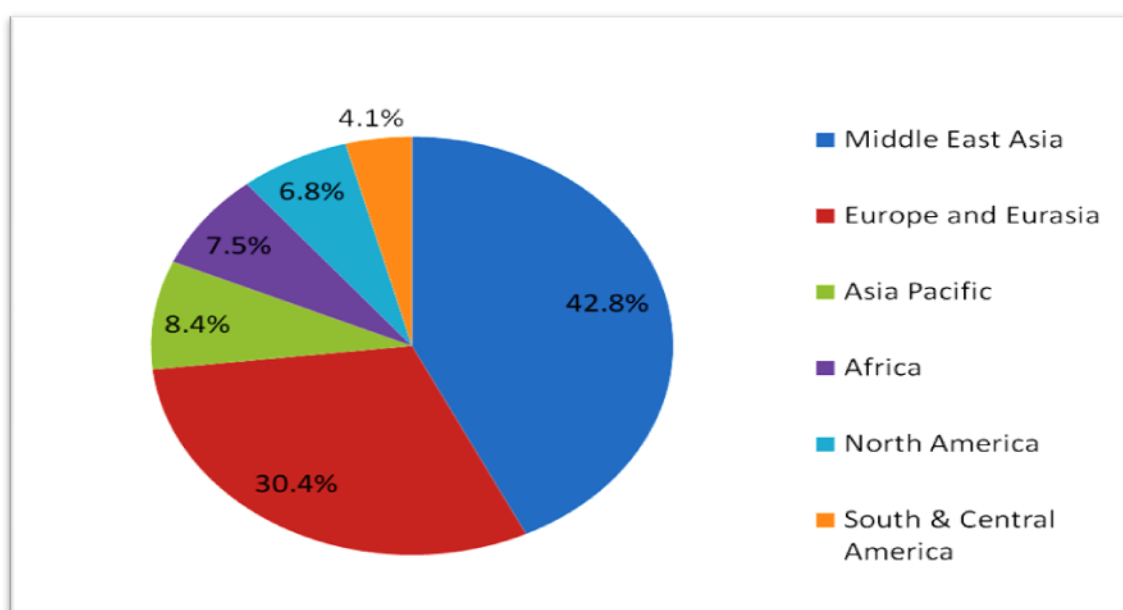


Source: Official site of OPEC (2017), "OPEC Share of World Crude Oil Reserve", [Online web] Accessed on 2 June 2017 URL: http://www.opec.org/opec_web/en/data_graphs/330.htm.

Total Natural Gas Reserves

Total natural gas reserves in the world accounts 186.9 trillion cubic meters. Those reserves are located in different regions in the world. West Asia holds largest share which is 42.8 percent and it followed by Europe & Eurasia 30.4 percent , Asia-Pacific 8.4 percent , Africa 7.5 percent , North America 6.8 percent, South and Central America 4.1 percent(See figure no.4) (BP Statistical Review of World Energy 2016: 21).

Figure No. 1.5 Distribution of Proven Natural Gas Reserves in the World (in Percentage) Total Natural Gas Resources: 186.9 Trillion Cubic Meters



Source: BP Statistical Review of World Energy (2016), page no. 21

Key features of Global Energy Trend

- ***Fossil Fuels Remains the Leading Fuels and Oil and Gas Dominates the Total Energy Mix***

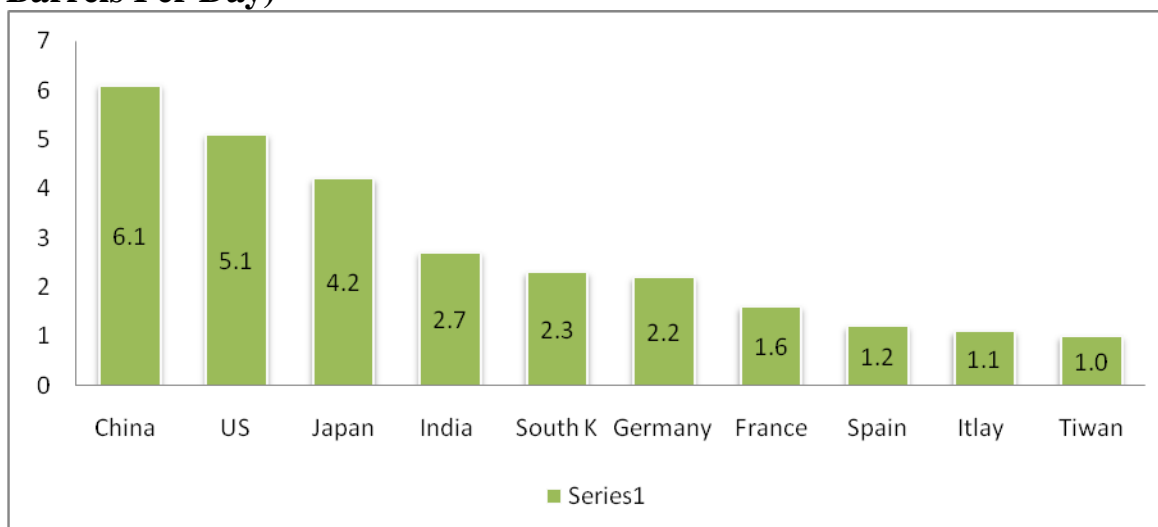
Despite the total energy mix is set to change significantly; fossil fuels remain the dominating source of global energy consumption. This trend is going to be continue in future and fossil fuels will be providing 60 percent of energy and will be accounting 80 percent (down from 86 percent in 2014) of the source of total energy supply in 2035 (BP Energy Outlook 2016:15). In fossil fuels oil and gas are the leading fuels:

Oil: According to BP Statistical Review Report (2016), oil remains the world's leading fuel in 2015. (for world's largest oil importer, see figure no.5). It accounted 32.9 percent of world's energy consumption. Global consumption grew 1.9 percent million barrel per day with the growing oil consumption in OECD countries as it grew: 290,000 billion barrel per day (b/d) in United States, 200,000 b/d in European Union, while 160,000 b/d in Japan. In non-OECD net oil importing countries like China recorded 770,000 b/d, while India with 310,000 b/d and India surpassed Japan as the third largest oil consumer (BP Statistical Review Report 2016:3). World Energy Council (2016) reported that emerging economies accounts for 58.1 percent of global energy consumption in 2016 and global demand for liquid hydrocarbon will continue to grow in the future. The population and consumer class in Asia will support increase in oil demand driven by mainly transportation sectors which will be the leading factors for oil consumption growth developing countries (World Energy Council 2016: 15).

BP Energy Outlook (2016) added that global liquid demands of oil, bio-fuels, and other liquids has increased by nearly 20 million barrel per day and it projected to increase 112 million barrel per day by 2035. When it comes supply side, the report makes it clear that in the current period, Non-OPEC countries account majority of 'supply increase' which is 11 million barrel per day. Whereas for OPEC countries supply increase is 7 million barrel per day. All of the supply increase in non-OPEC countries comes from US, Brazil and Canada. In 2016, the supplies from OPEC countries have remained low because of slow down in oil prices. (BP Energy Outlook 2016: 21).

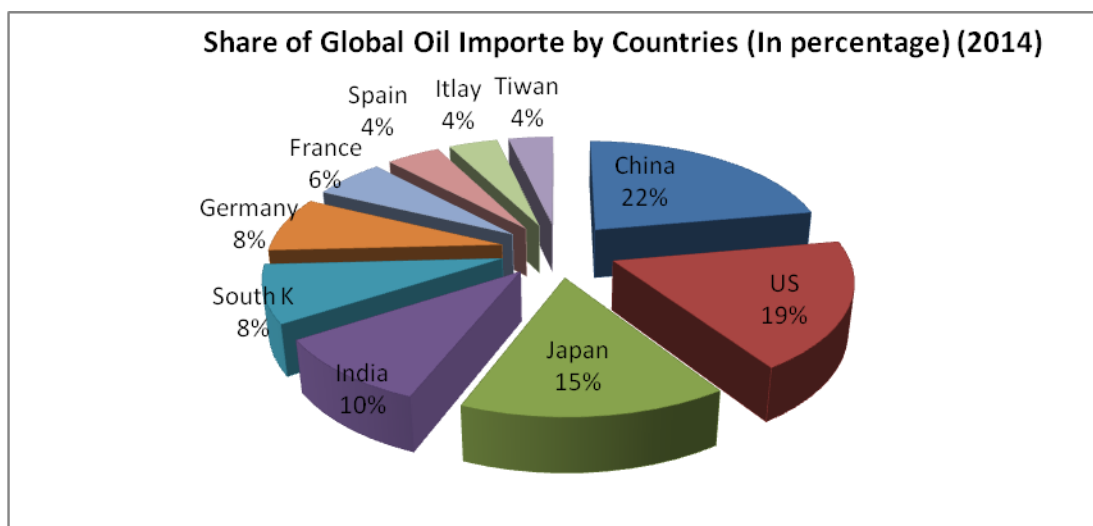
Due to slow down and low oil prices, decrease in supply has been recorded, nevertheless production grew in OPEC countries. For example oil produced in Saudi Arabia has remained 510,000 b/d, while Iraq produced 750,000 b/d. In contrast to this, in non-OPEC countries, despite the oil supply have increased, their oil production has declined. For example, in Brazil it has remained 180,000 b/d, while in Russia 140,000 b/d, and in both UK and Canada 110,000 b/d. The worst decline was seen in Mexico (-200,000 b/d) and Yemen (-100,000 b/d) (BP Statistical Review Report 2016:3).

Figure No. 1.6 Showing World's Top Ten Oil Importer in 2014, (Million Barrels Per Day)



Source of date: US Energy Information Administration, Country Analysis Brief: China (2014), “China Overview”, [Online web] Accessed on 3 January 2016 URL: https://energy.gov/sites/prod/files/2016/04/f30/China_International_Analysis_US.pdf.

Figure No. 1.7 Who Imports Oil and How much?



Source of date: US Energy Information Administration, Country Analysis Brief: China (2014), “China Overview”, [Online web] Accessed on 3 January 2016 URL: https://energy.gov/sites/prod/files/2016/04/f30/China_International_Analysis_US.pdf.

According to World Council report (2016), oil is the primary fuel for transportation sector and will continue till 2035. Electrification of transportation sector or use of bio-fuel are not going to bring any significant change in use of oil for transportation sector (World Energy Council 2016:20). It is Brazil which is becoming independent of oil by increasing their blending of bio-fuels in the transportation sector. Among developing countries, Brazil has successfully managed to bring transition due to effective policies including carbon taxes, investment in research and development driven by strong support from universities and companies. Other sectors such as housing, commerce and industry also consume oil, however it depends on the combination of regional factors such as availability, level of economic development and political, social and demographic factors (World Energy Council 2016:39).

- ***Oil Prices and Global Economic Growth.***

In 2015, average oil prices were recorded 52.39 per barrel and it was the lowest 46.56 per barrel in 2014 ever since 2004. (BP Statistical Review of World Energy 2016:3). The main reason behind decline in oil prices are neither led by geopolitical factors nor it depends on OPEC countries decisions and any supply side discontinuity, but market rebalances itself (World Energy Council 2016:2).

Net importing countries including US, India and china got benefited from low oil prices. While it has largely hampered GDP growth rate of oil producing countries. Due to their dependence on the hydrocarbon resources, oil exporting countries are facing problems from declining oil prices. In oil exporting countries, sovereign wealth fund or oil revenue is used as main source to mitigate fiscal pressure. In Russia for example, oil revenue contributes nearly 50 percent of the federal budget, decline in oil and gas revenue directly results in cut in public expenditure. The situation is worse in Saudi Arabia where oil generates 80 percent of state revenue and contributes 45 percent of GDP. Saudi Arabia has 7 600 billion worth of oil reserve, it faced deficit of \$ 100 billion since 2014. Similar kind of situation are faced by Kazakhstan and Turkmenistan in Central Asia given their high dependency on oil and gas. (World Energy Council 2016 : 57-58).

In addition to this, oil prices also impact the investment pattern of oil companies. High prices create incentives for companies. However, Global price dynamics are subject to many factors inducing balance between demand and supply, geopolitics, climate change activism,

dynamics of US dollar exchange rate and condition of global financial market. Besides this, technological break-through, shifting towards energy efficiency, the increase in unconventional oil and gas in United States. Due to all those factors which affect oil prices, oil industry has undergone drastic changes (World Energy Council 2016: 51).

Natural Gas: According to World Energy Outlook's forecast for the period 2012 to 2040 Natural gas will be the fastest growing energy fuels. Global gas consumption will increase by 1.9 percent per year. Abundant availability of natural gas resources and robust production of shale gas in North America (these two factors) will ensure its abundant supply for a longer period(World Energy Outlook 2016:1). It is more affordable and relatively clean and expected to secure energy future. Currently it is second largest energy source of power generation (22 percent share) and remain three largest source of total global primary energy (24 percent share) (World Energy Council 2016: 16). Natural gas is becoming more attractive alternative fuel for marine transport however its demand in transport sector remain comparatively low - 3.3 percent of total global natural gas demand (World Energy Council 2016: 16).

Most of the demand comes from Asia including India, Japan and most importantly from China which is emerging as the largest natural gas consumer in the world. Though, shale gas revolution in North America and slow down in China's energy demand along with low prices shows oversupply in the market which is expected to be continued in short to medium term (World Energy Council 2016: 17).

- ***Power Generation Sector and World Energy Consumption:***

As 1.1 billion people still do not have access to electricity, BP Energy Outlook (2016) reported that currently more than half of the increase in world energy consumption is used for power generation with the key agenda of global electrification. The share of energy used for electricity will rise from 42 percent to 45 percent by 2035. In India and Africa large part of the population lack adequate access to electricity therefore more than the third-fourth of the growth in electricity is taking place in those countries including other Asian countries. In this background, power generation is the main sector where all fuels compete with the increasing role of natural gas and renewable resources. The relative decline in coal has been witnessed. The share of coal declined from 43 percent in 2014 and has been estimated to decline in future while the share of non fossil fuels including solar, wind, will increase

around 45 percent by 2035 (BP Energy Outlook 2016:17) Renewable energy resources are effective and cheaper, and are free from financial burdens of grid development in rural areas. It is environment friendly and provides effective solution for providing electricity access in rural area (World Council 2016 (b): 57).

V. Geopolitics of Energy Security in the Ninetieth Century: Oil and Military Power

Historically the notion of energy security was mainly associated with supply of oil (OECD/IEA 2011: 7). During the First World War, Winston Churchill took a historical decision to shift from coal to oil as the main fuel to British Navy in the belief of that this would give them advantage over German's oil powered ship in the battle ground. This decision became the single factor to pave the way for Britain's greater dependency on insecure oil supply of Persian Gulf. Since then safety and certainty of oil supply became a question of national strategy. For Churchill "safety and certainty in oil lie in variety and variety alone" and thus diversification becomes the key principle of energy security (Yergin 2006: 69, Klare 2015: 13).

As oil became the main fuel of military in early twentieth century, occupation of enemy's oil fields of a enemy county, attack on refineries and transportation lines became integral part of energy security (Cherp and Jessica 2011:1). As Azerbaijan was producing nearly half of world's oil supply, during the Second World War, Hitler tried to capture Baku and Caucasian oil fields as part of his strategy of world domination Therefore, war over oil fields in Indonesia, West Asia, Caucasus and Romania during the world War II, highlighted the military importance of oil supplies (Sarkar 2010:166).

The trend of using oil for fuelling armies did not disappeared and it continued in Post Second World War Period. However, now oil also became a curial source for industrialization. Developed countries started to use oil for motorized vehicles for transportation, food production, health facilities, and manufacturing, heating and electricity generation. While most of those the developed countries except United States which only became net importer only in 1970, were completely dependent on importing oil from outside. On the other hand, West Asia and other major oil producing countries now had become independent countries unlike earlier, politically controlled by developed countries as it was the till 1945. After independence, those developing countries of West Asia and others became fully aware about

strategic importance of their oil resources and they started to use oil revenue for their economic and political stability (Cherp and Jessica 2011:1-2)

It resulted in 1973 oil crisis which continued till 1975. It became an historical events and first time power shifted from oil importing to oil producing countries. In 1973 most of Arab member countries of OPEC and non OPEC Arab countries cut down supplies to United States and other European countries in protest against US support to Israel. Oil was quickly recognised as powerful political weapon. High oil dependency of oil importing countries like US and European led to a serious economic crisis in that period. Consequently, oil prices increased and first time, fragility of global oil system was exposed. Increasingly oil prices became a key issue of energy (in) security. US with other countries took some key strategic initiatives to not to allow same kind of oil supply disruption again: first according to Cartel doctrine US would deploy its military forces in Persian Gulf region to protect its national interest specifically focus on “free movement of Middle Eastern oil.” Secondly, establish a global oil market and not to allow any single actor to dominate. Thirdly, establishment of International Agency in order to coordinate the response to oil supply disruption. Thus, first three- quarter of twentieth century was devoted to protect oil supply for modernization of armies and economy (Cherp and Jessica 2011:1-2).

VI. Geopolitics of Energy Security: Emergence of New States and Non- State Actors

In the Post Cold War period one of the key features of geopolitics of energy security is driven by the rise of new actors: China, India and Japan. Increasing energy demand is mainly located in Asia whereas supply is primary located in West Asia, Central Asia, Africa and Latin America. Geographical distances between demand and supply centre has led to competition and apprehension for energy security. The nature of energy resources also plays an important role. Fossil fuels are currently dominating in the pie of global energy consumption. Among fossil fuels it is oil and gas which have become scarce commodity with the growing demand in China and India. That has created a base for competition for gaining access to oil resources. Most of global oil supply comes from politically instable West Asia and it has to be necessarily transported through vulnerable sea lanes. In Central Asia however oil and gas are supplied via pipelines which are vulnerable to security threats posed by

separatist/ militants groups. World's major oil supplier regions including West Asia, Central Asia, Africa and Latin America are vulnerable to ethnic and identity based conflicts, inter-state disputes and the recent rise of ISIS which has created a situation of uncertainty of energy supply. While oil enhances the influence and power of energy producing countries, at the same time it poses a greater threat to energy importing countries. On several occasions, oil producing countries take the advantage of their oil resources and disrupt the supply to the world market. Incidents related with supply disruption has been taken place frequently after 9/11 incident and emergence of ISIS in West Asia. With the emerging energy demand in Asia, competition and conflict for oil and gas have threatened the global energy security.

- **United States's Energy Interest in West Asia**

After the establishment of OPEC in 1973, US's Big Oil companies which were popularly known as seven sisters- Gulf Oil, BP, Chevron Exxon, Mobil, Texaco, and Royal Dutch Shell-were thrown out form West Asia by oil producing countries. In the Post Cold war period, US's increasing oil demand forced it to make a strategy to bring those 'seven sisters' back into oil fields of the West Asia region (Juhasz 2009:5). Many analysts are of the view that the US's war on Iraq in 2003 helped to increase the hold of these companies in the region. Iraq is the second largest oil rich country after Saudi Arabia, therefore US's energy security lies in controlling Iraq's oil fields. After the war, when the Baghdad issued contracts for exploitation of oil fields, BP and China's CNPC got contract for Rumaila oil field with capacity of 17 billion barrels. ExxonMobil and Royal Dutch Shell won a bid against Russia's Lukoil for 8.7 billion barrel worth West Qurna Phase 1 project. Iraq's Zubair oil field, estimated 4.4 billion barrels reserves, was secured by Italy's Eni SpA along with California's Occidental Petroleum and the Korean Gas Corp. The bid for Majnoon oil field which is one of the world's largest oil field with estimated 25 billion oil reserves was won by Shell in the partnership of Malaysia's Petronas. This clearly demonstrates how Iraq's oil became the centre of competition and cooperation between world's big energy enterprises . Sometimes global energy security is maintained by using war. Geopolitical significance of a geographical space is not pre-given it is constructed for securing energy and war do not occur in vacuum, they are held for geopolitical and energy-driven interest by powerful actors (Jamail 2012).

Image No. 1.1 US and Saudi Arabia Relations: Oil Remains a Principle Factors



Source: Durkin Ali and Wang Yue (2015), “The Diplomatic Defense of Energy”, *Oil Change*, [Online web] Accessed on 28 June 2017, URL: <http://nationalsecurityzone.medill.northwestern.edu/archives/oilchangeproject/diplomacy-is-another-way/>.

After Iraq Saudi Arabia came into the focus of US energy strategy. US- Saudi Arabia oil relationship dates back to 1945, when President Franklin D. Roosevelt assured Saudi Arabia’s King Abdul Aziz to provide military protection in return for access to its oil resource. Saudi Arabia as the world largest oil producer and America as the major oil consumer country came closer during the Bush period in 2005. In 2005, the US President George W. Bush walked hand-in-hand with Saudi Arabia’s Crown Prince Abdulla bin Abdulaziz at Bush ‘s ranch in Crawford in Texas, the event got wide publicity in media (see image no.1) (Durkin and Wang 2015) .

- **Emergence of ISIS and Changes in New Geopolitics of Energy Security**

Syria provides a prominent example to understand new shift in geopolitics of energy security. As the energy resources generate power and money, it has recently become a powerful tool in the hand of Islamic State of Syria and Iraq (ISIS). Michael Calare is of the view that Syria has never been a major oil producing country, it is only few years ago Syria’s oil production reached 400,000 barrel per day. As the oil production grew, it became source of income for regime stability of Bashar al- Assad. Nevertheless, now the situation has changed and most of Syrian oil fields have been acquired by rebel groups including ISIS, the al-Qaeda-linked Nusra Front and local Kurdish militias. Oil has become a source of income

for rebels. They extract oil and through various clandestine channels they sell oil to the buyers in Iraq, Syria and Turkey. The income generated from the trade of oil provides necessary fund for payment of its troops and for accumulation of arms and ammunition. “Syria is an oil country has resources, but in the past they were stolen by the regime. Now they are being stolen by those who are profiting from the revolution” said Abu Nizar, an anti-government activist. It is also said that ISIS is selling oil to Assad regime in return for immunity from government air strikes (Klare 2014) .

Moreover, situation is not much different in the northern Iraq, where ISIS controls both petroleum supply and oil revenue of Bagdad government. Oil revenue provides the source of income to ISIS’s not only for military advances but also for fulfilling their agenda of nation building. It has inspired the other groups like Kurds and Sunni tribes to have control over the oil fields in their respective areas (Klare 2014). Thus in most of oil producing countries, uneven distribution of resources in society has led to the social conflict which is emerging as a new dimension of geopolitics of energy security. This recently has become the field of critical enquiry and traditional state centric approach of geopolitics of energy security has been challenged.

- **China and India: New Emerging Players in World Energy Market**

Carlos Pascual (2015) is of the view that no issue is more important than to understand that ‘who drives energy demand’? Since 2007, energy demand has shifted from developed countries in Organization for Economic Cooperation and Development (OECD) to emerging economies of non- OECD countries (Pascual 2015:17). IEA 2016 predicts that energy demands in non- OECD will rise by 71 percent while in OECD countries like US, EU it is expected to rise by only 18 percent during the period of 2012 to 2040. Rising economic growth and increasing population are the main driving factors for increasing energy demand in China and India (International Energy Outlook 2016: 8).

OECD countries perceive China’s growing energy demand as a threat to their energy security. China will drive global oil consumption. Its increasing engagement with oil and gas producing countries in West Asia, Central Asia, Africa and Latin America invites confrontation with old actors like US and Russia. US, EU and Russia have been a traditional

hegemon in world energy market. In 2001, with the unprecedented demand of oil in China, whose 80 percent of oil comes from West Asia, has brought it with direct confrontation and competition with US's interest of energy security in the region. However, many experts predict that with the emergence of new oil importing countries like India and China have affected Saudi Arabia energy calculations. Presently Saudi Arabia is seeking to strengthen its energy ties with China and Japan by providing them favourable terms of oil trade and in the return of that it wants to ensure the emerging market in Asia for its long term oil supply. China is also a major military supplier to Saudi Arabia (Bronson 2006: 251). In this background observers predict that US influence will decline in future and Saudi-Arabia will take this opportunity to diversify its energy export. It has already happened during the period of 2003 to 2004 when Crown Abdullah decided to diversify its energy export. US oil firms lost the lucrative Saudi gas contracts to their competitor firms: Russia's Lukoil, Chinese's Sinopec and France's Total (Bronson 2006: 251).

Iran is equally important for China, not only from energy investment perspective, but it is also important for China's "One Belt One Road Strategy". In 2016, when US lifted economic sanction on Iran; without any delay Chinese President Xi Jinping paid a visit to Iran. Iran is geopolitically and geo-economically important to China. Unlike Saudi Arabia, Iran could serve as a bargaining chip in the China-US game and therefore has special strategic and geopolitical importance to China"...That's why he [Xi Jinping] has to visit both sides in one trip and keep a careful balance" said Xia Xian, head of West Asia Studies at Yunnan University (Zhen 2016). (See image no 2 for Xi Jinping visit to Saudi Arabia).

Nevertheless, besides West Asia Chinese state-owned oil companies are continuing to expand their FDI and energy investment in offshore oil fields in Africa and Latin America. Latin America is turning towards China while its energy ties is decreasing with US. Ecuador which has been remained the largest oil supplier to US has signed a loan agreement with China in 2009. And since then, Ecuador started to supply its oil to China. China follows a different approach : "The Chinese tend not to get involved in local politics....and certainly not trying to reform anyone's domestic politics or economy... because of that they have a different profile in the region", said Eric Farnsworth, Vice president of the Americas Society Council of Americas and Former State Department Official (Durkin and Wang 2015) .

Nevertheless since 9/11 incidents, America's increasing influence in Sea lanes has been continuously become a serious concern for China's energy security. China's 80 percent oil supply from West Asia is transported through Sea lanes. China has been following a strategy of diversification of its oil supply from West Asia to Central Asia where growing Russia-China rivalry has shaped recent emerging phrase 'New Great Game' for energy.

- **Geopolitics of Energy Security: International Legal Framework and Multilateral Forums**

Geopolitics of Energy security is shifting from competition to cooperation. The consumer and producer are not only engaged in dialogue to ensure demand and supply but also institutionalised it by established regional and international forums with the key motto of ensuring global energy security. Recent debate is going on to include new emerging economies in International Energy Agency (IEA). Despite China has become second largest energy importer country, it is still not the part of International Energy Administration (IEA). Instead of becoming part of the US led organizations Chinese leaders prefer to take independent initiatives to ensure its energy security. China is the part of SCO energy club which is free from US's influence. China prioritises establishing regional partnership such as with its neighbouring countries of Central Asia and West Asia and in the most of cases China prefer to sign bilateral energy deals with Saudi Arabia, Iran, Kazakhstan and Turkmenistan. Unlike, Western oil firms, Chinese state-owned financially protected and politically supported have made significant investment in the field of energy in Central Asia and West Asia. It has invested in infrastructure like cross-border pipeline and refineries, and challenged hegemony of historically established Western oil companies. Not only Western but Chinese firms largely minimised the investment scope for Russian oil companies in Kazakhstan and Turkmenistan particularly.

Image No.1.2 Geopolitics of Energy: Increasing Ties between China and Saudi Arabia



Source: Sihombing Martin (2017), “ Xi, Jinping dan Donald Trump Akan Bertemu”, Khabar 24, [Online web] Accessed on 28 June 2017, URL: <http://kabar24.bisnis.com/read/20170330/19/641446/xi-jinping-dan-donald-trump-akan-bertemu>.

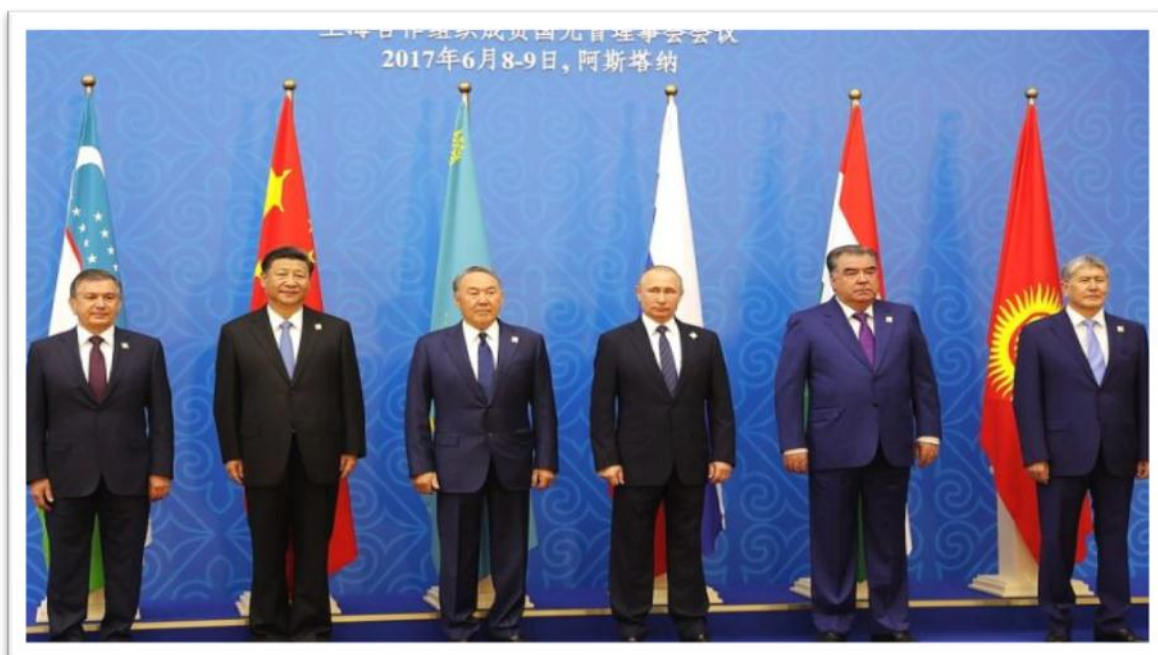
When it comes to the challenge of Western dominance of the US and EU, China prefers to close partnership with Russia. This trend can be seen in the case of US and EU economic sanction on Russia which was imposed due to Russian-Ukraine Crisis in 2014. As, Russia has not ratified International Energy Charter Treaty, it is not legally bound to follow legal provisions and occasionally uses its energy resources as a powerful tool. For example, the Russia-Ukraine crisis of 2006, 2009 and 2014, severely undermined energy security of EU countries. Since 2014, Russia has been facing economic sanction imposed by US and EU countries and as a result of this, its oil and gas revenue has severely decreased. IEA criticised Russia for its extra emphasis on earning oil revenue while ignoring long term investment in production and energy related infrastructure projects.

China has benefited from declining EU-Russia energy partnership in 2014. It has successfully managed to secure long waited natural gas deal with Russia. On the other hand, Russia has joined hand with China to support Chinese led ‘One Belt One Road initiatives’. Despite differences and clash of interest, Russian and Chinese oil companies are jointly exploring oil fields in Siberia. Though, Russia-China compete with each other and for energy investing in projects in Central Asia where China’s unprecedented influence in the energy

sector has been challenging Russia's geopolitical influence. Russia, China and Central Asia countries established SCO energy club in 2007. The main objective behind establishing the club is to control the Western powers and their energy firms in Central Asia. Central Asia has occupied a special place in China's growing search for energy and its 'One Belt One Road' Strategy (OBOR). To link energy supplying countries to China-through the development of infrastructure like road connectivity and pipeline- is the central to the much hyped OBOR project. However, it has led sense of fear among Russian and Central Asian experts and politicians. Despite growing apprehension over China's growing influence worldwide, Eurasian Diary (2017) reported a statement given by President Putin when a Russian Journalist asked Putin "Do you not fear that if everything planned under the (China's led) 'Silk Road' project eventually becomes reality, China will economically swallow Russia as well?"... Putin replied that "we agree only to those proposals that benefit us so what is there to fear? I would be shame not to make use of these opportunities this cooperation creates." In June 2017, after the completion of 'Belt and Road Forum for International Cooperation' in Beijing, few weeks later, Chinese President Xi joined all member of the SCO on the occasion of SCO Summit which was held in Astana. Regional cooperation remained the centre of their discussion and China is continued to deepen its ties not only with Russia but all Central Asian leaders. Energy security of Russia, Central Asia and China lies in to be continuing in participation in open dialogue. All member countries need to make a balance in their competing interest through the regional cooperation and 'multi-vector approach' that could serve both the long-term geopolitical as well as energy security interest of all member countries ³ (See the image no. 3).

³ Eurasian Diary (2017), "Russia-China Rivalry in Central Asia overblown", [Online web] Accessed on 30 June 2017, URL: <http://eurasiadiary.com/en/news/analytical-wing/154870-russia-china-rivalry-in-central-asia-overblown>

Image No. 1.3 Geopolitics of Energy: Russia, China and Cenral Asia in SCO.



Source: Eurasian Diary (2017), “Russia-China Rivalry in Central Asia overblown”, [Online web] Accessed on 30 June 2017, URL: <http://eurasiadiary.com/en/news/analytical-wing/154870-russia-china-rivalry-in-central-asia-overblown>.

Geopolitics approach suggests that bringing Russia, China and Japan on one platform can serve their geopolitical as well as energy security interest. Cooperation rather than competition will ensure not only to achieve energy security interest of respective countries but also achieving global energy security and balance of power. In complex, geopolitical environment, cooperation could serve the interest of all competing powers for energy. Therefore, promoting regional and international energy regime lies in the heart of resolving global energy dilemma and achieves global energy security (Dannreuther 2010:9). Thus, liberalising energy market through regional and international organisations is directly linked with the global energy security. Legally binding provisions such as Energy Charter Treaty help to reduce psychological fear of energy importing countries during war like situations.

VII. Energy Security and Central Asia-China Energy Relations

In the search of energy resources, China's state-owned oil company has made their access to every resources rich region in the world including West Asia, Africa and Latin America. However, energy resources of Central Asia have been a special attraction for China mainly due to the geographical proximity and political friendly relationship with Central Asia countries. Currently, the interdependence of China as a energy importing country and Central Asian states as the major supplier countries can be understood from the fact that energy exports are the pillar of the Central Asian economy whereas energy imports are the lifeline of China's economy.

In coming years, energy relationship between Central Asian states and China will become stronger for various reasons and energy security will be in the heart of their growing strategic partnership. What makes Central Asia's oil and gas resources special to China is that Central Asia's oil and gas can be supplied through land based pipeline and which are free from US influence as it the case to import oil from West Asian countries. Though Central Asia oil and gas trade are can not be compete with China total 80 percent of energy import form West Asia, Central Asian untapped energy resources are subject of exploitation with the help of advance technology.

As, energy security of oil producing counties of Central Asia is highly rely on continue to export their resources to the world market, China provide a tremendous market. In coming decades, China will remain a giant consumer of Central Asian countries for providing them financial aid, loan and investing in their pipeline infrastructure and overcome to disadvantage due to their landlocked position. The central features of Chinese energy investment is that it does require to change in domestic political and economic setting and assured the regime stability which itself is in the interest of China to protect its long term investment. Unlike other geopolitical powers (US, EU, Russia) China comes with huge capacity of energy investment, and infrastructure building projects including road, pipeline, railways and currently it has introduced '*New Silk Road*' initiatives to connect landlocked Central Asian economy to the world market. Nothing is important to the region which is blessed with abundant oil and gas resources with world ranking of oil and gas field but do not have access

to export those resources to the world market. Energy security of Central Asian states lies in diversification of its pipeline routes in different direction of the world. As China has managed successfully to build up two key pipeline running from Central Asia to China namely China-Kazakhstan oil pipeline and Central Asia-China Gas pipeline. In future, 'Silk Road Economic Belt' a new initiatives of Chinese Government to connect Chinese economy with the rest of the world, might help Central Asian Governments to build up more pipeline infrastructure in the different directions. For all these reasons, in the coming decade China's interest in Central Asian region is expected to increase.

Shanghai Cooperation Organization (SCO) has played an important role in creating a favourable environment to bring closer all Central Asian states and China not only in the field of energy security, but political, economic, culture and security aspects. In addition to SCO, several other institutional mechanism and treaties such as Bilateral Investment Treaties (BITs) Intergovernmental-Agreements (IGAs), Memorandums of Understanding (MOUs) and most importantly Energy Treaty (ECT) has been the key for providing legal framework for the long term energy partnership between Central Asian states and China.

China's growing economic and cultural influence has led towards growing apprehensions among Central Asia policy makers and scholars. They are of the opinion that growing dependency of Central Asia republics on China could harm their long term interest including: political sovereignty and geopolitical imbalance in the regions. Growing labor protests, sinophobia among indigenous community, occasionally attacks on Chinese embassy and many more challenging issues which need to be taken into the consideration by Chinese as well as Central Asian Governments in order to maintain their long term energy partnership.

Geopolitical theoretical framework suggests that China's energy interest clash with Russia's strategic interest in the region. Russia has been a historical hegemonic power in the Central Asian region and their independence in 1991. Nearly 150 years history of Central Asia has been a history of a strategically and historically and culturally dominated by Russian empire and the Soviet Union. As a result, since the 1991, the key goal of Russian foreign policy has been to revive its influence and power in the region. Energy resources of Central Asia have been as strategically important to Russia as it has recently become economically vital tool to fuel Chinese economy. China's energy trade and pipeline infrastructure development directly clash with Russia has been used Soviet era pipeline routes as a strategic instrument to

maintain its traditional hegemony in the region. Nevertheless, divergence and convergence of Russia-China interest in Central Asia provides a better opportunity to Central Asian states to get benefits from their competition and fulfil their own national interest by using their multi-vector foreign policy.

Review of Literature:

The literature available tries to throw light on various dimensions of Central Asia-China's energy cooperation.

Energy Potential and Policies of Central Asian Countries

The strategic importance of any oil-and-gas region is measured by the amount of its reserves and its geographical location. Since the end of the Cold War, Central Asian region has developed as an important Geo-strategic and Geo-economic region in the world politics. It lies in the heart of Eurasian continent and still follows the Makinder's thesis of "He who controls the heartland controls the world."

There is almost consensus among scholars that energy richness is the focal point that attracts the world power towards the Central Asian region. As Saidolimov says that the land-locked position of Central Asian region is compensated by the existence of rich natural resources. The energy riches of Central Asian states such as oil and gas reserves attract many foreign countries (Saidolimov 2007). Garrison also examines that energy resources in Central Asiann region have made the region important to China. Central Asian region is a unique territory not only from the geopolitical point of view, but also from the geo economic one (Garrison 2009).

Central Asia's strategic importance in international affairs is growing. Central Asia's strategic importance for Washington, Moscow, and Beijing varies with each nation's perception of its strategic interests. Washington focuses primarily on Central Asian region as an important theater in the war on terrorism. Moscow and Beijing view the region as a vital for defending their domestic interests. This imbalance of interest is a major factor that creates the competition among states for influence in the region (Blank 2008). Gulshan Sachdeva also writes that the strategic location, energy resources, competition for pipeline routes and the sheer number of regional and global players are sufficient reasons for many analysts to create theories of the "New Great Game" in Central Asian region (Sachdeva 2006).

However, as compared to Old Great Game, Central Asian countries are actively taking part in “New Great Game”. Secondly, in ‘New Great Game’ the rivalry is not only for influence, but also for energy resources in the region. Thirdly, there are many actors compared to old Great Game as at present, China, Russia, the US and EU all are competing to secure energy supplies from Central Asia countries.

Central Asian states play a critical role in global energy security because it has a large volume of oil and gas and it serves the bulk of its resources to international companies to develop. The region contains giant fields such as Kashagan in Kazakhstan - the world's largest offshore oilfield - and South Yoloten in Turkmenistan, one of the world's top three gas fields. Despite a major move by China to develop oil and gas pipelines to the east, the bulk of its resources continue to flow west. While China constitutes a new opportunity for the landlocked countries of Central Asia, they will continue to play a major role in European energy affairs for decades to come (Robert 2010). Central Asian economies have some of the world's largest energy supplies for instance Turkmenistan has some of the largest natural gas reserves in the world. The country currently ranks in the top six countries for natural gas reserves and the top twenty in terms of gas production. Thus, Turkmenistan has become a leading gas exporter in the Caspian and Central Asian region. However, lack of sufficient foreign investment, geographical challenges, inadequate export pipeline infrastructure, and a rigid economic structure are factors that have prevented the Turkmenistan from becoming a major hydrocarbon exporter (EIA- Analysis briefs, Turkmenistan Energy data 2012).

Recently, new oil and gas fields have been discovered in Central Asian countries such as in Kazakhstan and more recently in Turkmenistan make the region more vital. In this very context, there arises a question among scholars, ‘will Central Asian region replace the West Asian region as prime oil source’? Some scholars argue that one of the main reasons why the West Asian region holds such importance to the West countries is due to its huge reserve of oil and natural gas. As the West Asian region witness political unrest, turmoil and strife, Central Asian region can be the significant alternative of West Asian region to China as well as West countries.

Kazakhstan, an oil producer since 1911, has the second largest oil reserves as well as the second largest oil production among the former Soviet republics after Russia. Kazakhstan is a

major oil producer. Its estimated total liquids production has 1.64 million barrels per day in 2013 (EIA- Analysis briefs, Kazakhstan Energy data 2012). EITI Report 2011 also states that Kazakhstan has the largest recoverable crude oil reserves in the Caspian region. The hydrocarbon industry is estimated to account for roughly 50% of the government's revenues. Kazakhstan's proven oil reserves are estimated at 30 billion barrels. Current oil production, approximately 1.6 million barrels per day, is dominated by two giant fields: Tengiz and Karachaganak, which produce about half of Kazakhstan's total output (EITI Report 2011). However, Kazakhstan is land-locked and lies a great distance from international oil markets. The lack of access to a seaport makes the country dependent mainly on pipelines to transport its hydrocarbons to world markets. It is also a transit country for pipeline exports from Turkmenistan and Uzbekistan (EIA- Analysis briefs, Kazakhstan Energy data 2012). Therefore, Kazakhstan, which is geographically closer to China, is more subject to geo-economic influence.

Multivector has been one of the striking feature of the foreign policy of Central Asian countries. Energy resources rich Kazakhstan and Turkmenistan have adopted what has been termed 'multi-vector' approach in their energy strategies. Based on this policy, the vast oil fields of Kazakhstan and gas fields of Turkmenistan are open to competition. Central Asian countries are exploiting the competition among the major players. Oil and gas resources are the main through which, they are getting the best value for their resources. Thus, Central Asian countries have better reason to encourage competition between Russia and China. After that, Central Asian states can get better chances to deal with the countries (Cutler 2013).

China's Energy Strategy and Engagement in Central Asian Region

According to Byrne, the aim of China's westward pivot is two fold: First, Beijing has calculated that there are lower risks in importing oil through land pipelines than across the sea from the Persian Gulf. Secondly, friendly alliances with Central Asian countries provide a favorable safeguard against greater domestic instability in China's western frontiers, particularly among Uighur separatists in the westernmost province of Xinjiang (Byrne 2013). Chinese president Xi Jinping's visit of Central Asian states in September 2013, became the focal point in media. China's President visited four out of the five capitals of Central Asia. The investment of time and money of the china's president into the energy rich Central Asian

countries reflected that Central Asian states are becoming more strategically important to China. So, it really underlines how important this region is to China's future (Synovitz 2013). In his Article entitled "China's Central Asia Overtures: Why Now?", Aaron Filous focused more on China's re-engagement with Central Asian states. He critically analyses the factors that how China made Central Asian region a priority in 2013, not last year or the year before (Filous 2013).

China's economy is growing fast; therefore, its demand for all sources of energy is greater than ever. That is why, today, China is known as Central Asia's New Energy Giant. Perlez and Feng analyse that China's crucial quest for energy is the main driver of its strategic interest in the Central Asian region whose proximity allows huge reserves of oil and gas to be moved overland through Chinese-built pipelines rather than by ship through American-dominated sea-lanes from the West Asia (Perlez & Feng 2013). Jen-kun Fu also stated that Central Asian region's petroleum resources would enable Beijing to reduce its dependence on the West Asian region (Fu 2010). China accounts for almost 20 percent of the world's energy consumption and its demand is still growing at high speed. In order to keep up with the expanding industry, China turns to Central Asia states. China has ambition of gas line projects and considers countries such as Kazakhstan, Turkmenistan and Uzbekistan to be key factors in its energy security nexus (Fazilov and Chen 2013).

However, among Central Asian states, it is Kazakhstan where China has focused its energy investment. China is involved at all levels in this activity from exploration and construction of export pipelines to outright purchase of energy supplies (Dwivedi 2006). China is rapidly emerging as a world power. In a decade or two, it might directly challenge the supremacy of the United States, Japan, and Europe. Nevertheless, before this happens, the Chinese leaders are trying to create a zone of friendly and stable countries around China's borders especially with Central Asian countries. This will provide them political support and economic influence in the future (Swanstrom 2004).

The approach which China follows towards Central Asia is driven by their strategy of not to antagonize the leaders of the Central Asian republics. Chinese leaders to win over their Central Asian counterparts by demonstrating respect, offering generous financial aid, investment, and trade and loan terms, and taking a 'hands-off' approach to domestic issues. The Chinese strategy is appealing the leaders of the region most rather than Russia, which

follows the restrictive trade policies in the Central Asia region. Unlike Washington, Beijing does not press Central Asian leaders to agree to a timetable and agenda for internal reforms. The differences in their approach are clear on the ground. No U.S. president has ever traveled to Central Asia. The last U.S. vice president visit to the region was Al Gore, who went to Kazakhstan in 1993, during the administration of Bill Clinton. Trips to the region by U.S. secretaries of state have been few and far between. All these factors lead to China coming out on top in the region (Olcott 2013). However, Alexander Shustov is of the opinion that China's unbalanced influence may become a problem for the Central Asian republics. Kyrgyz and Tajik economies are heavily dependent on China. Kyrgyzstan has turned into a regional marketing hub for Chinese products after joining the WTO. The business has become a crucial source of income for more of the republic's population. Tajikistan's reliance on China has reached a critical level as 40% of its sovereign debt of \$2.1 billion (33.4 of the national GDP). This money is to be paid to the Export-Import Bank of China. With the recent financial deals, the share of Beijing in Tajikistan's indebtedness is going to rise to 70% (Shustov 2012).

Risks and Challenges for China in Central Asia

China faces several risks and challenges which make difficult for China to take Central Asian region as a reliable source of energy and be the winner in the "Great Game." Apart from instability and strife instability in the region, China is facing the heat of new Competition. Central Asian energy equation is not simple one. The transportation of these resources requires a big commitment by the parties involved. China's ability to tap Central Asian energy resources means overcoming serious infrastructure and investment challenges to get the resources to China's eastern cities and the border Asian market. Russia also can be an obstacle. Central Asia's three natural gas providers with the greatest potential – Uzbekistan, Turkmenistan and Kazakhstan all face the challenge to diversify their markets to make planned natural gas exports viable. Both Turkmenistan and Uzbekistan have significant reserves but currently produce from older fields that are showing sign of decline. Both countries need new investment to increase production (Garrison 2009). China has come to displace both the United States and Russia as the great power with the most influence in Central Asia. Chinese President Xi Jinping just ran a ten-day victory lap through the region. Rarely has a leader of a major power accomplished so much in such a short span of time

(Olcott2013). Despite the significant strategic, geopolitical, and economic benefits, the China is investing huge which does not mean that China is not facing any problem and risk regarding doing its business in the region. Although the region provides a buffer from the southwest Asian sources of conflict and instability but peace is far from in reality. Unrest in Afghanistan and Pakistan could boom across borders into Tajikistan, Kyrgyzstan, and Uzbekistan (Bracken et al. 2013). Thus, Central Asian region suffers from localized conflicts as well as economic distress. Ethnic tensions continue in many of the states of the region. It is making the region vulnerable to instability and threatening its political and economic development. It will automatically harm the China's interests. Mumin is also of the opinion that the region hides risks with its unstable and unpredictable political regimes. The Chinese energy policy should develop multiple energy resources, so that dependence on an energy supply from Eurasia would not be a burden for the economic growth of the Asian dragon (Mumin 2008).

Russia- China Energy Competition in Central Asian Region

The strategic importance of Central Asian region and its vast energy resources draw a lot of external interest towards it. Russia traditionally has been the strongest outside player in the region. However, China's active involvement in energy sector of Central Asian states challenge Russia's traditional hegemonic position in the region. For instance, until the opening of the Central Asia-China pipeline in 2009, Russia was the biggest customer of natural gas from Turkmenistan but now China draws energy from two fields in Turkmenistan. Therefore, this has become the significant debate among the scholars what would be the implications for Russia of China's rising energy demand and its influence in Central Asian region.

Central Asian region is politically sandwich between Russia and China with an American component. There is no much room for other powers to get involved. However, any positive involvement by India will be welcomed. Nevertheless, it should be done in very accurate way, which will not provoke regional competition (Lukyanov 2012). The rise of China is a serious threat to Russia's role even if Moscow keeps its influence in the security field thorough the Collective Security Treaty Organization. The growth of Chinese presence in Central Asian states seems unstoppable. Energy, industry, culture, infrastructures, security-

nothing seems to escape Beijing's influence. Russia's worries have been ignored, but things could change (Indeo 2012). The major interest behind Russia's involvement in the region is to preserve Russia's status as the main transit route for energy exports from Central Asian region to Europe. It is also engaged in the region to control foreign influence mainly the US and China in its own backyard. Russia has used a multi-pronged approach of "soft power" diplomacy towards Central Asian countries through its state dominated energy companies, headed by Gazprom and Transneft (Bergsager 2012).

China's energy balance sheet as well as its foreign investment strategy will continue to drive it to do whatever is necessary to help the Central Asian countries to develop their energy resources for export. The Chinese workers and methods of industrial organization will come to the region, as it has already happened in parts of Kazakhstan. These developments will lead to enhance the Chinese political-economic influence in the Central Asian region in long term (RIAC Report 2012). China is making huge investment in the region. China is also providing very good condition on credit whereas Russia does not have it. Besides, the influence of Russia has decreased in the last 25 years (Perlez and Feng 2013). Russian domestic weakness to a certain extent gives the Chinese and many other actors such as the United States and Europe an opportunity to move in the region. Nevertheless, the Americans and Europeans have not taken that opportunity to the same extent that the Chinese have. On the other hand, Russia continues to enjoy a significant cultural and economic advantage in Central Asia region. To break the Russia monopoly could serve the Central Asians countries well. On the other hand, the Central Asian states have realized over the years that it is not good to have one dominant power in the region. They do not want it to be the Chinese or the Russians. They are very conscious about the fact that neither the Russians nor the Chinese would be the perfect actor to dominate the region. They are trying to diversify the influence over the region (Swanstrom 2004).

To balance the Chinese growing influence in the region, Russia can use India's partnership to balance China's increasing influence in the region. Russia is still definitely a critical balancer in Central Asia, but China is a growing fast. Therefore, Moscow needs India's partnership. From the strategic point of view, Moscow favors the greater involvement of India in Central Asia region. As the Indo-Russian partnership is particularly powerful in the military sector, Moscow stands to gain Indian rapprochement with the Central Asian military-industrial

complex. Russia and India also share a vision of international balances that includes opposing the U.S. hegemony, denial of the use of “double standards” by the West and the democratization of international relations. Moscow displays an understanding view on the Indian nuclear issue, and supports India’s candidacy for a permanent seat on the UN Security Council and full membership of SCO as well. On the other hand, India supports Moscow’s bid for the Asia-Europe Meeting and endorses Russian ambitions to be more involved in the political and economic life of Asia. Today, Russia remains the critical balancer in the Central Asian competition. Significant advantages will enlarge to India depending on its relationships with Russia. However, according to Edward Chow, China would not like India to gain access to Central Asian gas through the TAPI pipeline as the two countries have conflicting interests over the natural resource in the region (Laruelle 2012, Kucera 2012 and Chow 2013).

Most of the scholars argue that China is counterbalancing Russia’s Soft Power in Central Asia region. Nevertheless, Russia would like to cooperate with China than with the West and Russia’s cooperation with China would be only based on to stay connected with Central Asian oil and gas resources and to stop China from replacing Russia’s influence in Central Asian region. Therefore, Russia is more likely to compete rather than cooperate with China. This highlights the fact that there is a very less possibility of China and Russia engagement as meaningful partners in the energy fields of Central Asia states. However, it shows that China and Russia both are trying to increase their influence in the region in all aspects including defense, political, economy and especially in energy sector. Despite the existing competition between China and Russia, however, it is not expected to lead to a war like situation in the post cold war era. Therefore, competition among these countries in the region should be seen as an opportunity for the development of Central Asian states. On the other hand, while observing this competition from the theoretical understanding of Game theory in international politics, some scholars do not believe that there is a Great Game in the region. Since they argue that there is very less possibility that any single country can dominate the region alone. Thus, there is no true great game in Central Asian region. As neither Russia, China nor the United States is able to dominate the region alone. They can only develop interdependent relationship, which can create new opportunities to reframe traditional relationships. China’s rise need not be at Russia’s expense, but might well contribute to the mutual advantage of Moscow, Beijing and Central Asia states (Olcott 2007). Therefore, it

would not be right approach to see the activities of a number of countries in Central Asia, as it was in 19th century zero sum great game. There are many areas of interests where these concerned international actors can enhance their position such as trade, development, peace and stability.

There is plenty of literature related to the China's increasing energy search in the world. Nevertheless, there is lack of literature so far directly or indirectly related to the recent China's increasing energy demand particular of oil and gas in Central Asian region. It is notable that West Asia remains the main transit source of energy to China. However, recently China has started to invest huge money in Central Asian states to tap the energy resources of the region. Thus, the proposed study would make an effort to fill up this gap and try to find out main reasons behind the China's increasing energy interest in the region. It will also examine the Central Asia's energy potential and policies in energy sector. Besides, there exists very less literature directly available on how China's growing influence in Central Asian region harms Russia's interests and what could be the implications of it for Russia. The available literature also does not talk much about number of the significant questions such as how can Russia and India be considered as natural ally? Would Russia and India be able to control the China's growing influence in the region in future? To find out answer of these questions would be one of the primary goals of this research. Apart from this, the study will make an effort to trace out the risks and challenges China faces in Central Asian region to take the full advantages of geo strategic importance and energy resources of the region.

Rationale and Scope of the Study

China's constant search for energy resources to fuel its economy has become one of the decade's biggest issues in international politics. China's development is directly linked with its access to energy resources. To meet its development goals, Beijing has taken many initiatives in energy rich Central Asian region. Central Asia's energy resources, oil and gas, have occupied an important position in China's energy strategy. Moreover, Central Asian energy accounts approximately 10 percent of China's oil import. Secondly, Central Asian states can help China in diversifying its energy import. Therefore, the proposed study will focus on a better understanding of oil and gas linkages between Central Asian states and China. The study will analyze the various causes that make the Central Asian region

important to China and will also discuss energy potential and policies of Central Asian states. Apart from ensuring oil and gas import China's high priority is to protect its Xinjiang province from possible insurgency and unrest. In this regard, the proposed study will explore how the peace and stability in Central Asian region have deep implications for the security and stability of China. The study will also try to understand China's strategy to deal with the instability in the Central Asian region which is directly linked with security of China's western territories.

The energy cooperation between Central Asian states and China could create long term mutual engagement and interdependence of each other. This interdependence could help Central Asian countries to diminish instability and turmoil and bring peace and stability in the region for long time. Therefore, the energy cooperation between both can result in a fruitful model of mutual benefits, which will serve the interests of both the sides. Besides, the proposed study will also look on the competition between Russia and China for the energy resources of the region. Central Asia's energy reserves are of particular interest to both China and Russia. Therefore, despite some areas of cooperation, both China and Russia are the biggest competitors of each other in the region. This competition between Moscow and Beijing is predicted to increase by many scholars and academicians in the future. In this context, the proposed study would be a great opportunity to understand the politics in Central Asian region. Thus, the proposed study is relevant as a contribution to the energy security study and politics in Central Asian region.

Aims and Objectives of the Study

- To study the concept of energy security in global as well as in Chinese context.
- To analyse the geostrategic and geo economic importance of Central Asian region to China.
- To understand the main reasons behind China's growing influence in Central Asian region.
- To examine Chinese energy strategy towards Central Asian countries.
- To explore the implications of China's growing influence on Russia monopoly in the region.
- To examine how Russia can balance the China's rising influence in the region.

Research Questions

Following research questions have been addressed during the course of the research.

- What is the Global energy trend?
- What is the Geo-strategic importance of Central Asian region to China?
- What is the China's energy security policy in Central Asian region?
- What are internal and external factors, which shape China's energy policy in Central Asian states?
- How much Central Asian region is capable to satisfy China's rising energy demand?
- How do china's energy policies in Central Asian region pose a threat to Russian interests?
- How can Russia balance China's growing influence in the region?
- What are the prospects, Challenge and Opportunities to Chinese energy strategy in Central Asian region?
- How do Central Asian countries balance between the great powers in the region

Hypotheses

Following are the hypotheses of the study

- 1) China has enhanced its position in various fields of Central Asian region such as politics, economy, culture, infrastructure, security and more recently energy resources particularly oil and gas, which have made Central Asia more attractive to China
- 2) Central Asian states see their relationship with China to lessen Russia's influence in the region.

Research Methodology

The study is based on descriptive and analytical method of research. It examines various aspects of Central Asia- China energy cooperation such as importance of Central Asian region to China, Central Asia's strategic interest in china, Central Asia's energy potential and policies, and challenges and opportunities to China in Central Asian region. Besides, to find out major reasons of China's growing influence in the region and its implications for Russia has been the main object of the study. In this context, the study is qualitative. Deductive

approach has been used in this study as it has generalize energy resources of the Central Asian region but, this generalization is confined to oil and natural gas particularly. Besides, in first hypothesis, politics, economy, culture, infrastructure, security and most importantly energy resources of the region are independent variable while China's increasing influence in the region is dependent variable. In second hypothesis, Central Asia's growing strategic interest towards China is independent variable whereas to get strategic advantage and balance Russia's monopoly in the region is dependent variable. The study makes use of various primary and secondary sources. The primary sources include various reports and surveys by different international and national research organization. In addition, annual address report and speeches of the Central Asian Presidents and other leaders of the world have also been used as primary sources. The secondary sources comprise authentic materials that include books, research journals, articles and other relevant materials available at websites dealing with the subject. The work has also utilized information provided under interviews published in different magazines and media. The researcher has also visited to Kazakhstan as a part of field work for collecting data and relevant materials.

Scheme of the Research:

Chapter 1: Introduction

The first chapter deals with a brief introduction of the subject as well as the global trend of energy production and consumption. The chapter also sheds light on the research design and review of literature.

Chapter 2: Energy Profile and Policies of Central Asian States

The second chapter mainly discusses the energy profile of Central Asia. It analyses the oil and gas potential of Central Asian countries particularly of Kazakhstan and Turkmenistan. It also focuses on the energy policies of Central Asian countries as well.

Chapter 3: China's Oil and Gas Pipelines Strategy in Central Asia

The third chapter makes an effort to analyse the China's energy strategy in Central Asian region. It finds out the main reasons behind China's rapidly growing investment into the energy infrastructure of Central Asian states. The chapter also tries to study various oil and gas pipelines between Central Asia and China.

Chapter 4: Russia- China Energy Competition in Central Asia

The fourth Chapter throws light on Russia-China competition in Central Asia. It makes an effort to trace out the China's increasing influence in the region and its implications on Russia. Besides, the chapter analyses the Russia's interests in Central Asia as well. The chapter also examines cooperation areas between China and Russia in the region.

Chapter 5: Risks, Challenges and Opportunities for China in Central Asia

In the fifth chapter an efforts has been made to study risks and challenges, which China faces in Central Asia. It throws light on political instability and unrest in the region, which has made the region unstable and ultimately has created many Challenges to China. It also examines the opportunities to China.

Chapter 6: Conclusion

This chapter summarises all the findings of the research work. It also provides some significant and valuable suggestions and recommendation.

Chapter-Second

Energy Profile and Policies of Central Asian States

This chapter will examine the potential of oil and gas reserves of Kazakhstan, Turkmenistan and Uzbekistan. Here, the word “potential” has not been used in strict economic sense. An object becomes a potential resource when there is a chance of its exchange. However, any exchange is always mediated by cultural, economic, social and geo-political structures. To develop the potential of oil and gas, Central Asian countries need to engage themselves with the questions of ethnicity, language, governmentality, territorial disputes, environmental issues, foreign relations, geopolitical interests, economic capabilities and technological expertise. All these issues directly or indirectly affect the trade of petroleum products.

Domestic and foreign policies of Central Asian countries have been crafted by keeping in view all of these issues. For last two decades, oil and gas resources have been driving factors for the development of economies of Central Asia especially of -Kazakhstan and Turkmenistan. Since late 1990s, Kazakhstan experienced an oil boom which continued till 2008. During the period, oil export increased three times while global oil prices increased six-fold. In the period oil and gas constituted 70 percent of total export of Kazakhstan. Between 1998 to 2008, GDP growth of Kazakhstan increased by 8 percent per year and the trend continued till the financial crisis hit the oil-led growth of Kazakhstan (Satpayev Dossym and Umbetaliyeva 2015: 122) Kazakhstan’s GDP growth slowed down by 1.8 percent in 2007, followed by a sharp slowdown in 2008 as poor global economic conditions resulted in lower oil and commodity prices (Kazakhstan National Bank 2016). The high dependency on earning from oil and gas revenue makes Central Asian countries vulnerable due to fluctuation of world oil prices. Thus, dynamism in world economy shapes the domestic economic growth of Central Asian countries.

Since the second half of 2014, the slowdown in world oil prices has again hit the hydrocarbon led economy of Kazakhstan, Turkmenistan, and Uzbekistan and indirectly it has affected the economic growth of non- energy exporting countries-Kyrgyzstan and Tajikistan. Since June 2015, oil price dropped from \$ 115 barrel to \$ 56 barrel and reached \$ 35 barrel in the end of 2015. Sharp decline in oil price negatively hampered GDP growth of all Central

Asia economies. In 2015, the growth of Central Asian countries witnessed sharp decline compared to growth-rate of 2014. For example, in 2015 Kazakhstan's GDP growth decreased to 1.0 percent from 4.3 percent in 2014, in Turkmenistan it declined to 6.5 from 10.3percent, in Uzbekistan to 8.0 from 8.3 percent while in Kyrgyzstan 3.5 percent from 4.0 percent, and in Tajikistan it decelerated to 6.0 percent from 6.7 percent (see table no. 1) (Asian Development Outlook 2016: 101-121).

Table No.2.1 Decrease in World Oil Prices and Negatively Effect on CARs GDP (2014-2015)

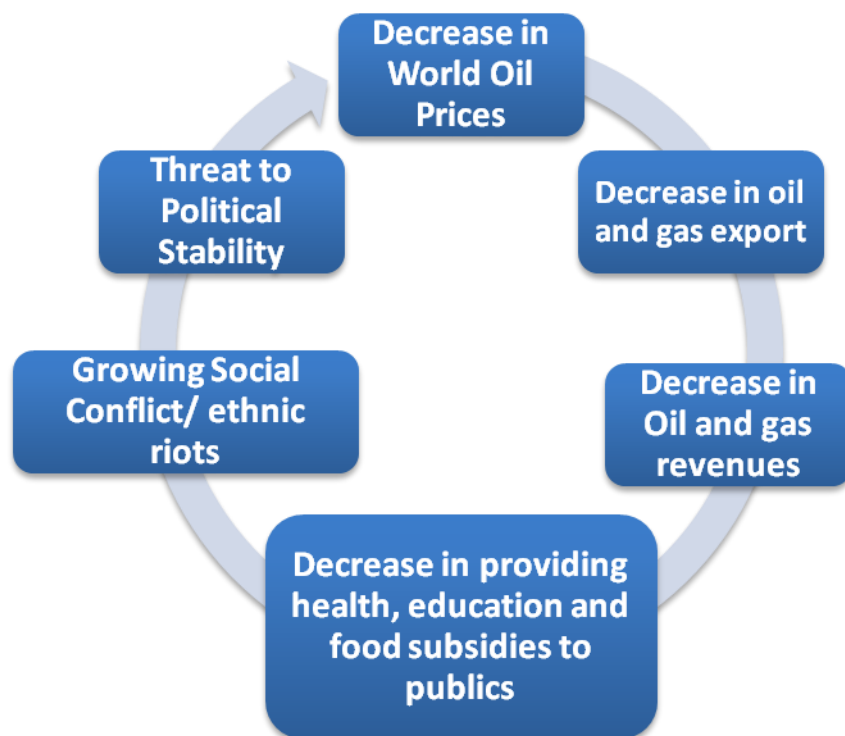
Name of Country	2014	2015
Kazakhstan	4.3 percent	1.0 percent
Turkmenistan	10.3 percent	6.5 percent
Uzbekistan	8.3 percent	8.0 percent
Kyrgyzstan	4.0 percent	3.5 percent
Tajikistan	6.7 percent	6.0 percent

Source: Asian Development Outlook (2016) page no. 101-121.

In addition to this, lower oil revenue driven by weak oil prices sharply resulted not only in depreciation of local currency as tenge and manat of Kazakhstan and Turkmenistan respectively but also led to narrow down the total budget deficit of GDP. Despite Kazakhstan's government efforts to control inflation rater, extensive dollarization of Nationa Bank of Kazakhstan (more than 65 percent of bank deposits in foreign currency) limits the effectiveness of its monatry policy. Furthermore, in 2015, Kazakhstan's bedget deficit was also narrowed down to 2.2 percent of GDP in 2015, form 2.7 percent in 2014. Declining budget deficit negatively affected the planned spending on the social and economic development programs and forced government of Kazakhstan to cut down the spending on health, education, pensions and subsidies (Asian Develment Outlook 2016: 102).

This shows that economic growth of Central Asian countries is highly dependent on export of oil and gas which are vulnerable to volatile world energy prices. Moreover, decreasing demand of commodities in energy rich Kazakhstan, Turkmenistan and Uzbekistan also negatively affects economic growth of non- energy exporting countries like Kyrgyzstan and Tajikistan. As Kyrgyzstan and Tajikistan export many commodities to Kazakhstan, Turkmenista, the decreased demand of these goods in these countries affects the economies of Kyrgyzstan and Tajikistan. The situtaion becomes worst during the period when petroleum prices were lower and Russia was suffering from economic recession. Russia is a major source of remittances to the economies of Kyrgyzstan and Tajikistan. In this way, low oil prices also hurt the economic growth of non-energy exporting countries of Central Asia

Figure No.2.1 Declining World Oil Prices and its Impacts on Central Asian Republics



I. Oil and Gas Potential of Central Asia

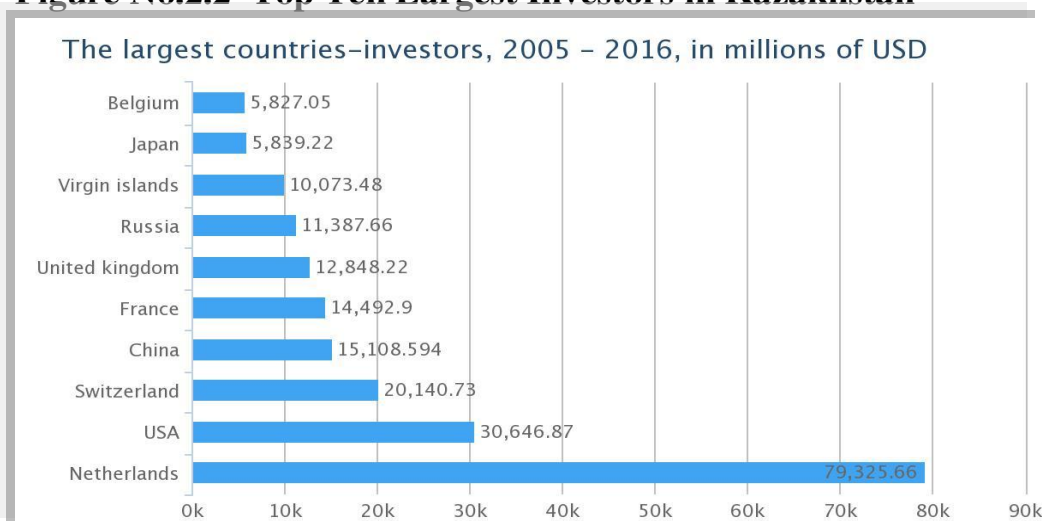
In terms of energy resources, countries of Central Asia are divided into two groups- “haves” and “have-nots”. The first group is endowed with energy resources comprises Kazakhstan, Turkmenistan and Uzbekistan. In the second group falls Kyrgyzstan and Tajikistan, which lack energy resources. To understand their political, economic and strategic policies one needs to understand the potential of energy reserves of these countries. The study of potential of natural resources of Central Asian countries goes beyond energy resources (Ismailova 2011: 32) . Kazakhstan is endowed with huge amount of fossil fuels [oil, gas, coal, uranium ore] and other minerals, which have a vital share of percentage of world deposits - Copper 10 percent, Lead 18 percent , Zink 13percent , Iron 10 percent ,Manganese 25percent , Chrome ore 30 percent (Speech of N.A. Nazarbayev in June 1996: 96). Nevertheless, the focus of this chapter remains on oil and natural gas.

According to Central Asia Competitiveness Outlook (2011) energy resources have helped Central Asian countries in multiple ways. For instance, the productivity of labour has grown between 3 percent to 6 percent, which is above the world average. The GDP growth has grown by 8 percent annually while FDI has increased nine- fold. Netherland is the largest investsorts while US Switzerland, China remains second, third and fourth respectively. (See figure no. 2.2 for the top ten largest investors in Kazakhstan). These indicators highlight the importance of natural resources in the economic growth of the region. Nevertheless, the global financial crisis in 2008- 2009 adversely hit the economic growth and reduced it by the half of the earlier growth. The crisis further damaged the business climate in the region. During the period of crisis these countries witnessed rise in poverty level and income inequality. Over-dependency on energy resources makes central Asian economies vulnerable to volatility of the world oil price. The challenge of reducing dependency on energy resources is only possible through the development of non-energy sector including manufacturing and agriculture sectors. The economies of Kazakhstan, Turkmenistan and Uzbekistan are highly dependent on energy export, while economies of Kyrgyzstan and

Tajikistan are primarily led by agriculture and mining sector (especially of copper and gold) (Central Asia Competitiveness Outlook 2011: 13).

The report further stated that with the total population of 92 million, Central Asia possesses abundant natural resources. The region has some of the world's largest energy reserves, which is a strong base for economic growth and a potential source of revenue. For instance, Kazakhstan's oil reserves will last for 65 years and its coal reserves will last for 308 years. Turkmenistan a leading producer of natural gas holds natural gas reserves which will last for 223 years. Though, Kyrgyzstan and Tajikistan are not rich in oil and gas, they have ample potential in hydroelectricity (Central Asia Competitiveness Outlook 2011: 20).

Figure No.2.2 Top Ten Largest Investors in Kazakhstan



Source: Invest in Kazakhstan (2017), [Online web] URL: <http://invest.gov.kz/pages/FDI>.

Kazakhstan:

Kazakhstan's territorial area ranks ninth in the world which is equal to the area of Western Europe. Despite its large size, the country has one of the lowest population densities in the world (with the 17.5 million). However, geographically it is Landlocked and it does not have maritime access, except western Kazakhstan which has two ports of Aktau and Atyaru on Caspian Sea. The country shares its border in south with Uzbekistan and Turkmenistan, in east with China where the border passes through the hostile desert and mountain ranges. In north and north-east Kazakhstan shares longest border with Russia without any physical obstacle. This geographical feature plays a significant role in shaping its trade relations with

other countries. Strategic location of Kazakhstan provides an opportunity to link country with rising market of China, South- Asia, Russia and Europe by rail, road and port on the Caspian Sea.⁴ Now the geo-politics is shifting in the favour of Kazakhstan and after the construct of “New Silk-Route” the country’s geographical status would change from ‘*land-locked*’ to ‘*land-linked*’.

In terms of total oil reserves, Kazakhstan is among the top 15 countries in the world. Its oil – reserves constitute 3 percent of the total oil reserves of the world. Kazakhstan’s 62 percent of total land is occupied by oil and gas fields. There are 172 oil and gas fields in Kazakhstan out of which 80 fields are under-development. Kazakhstan’s 90 percent of oil is located in its 15 oil fields. Nearly 70 percent of oil and gas reserves are located in Western Kazakhstan. It is mainly concentrated in 6 provinces (out of 14 provinces) of Kazakhstan- Aktobe, Atyrau, Karaganda, West Kazakhstan, Kyzlorda, and Mangystau. Largest onshore oil fields of Kazakhstan such as Tengiz, Karachaganak, Aktobe, Mangistau and Uzen are located in these provinces. While offshore (Kashagan and Kurmangazy) oil fields are located in the Caspian Sea part of Kazakhstan.⁵

According to CIA Fact book 2017, Kazakhstan has proven crude oil reserves of 30 billion barrel and proven natural gas reserves of 2.407 trillion cubic meter as estimated in January 2016.⁶ According to US Energy Information Administration 2015, in terms of proven reserves of crude oil, among the Eurasian countries, Kazakhstan is ranked second after Russia and twelfth after United States in the world (US Energy Information Administration Country Analysis Brief Report: Kazakhstan (2015)). In 2015, total crude oil production of Kazakhstan was estimated 1.653 million barrel per day while total crude oil export was estimated 1.446 million barrel in the year of 2013. Natural gas production is estimated 20.8

⁴World Bank Overview: Kazakhstan (2016), [Online web] Accessed on 21 February 2017, URL: <http://www.worldbank.org/en/country/kazakhstan/overview>.

⁵ KazMuniaGaz (2016 a), “Oil and Gas Sector”, [Online web], Accessed on 21 February 2017, URL: https://www.kmgep.kz/eng/about_kazakhstan/oil_and_gas_sector/.

⁶ CIA- The World Factbook: Kazakhstan (2017), [Online web] Accessed on 29 January 2017, URL: <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/kz.html>.

billion cubic meter in 2014 out of which 11.54 billion cubic meter was exported in the same year. However, these largest oil fields of Kazakhstan also contain significant amount of natural gas. Natural gas is used to reinject it into oil wells for further recovery rates of oil. The two biggest oil fields of Tengiz and Karachaganak also possess natural gas. Kazakhstan proven natural gas reserves has been estimated to have 85 trillion cubic feet gas (EIA-Country Analysis Briefs: Kazakhstan, 2015: 8).

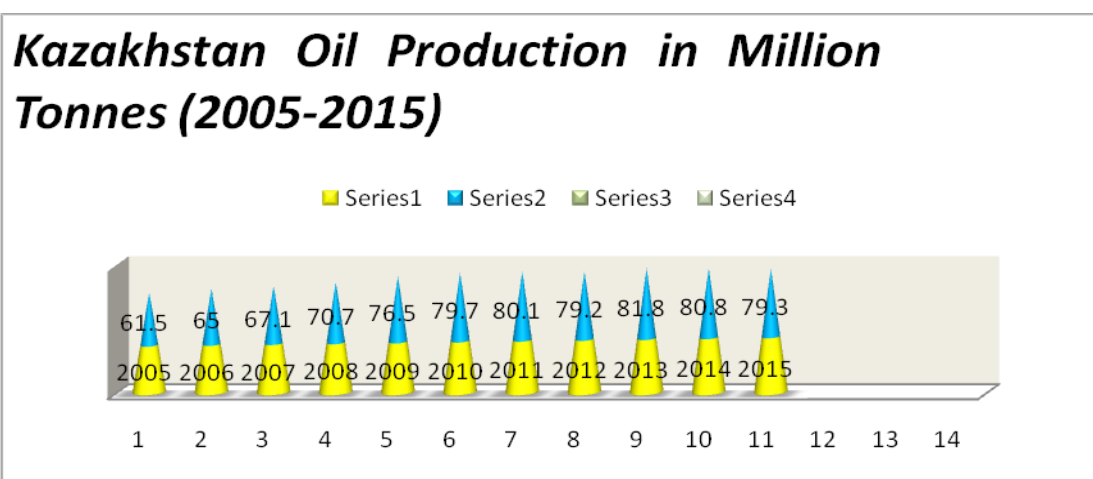
Table No.2.2 Proven Oil Reserves in Central Asia

County Name	Total Crude oil Proven Reserves (Thousand Million Barrel Per Day) 2015	Share of Total	Oil Production in Thousands of Barrel Per Day	Oil Consumption in Thousands of Barrel Per Day (2015)	Oil Export in 2015 and Major Destined Market
1.Kazakhstan	30.000	1.8%	1,669	271	Kazakhstan as a leading oil exporter has exported total 68 million tonnes annually (out of which 61 has exported by pipeline and 7 by Sea transport) to China, Russian and Europe
2.Uzbekistan	594	less than 0.05%	64	59	
3.Turkmenistan	600	less than 0.05%	261	146	

Source: BP Statically Review of World Energy (2016), accessed on 12 December 2016, P. 6. Table also includes data from Official site of KazMunayGas, Accessed on 12 December 2016, URL: <http://www.kmg.kz/en/manufacturing/oil/>.

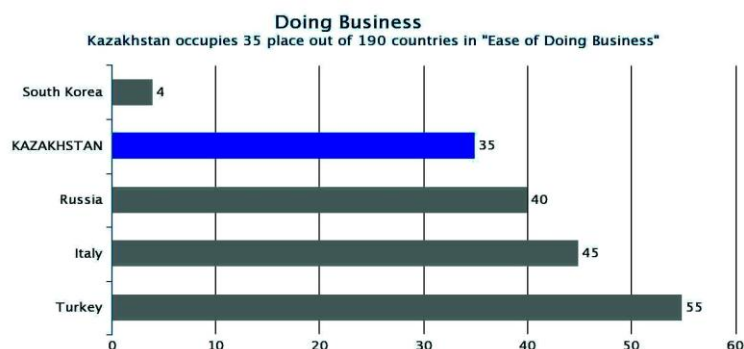
History of Kazakhstan oil production goes back to 1911 when the country was being recognised as an oil producing country. However, its production did not get attention, only in the 1960s and 1970s when oil production reached around 500,000 billion barrel per day it attracted attention of the world community. At that time, the full-fledged development of oil fields was constrained due to lack of technology which was necessary to deal with “deep and high pressure reservoirs”. Nevertheless, after the independence of Kazakhstan, with the help of Western oil companies, oil production of the country reached at one million barrel per day in 2003 (US EIA- Country Analysis Briefs: Kazakhstan, 2015:1-2). Since then the country is continuously increasing its production (see figure no. 2.3).

Figure No.2.3



Source: BP Statically Review of World Energy (2016), Accessed on 12 December 2016, P. 10.

Figure No. 2. 4 Kazakhstan’s Place in Providing Favourable Business Climate



Source: Invest in Kazakhstan (2017), [Online web] Accessed on 29 January 2017, URL: <http://invest.gov.kz/>.

World Bank study finds that in terms of favorable business climate, Kazakhstan occupies 35 positions out of 190 countries while Russia remains behind Kazakhstan by securing 40 positions.⁷

Table No.2.3 Proven Gas Reserve in Central Asia

County Name (Note: only three CARs are rich; rest two Kyrgyzstan and Tajikistan are considered energy deficit countries)		In the 1995	In 2005 Trillion Cubic Meters	In 2014 Trillion Cubic Meters	In 2015 Trillion Cubic Meters	In 2015 Trillion Cubic Feet	Total share of the world
1	Turkmenistan	n/a	2.3 tcm.	17.5 tcm.	17.5 tcm.	617.3 tcf.	9.4%
2	Uzbekistan	n/a	1.2 tcm.	1.1 tcm.	1.1 tcm.	33.1 tcf.	0.6%
3	Kazakhstan	n/a	1.3 tcm.	0.9 tcm.	0.9 tcm.	38.3 tcf.	0.5%

Source: BP Statistically Review of World Energy (2016), accessed on 12 December 2016, P. 2

Major Projects: Kazakhstan's entire oil and gas production is currently dependent on three projects: Tengiz, Krachagak, and Kashagan. Out of three projects, two projects- Tengiz, Krachagak- have been successfully operating since the independence of Kazakhstan. These two major oil fields dominate the current oil production of Kazakhstan and accounted (48 percent) nearly half of Kazakhstan's total production in 2014. The production in Kashagan is expected to start in the year of 2016-2017. In terms of oil reserves, Kashagan oil field is known as the largest oil field outside the West Asia and it is ranked fifth largest in the world. The recoverable oil reserves of Kashagan are approximately 7-13 billion barrels. Once the Kashagan project starts and the decision of expansion of Tengiz and Krachaganak project is implemented, it could result in increase in the total production of Kazakhstan. More than half

⁷ Invest inKazakhstan (2017), [Online web] Accessed on 29 January 2017, URL: <http://invest.gov.kz/>.

Table No. 2. 4 Major Oil Fields and Oil Exploration Projects in Kazakhstan

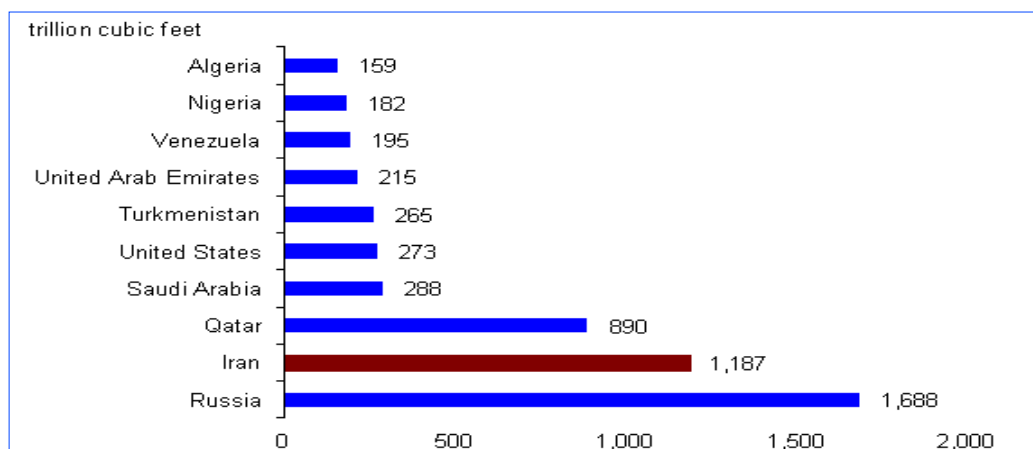
S.N.	Name of Oil Fields	Project and Share of Major oil companies	Liquid production	Natural Gas Production
1.	Tengiz (1991)	TengizChevroil (Chevron (50 %, ExxonMobil 25%, LukArco (Lukoil and BP) 5%, KazMuniaGaz 20%	Out of Total potential production of 800 thousand barrel per day, 581 thousand barrel per day was produced in 2013	252 billion cubic feet dry gas was produced in 2013
2.	Karachaganak (1984)	Karachaganak Petroleum Operation (BGI, Chevron, Eni, Lukoil, KazMuniaGaz)	222 thousand billion barrel per per day liquid production in 2013	3 billion cubic feet dry marketed gas production in 2013 and (with 289 raw marketed gas).
3.	Kashagan (2016-2017 expected)	North Caspian Operation Company (KazMuniaGaz,Eni, ExxonMobil,Shell,Total, CNPC, Inpex	370 billion barrel per day processing capacity with current 1,500 bullion barrel per day potential liquid production	100 billion cubic feet gas production capacity

of Kazakhstan's oil production could meet by these three projects (See table no.3)(US Energy Information Administration Country Analysis Briefs: Kazakhstan, 2015: 4).

Turkmenistan

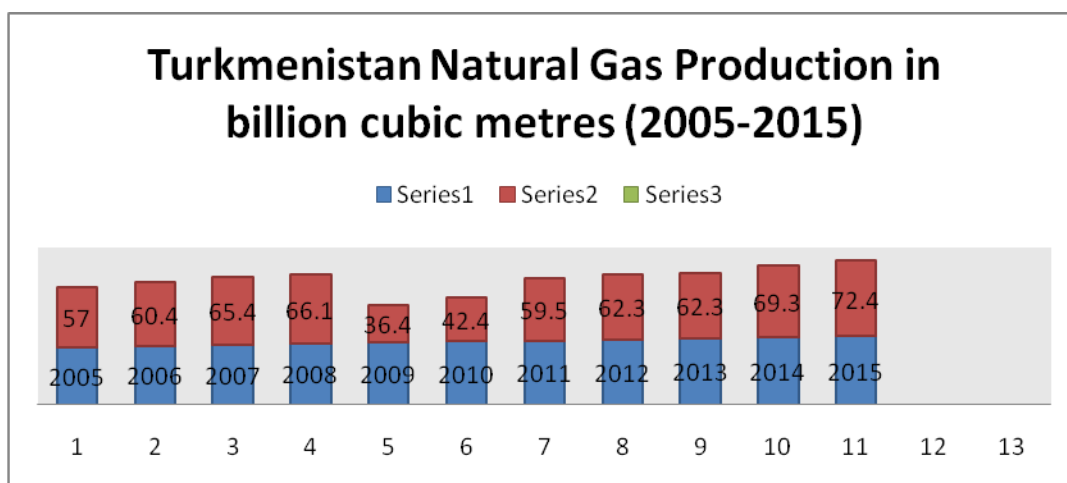
Turkmenistan shares its border with Caspian Sea in the West, Iran and Afghanistan in the South, Uzbekistan to the East and Kazakhstan in the North. The size of Turkmenistan is the equally to the size of California and 80 percent of its land has covered by desert. Its economy is largely dependent on export of hydrocarbons resources and most of the oil development is centered in Cheleken region (Crude Accountability 2009:8). Crude oil reserves of Turkmenistan are estimated to 600 million barrel in 2016 by CIA Factbook- 2017. Its (Crude oil) production was recorded 243,100 barrel per day in 2015. The total export of crude oil was recorded 70, 740 barrel per day in 2013 (CIA- The World Factbook: Turkmenistan 2017). Turkmenistan's almost all oil reserves are located in Garashyzlyk which is the Western part of Turkmenistan. Since 1990s government has been developing its offshore project which is known as Cheleken project. The Cheleken project has been developing primarily with the help of Dragon Oil Company form United Arab Emirate. In Garashyzlyk area, total oil has been estimated nearly 3 million barrel whereas natural gas around 3 trillion cubic feet. Most of the oil produced in this area passes to world market via Azerbaijan which was recorded 11.4 million barrel in 2011 (US Energy Information Administration Country Analysis Brief Report: Caspian Sea 2013: 13).

Figure No. 2.5 Turkmenistan Rank in World's Largest Proven Natural Gas Holding in January 2013



Source: US Energy Information Administration-Country Analysis Brief Report: Iran (2013), [Online Web], Accessed on 7 July 2016 URL: <http://www.eia.gov/countries/cab.cfm?fips=ir>.

Figure No. 2.6 Turkmenistan Natural Gas Production (2005-2015)



Source: BP Statically Review of World Energy (2016), accessed on 12 December 2016, P. 22

According to US Energy Information Administration (2016), Turkmenistan is the leading natural gas exporter among all Central Asian states. US EIA supports the oil and Gas Journal data 2016, according to which Turkmenistan has proven natural gas reserves of 265 trillion cubic feet. Turkmenistan has many largest natural gas fields which are ranked at top in the world. Most of the gas fields are mainly located in Amu Darya Basin (South-East Turkmenistan), Murgab Basin (South Turkmenistan) and South Caspian Basin (West Turkmenistan) (US Energy Information Administration Country Analysis Brief Report: Turkmenistan (2016)). In 2015, two new fields were discovered- Garakel and Bagli near Galkynysh field. US Energy Information Administration Country Analysis Report 2016 supports the claim of Ministry of Oil and Gas of Turkmenistan according to which these new fields hold 42 trillion cubic feet recoverable gas (US Energy Information Administration Country Analysis Brief Report: Turkmenistan 2016). In addition to these new fields, Turkmenistan's South Yolotan (also known as Galkynysh) field is the world's second largest gas field holding gas reserves of 21.2 trillion cubic meters. It was discovered in 2006 and located in Amu Daria basin in Turkmenistan. "South Yolotan (renamed Galkyn) latest reserves estimate make it second only to giant South Pars gas fields, shared by Iran and Qatar...Turkmenistan gas reserves are more than enough for any potential demand over the foreseeable future, whether it be form China, Russia, Iran, or Europe", said Jim Gillett,

business development manager of Gaffney, Cline & Associate (Petroleum consulting company).⁸

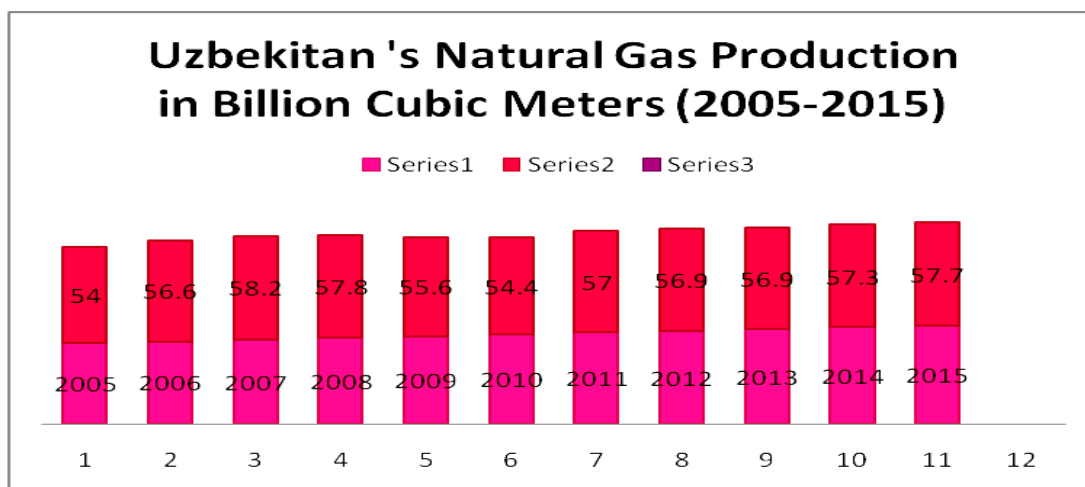
Major exporting market: Since most of the gas production comes from south or south-east part of Turkmenistan and only 12 percent of total gas production comes from Caspian Sea, most of the gas is exported to either China or is expected to flow towards south Asia after the successfully operation of proposed TAPI pipeline. In 2012, the major export destination was China [52 percent], Russia [24 percent], Iran [22 percent], and post- Soviet Union Republics [2 percent]. Nevertheless, in 2015, out of Turkmenistan's total gas export [1.3 trillion cubic feet gas through pipeline] nearly 70 percent was exported to china US Energy Information Administration Country Analysis Brief Report: Turkmenistan (2016).

Uzbekistan

In 2016, Oil and Gas Journal estimated that Uzbekistan had 594 million barrel of proven crude oil. Out of 171 discovered oil and natural gas fields, 51 produce oil and 17 produce gas condensates. The total petroleum and other liquid production were recorded as 78,900 barrel per day in 2015. Around 60 percent of known oil and gas reserves are located in Southern part of Uzbekistan. Nearly 60 percent of known oil and gas fields of Uzbekistan are located in the Bukhara-Khiva region. Bukhara-Khiva region is source of around 70 percent oil production of Uzbekistan. In terms of natural gas, Uzbekistan is the third largest gas producer in Eurasia after Russia and Turkmenistan. It has 65 trillion cubic feet of proven natural gas reserves as estimated in January 2016. According to BP Statical Review of World Energy 2016, Uzbekistan's gas production, in 2015, was estimated 2 trillion cubic feet out of which nearly 1.8 was consumed by the country (US Energy Information Administration Country Analysis Brief report: Uzbekistan 2016).

⁸ Oil and Gas Journal (2011 b), " GCA Turkmenistan's Iolotan gas field is world's second-largest", [Online web] Accessed on 29 January 2017, URL: <http://www.ogj.com/articles/2011/10/gca-turkmenistans-iolotan-gas-field-is-worlds-second-largest.html>

Figure: 2.7 Uzbekistan Natural Gas Productions (2005-2015)



Source: BP Statically Review of World Energy (2016), accessed on 12 December 2016, P. 22.

Uzbekistan serves as a transit country for supplying Turkmenistan gas to Russia and China. In 2015, Uzbekistan exported almost 265 billion cubic meters gas out of which half was sent to Russia and rest was supplied to China and Kazakhstan. Moreover, in order to manage its oil and gas industry, Uzbekistan has formed its state- owned company-Uzbekneftegaz. Amongst foreign oil companies, Lukoil and Gazprom from Russia and China National Petroleum Corporation (CNPC) form China are the biggest companies in the oil and gas development industry of Uzbekistan (US Energy Information Administration Country Analysis Brief report: Uzbekistan 2016).

II. Multi Vector Foreign Policy and Energy Resources

i) Nexus between Energy and Politics

The relationship between energy and politics is crucial to understand the multi-vector foreign policy of energy rich countries of Central Asia. Exploring the link between energy and politics helps to understand how energy exporting countries use oil and gas as a tool for achieving their domestic and foreign policy goals. Nexus between energy and politics has been highlighted by Brenda Shaffer in his book *Energy and Politics*. He is of the opinion that energy and politics are closely interlinked with each other. In his view, mixing with politics has been a major trend in international politics. At various occasions, political

leaders are criticised for playing politics of energy resources. For example in 2003, US-led war in Iraq was criticised by saying that the real motif behind the war was to grab oil resources. Understanding the ramifications of nexus between energy and politics UNDP and World Bank have warned that the construction of the pipeline and production of the oil and gas fields' development should remain strict to commercial purpose rather than achieving political goals. Western countries pressurise Russia and other energy exporting countries to disconnect their energy resources from their foreign policies (Shaffer 2011: 1). Central Asian energy resources, the oil and gas, have been the major source of the contestation between many geopolitical powers. For a long time Russia has been using its political power to dominate energy pipeline routes and harness energy resources of Central Asia to achieve its diplomatic goals.

Nevertheless, Shaffer explains that oil and gas are more vulnerable to politics in comparison to other resources. According to him the nature of production, transportation and supply of oil and gas resources is closely linked with international politics (Shaffer 2011: 3) For energy exporting countries and transit states oil and gas resources prove a powerful military and economic weapon and it gives them upper-hand in international politics. Most of the time, energy exporting countries use energy supply for fulfilling their political ambition. Energy supplying countries are supposed to largely benefit in a situation of the increased world energy price. Increasing oil price is crucial for their political development (Shaffer 2011: 1-2). It has been noticed that in comparison to 1990s, Central Asian leaderships were largely benefited from the increasing world price in 2000. Oil revenue is the main source of strengthening regime in these countries. Many scholars believe that increased bargaining power resulting from oil and gas revenues paved the way for resource nationalism.

Political orientation and stability of a particular region are important factors for energy production and the development of pipeline infrastructure. Pipeline infrastructure projects clearly demonstrate the political engagement between different countries. When a country makes a decision to export or import its oil and gas resources, it seriously deliberates the political outcomes and implications of its decisions. Political stability and orientation of the regime plays an important role in the development of different gas export routes (Shaffer 2011: 2). For example, despite its economical and geographical

viability, there is hardly any serious development in the construction of TAPI Pipeline. Politically instability and security risks in Afghanistan and Pakistan has been a major obstacle in developing close foreign ties between India and Turkmenistan.

Shaffer added that development of supplying routes links countries and reflects foreign relations (Shaffer 2011: 2) In others words, exporting routes of energy supplying countries like Kazakhstan, Uzbekistan and Turkmenistan are the reflection of foreign relations of these countries to major geopolitical powers. For example, Kzaakhstan-China-pipeline routes, Central Asian Centre Gas Pipeline between Russia and Turkmenistan, Uzbekistan including Kazakhstan and Baku-Tbilisi- Cheyan pipeline etc. All these pipeline routes are reflection of foreign relations of Central Asian countries with Russia, China and European countries which are simultaneously involved in the development of pipeline infrastructure.

Shaffer points out that when energy suppliers and consumers are not dependent on each other, exporting countries are not able to use its gas resources as a tool of their foreign policy. In such cases gas and oil resources become less vulnerable to political agenda of exporter and importer countries. However, in such a situation transit state can use oil and gas as a diplomatic tool (Shaffre 2011: 2). It can be seen in the Kazakhstan- Russia oil relations. In 1990s, Russia as a sole transit country between Kazakhstan and Europe imposed high transit fee and used to block oil-export of Kazakhstan . As Alaolmolki has mentioned that in 1990s, US policy did not allow Chevron, the leading oil company of US, to transport oil from Kazakhstan. US policies limited its oil companies only to invest in the production activities. The company later realised that it had won only half the battle until the exporting routes are established for the transportation of the oil produced by it (Alaolmolki 2001: 31). Untill the construction of BTC pipeline Russia remained the sole transit country and it took the leverage of the situation.

Energy resources are the major part of the foreign policy of energy exporting countries. The major concern of energy exporting countries is to find various alternative supply routes and new energy market in the world. Therefore, the policies followed by energy exporting countries in the search for alternative export routes become an interesting subject of international politics. Another significant feature of energy exporting countries

is that they have distinctive pattern of political and economic development such as - high foreign debt, lack of democratic political institutions, low level of human development, (Shaffer 2011: 5). corruption, regional disparities, large dependency on oil and gas export, lack of accountability, lack of media freedom,⁹ popular unrest¹⁰, ethnic clashes etc.

Image No. 2.1 Among World's 180 countries, Central Asian Republics Ranks Last at the World Press Freedom Index



Source: Pannier Bruce (2017), “Majlis Podcast: Bad Times for Media Freedom in Central Asia”, RFE/RL, [Online web] Accessed on 17 June 2017, URL: <https://www.rferl.org/a/qisdhloq-ovozi-media-freedom-central-asia/28472898.html>.

All these features become apparent when it comes to energy rich states of Kazakhstan, Turkmenistan and Uzbekistan. In other words, deficit of democracy and concentration of power in the hand of the President; less or completely free from impact of domestic

⁹ Based on the indicators such as attack on journalists and suppression of Media, Central Asia republics have poor record of Media freedom. Situation is relatively better in Kyrgyzstan while has worsened significantly in Kazakhstan and Tajikistan. Turkmenistan is at the bottom of the freedom house ranking (See Image no. 2.1) for more details see: Pannier Bruce (2017), “Majlis Podcast: Bad Times for Media Freedom in Central Asia”, RFE/RL, [Online web] Accessed on 17 June 2017, URL: <https://www.rferl.org/a/qisdhloq-ovozi-media-freedom-central-asia/28472898.html>.

¹⁰ Pannier Bruce (2017), “Majlis Podcast: Kazakhstan’s Protest, One Year Later”, RFE/RL [Online web] Accessed on 19 June 2017, URL: <https://www.rferl.org/a/qishloq-ovozi-kazakhstan-protests-one-year/28460322.html>.

politics¹¹ led a way ahead to decide its foreign relations led by energy export without restraint. Thereby the key features of lack of democracy of Central Asian energy export countries; directly have an impact on decision making of the foreign policy.

Another striking feature is the heavy dependency on oil and gas which makes these countries vulnerable during the decline in the world energy prices. For example, In case of Turkmenistan; the country is largely dependent on income generated from the revenue generated by gas export. Since January 2016, Russia, the major importer of Turkmen gas after China, has completely cut off its import of Turkmen gas. As China remains only foreign export destination, Turkmenistan has been facing major challenges. The challenge is yet to pay a significant amount of old debt which Ashgabat has been adjusting by export gas to China. It has led to decline in the source of national income of Ashgabat. Situations have become more complex in Turkmenistan as government subsidies has been cut off due to its burden of foreign debt.¹²

ii) Multi-Vector Foreign Policy of Central Asian countries

Central Asia, known as the heart of Asia, has long been a prime centre of attraction among major global powers. One of the reasons for its diplomatic importance is the huge energy reserves of these land-locked countries and the politics over pipeline routes for the transportation of these resources to world market. For a long period Central Asian countries have been facing the domination of Russia in energy-sector and pipeline transportation. Therefore, one of the key objectives of foreign policy of these energy rich countries of Central Asia has been the quest for diversification. Diversification is not only mirrored in inviting various International actors and leading international oil companies in production activities but it is equally reflected in the diversification of pipeline-

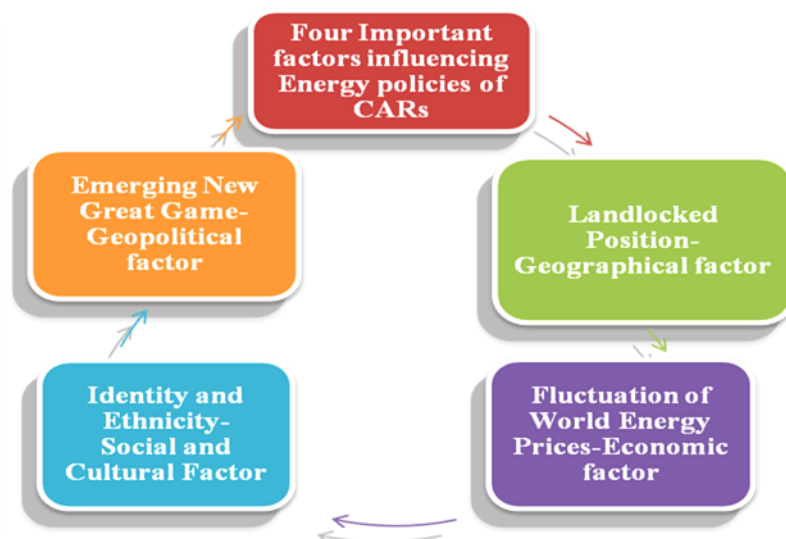
¹¹ Pannier Bruce (2017), “Majlis Podcast: New Book Reveals Central Asia’s Connections to the Outside World”, [Online web] Accessed on 19 June 2017, URL: <https://www.rferl.org/a/majlis-podcast-dictators-without-borders/28405688.html>.

¹² Caspian Barrel (2017), “Turkmengaz fails to repay \$ 2.5 million debt to Chinese suppliers”, [Online web] Accessed on 19 July 2017, URL: <http://caspianbarrel.org/en/2017/05/turkmengaz-fails-to-repay-2-5-million-debt-to-chinese-supplier/>.

transportation routes –nearly in all direction, form East to West and North to South. In other words, the fundamental objective of foreign policy of these energy exporting countries lies in the diversification of its foreign partners. By Inviting various international state actors and non state actors and not allowing the dominance of few they secure to get the suitable price of oil and gas. Compared to 1990s, dramatic rise in world energy prices in 2000s has positioned Central Asian countries in a stronger position for the bargaining of their own energy resources.

What should be a practical approach of a landlocked country that is blessed with tremendous natural resources particularly oil and gas ? What kind of foreign policy should be pursued by those countries in order to get the maximum advantage of their resources? What kind of risks and challenges are involved for a resourceful and landlocked country to deal with their foreign partners? All these questions are intertwined with foreign policies of these landlocked and energy rich states of Central Asia. A serious deliberation on these questions helps to dissect foreign policies of these countries in the context of energy diplomacy. In the following passages the researcher makes efforts to answer these questions.

Figure No.2.8 Factors Impacting Energy Policies of Central Asian Republics



In the aftermath of disintegration of the erstwhile Soviet Union, the Central Asian countries found themselves in a changed and challenging geopolitical situation. The situation became complicated as the governments of Central Asian countries started facing two-fold challenges: first, they had to deal with various competing interests at international level and second, they had to deal with the emerging new political and economic realities at domestic level which became more challenging due to lack of prior experiences in management of their resources. In 1990s, the focus remained on the nation -building process. Regime-stability was prime concern for newly independent states of Central Asia. Once these countries stepped ahead in the direction of state-craft, the leaders looked forward to establish their foreign relations with neighbouring countries and major global powers. The leaders effectively dealt with the new situation. On the one hand, they tried to make a balance between different interests of major global powers; and on the other hand, they asserted and maintained their sovereignty in a cautious way (Cornell 2007-2008: 267) . The major challenge before these Central Asian countries is to make a delicate balance between their foreign policies and regime stability.

The global and regional powers like Russia, China, United States, Iran, Turkey, European countries, all are in competition with each other for hydrocarbon resources of Central Asia. The prime concern of all rival powers is to establish supremacy on energy production and to control supply routes of Central Asian energy. For Central Asian countries, these energy resources are important for their economic development and their economic integration into world economy. Therefore, it became apparent that one who will control the energy resources of the region, will also determine the destiny of these newly independent countries (Blank 1995 a). After their independence energy rich Central Asian states are quick to realize that they can consolidate their economic and political strength by using their oil and gas resources in a judicious manner. While in the Old Great Game, Central Asian countries were mute spectators, the New Great Game has shifted the power relations in favour of the Central Asian Countries and they are playing a pro-active role in diplomacy. This approach of Central Asian states can be understood in the light of Realist perspective. To protect their sovereignty and increase their sphere of influence are the key part of their foreign policy goals. Thereby, multi-vector foreign policy approach enables these countries to enhance

their bargaining power and to avoid excess dependency on one single power (Du Ruoxi 2011:12).

The Central Asia countries must keep good and friendly relationship with its neighbouring countries so that opportunities of transportation could be met with no trouble (Qurbanov 2012). Energy rich Central Asian republics especially Kazakhstan and Turkmenistan have adopted foreign policies which are generally described as ‘multi-vector’ approach. Due to their well-crafted foreign policies the vast oil fields of Kazakhstan and gas fields of Turkmenistan are now open for competition among major global and regional powers. Central Asian countries are encouraging the competition among these powers and benefiting from the situation. This (benefit) has motivated the energy rich states of Kazakhstan, Turkmenistan and Uzbekistan to rationalise their multi-vector foreign policy (Cutler 2013).

iii) Multi-Vector Foreign Policy of Kazakhstan

For Central Asia countries, multi-vector foreign policies means that they will have policy of one vector towards Russia, one vector towards China, one vector towards US and one vector towards Europe. “Russia is a factor in every balance. Russia is too big and too close to ignore, too aggressive to contest”, Russia can not be an equal partner for Central Asia countries, hence Central Asia countries have adopted what their state officials used the term- multi-vector foreign policy. Based on the multi-vector foreign policies, the governments of Central Asia countries explain and justify their diplomatic and security relationship with the regional and extra regional countries even with international organizations. Emphasis is given to multi- partner, multi-dimension, multi- issues, multi-pipeline which helps Central Asia states to avoid risks. They give high importance to instrumental alliances and calculated advantage and give low importance to ideological consideration (Gleason 2009: 244).

Among all five Central Asian countries Kazakhstan has been the most successful in implementing multi-vector foreign policy approach. Since its independence (1991), extraction and transportation of Kazakhstan’s hydrocarbon resources has remained in the government’s top list of priority. Kazakhstan has two main goals which are deeply implicated in its energy policy and foreign policy. First, it wants to reduce its dependence on the Russian

pipeline system. Hence, routes diversification remains its top priority of its foreign policy since its independence. In 2003, the former Kazakh foreign minister, Kasymzhomart Tokayev, said, "As far as pipelines are concerned, our policy is clear and simple, (we will) have as many export routes as possible." Secondly, to protect sovereignty is another priority for the Kazakh government (Bastas 2013: 26).

Kazakhstan has been pursuing a foreign policy which tries to keep a balance between its old and new relationship with its neighbouring countries. For example, in 1990s, Kazakhstan successfully balanced its foreign policy by continuing its relationship with Russia and at the same time recognising the urgency of capital investment and technology from United States. In continuation with its earlier policy of making the balance between old and new powers Kazakhstan invited China in 2000s to check the dominance of US in energy sector. Thus Kazakhstan cultivated its economic and strategic relationship with United States as well as Beijing without annoying Russia. After the disintegration of the USSR, instead of completely severing ties with Russia, Nazarbayev tried to balance Moscow's traditional domination by inviting new energy players -United States, European Union and China including Iran and Turkey (Clarke 2015).

The foreign policy of Kazakhstan is primarily based on pragmatism rather than ideological factors. The foreign policy has mainly been crafted to protect its sovereignty and develop its oil and gas resources and secure multiple pipeline transportation routes to different destinations. The existing policies of the government suggest that rather than depending on one foreigner partner Kazakhstan has been following a strategy of floating East and West (Cummings 2003: 139). Though, Kazakhstan understand the Russia's importance in its geopolitical context yet it follows the strategy of taking advantage of developing its relationship with other major powers. For instance, Kazakhstan had nuclear arsenal of Soviet times. Its decision to declare itself as a non nuclear state paved the way for establishing cooperation with United States. Kazakhstan dismantled all nuclear weapons to win the confidence of world community. Instead of taking assistance from Russian experts, Nazarbayev invited the United States for dismantling these Mass destructive weapons. Through this act, Kazakhstan's Government gave a gesture to its aspiration of having close cooperation with the West (Hanks 2009:257). And throughout the 1990s United States and European companies such as Chevron, BP, ExxonMobil etc. heavily invested in

Kazakhstan's oil and gas companies. The Western firms went on further even bypassing the Russian routes by establishing separate pipeline routes. For example, construction of BTC pipeline in 2005 provided an alternative route to Kazakhstan and for the first time Kazakhstan oil started to flow towards West. It helped Kazakhstan to challenge Russia's domination in energy sector. Nevertheless, Kazakhstan ties with United States were not completely at the cost of Russia. In accordance with its multi-vector policy Nazarbayev invited China as a new energy player in its oil and gas fields and decided to develop a separate oil pipeline system. One of the reason for inviting China was to bypass US agenda of introducing democracy and human rights in the region which was problematic for regime stability. Energy-politics and regime stability are closely linked with each other. Recognizing other hidden agendas behind promoting democracy and human rights by US Kazakhstan government invited other players to counter baance US policy. Nazarbayev was suspicious that US could threaten his(Nazarbayev's) control over energy resources by using the rhetoric of democracy and human rights. Regime stability was prime concern for Nazarbayev's government therefore it tried to improve its relations with China since 2000s. In 2006 an oil pipeline between Kazakhstan and China was constructed and oil started to flow towards East instead of West. Nevertheless, during this shift from West to East, Russia was not completely absent from the picture. Kazakhstan followed the practical approach to deal with Russia. Having close geographical proximity and sharing longest border of 7, 500 kilometres with Russia Kazakhstan's leadership did not completely cut off its relationship with Moscow. Kazakhstan continuously followed a strategy to give appropriate share to Russian companies. Kazakhstan carefully handled it by allocating Russian's share in both the production activities as well as in the construction of pipeline transportation routes. On the other hand, Nazarbayev continued to improve its relationship with China. However, now-a-days there has been growing apprehension about China's increasing economic influence in the energy sector of Kazakhstan. In this changed scenario Kazakhstan started looking towards European countries to reduce its dependency on China. In November 2016, Nazarbayev has decided to export a significant amount of its oil through BTC pipeline to Europe. Earlier it was not possible due to Kazakhstan's commitment of supplying a huge amount of oil to China. The essence of multi-vector foreign policy lies in the diversification- Diversification of pipeline routes and to provide level-playing field to foreign

companies for energy production, and to explore energy markets in different parts of the world . Carefully crafted foreign policies by Nazarbayev helped to consolidate the regime stability and his government has successfully completed 25 years since the independence of Kazakhstan. Multi-vector foreign policy serves various purposes-it helps to consolidate regime stability, to control revenue generated by oil and gas resources and to make a balance among different geopolitical powers. At the same time, it also serves the purpose of Kazakhstan to emerge as a regional leader in Central Asian.

iv) Domestic Politics, National Identity and Multi- vector Policy of Kazakhstan

It is interesting to explore the link between identity politics, nation building and other domestic factors. Home-grown issues are reflected and intertwined in foreign policy of Kazakhstan. President Nazarbayev has so far tactfully dealt with more than 125 ethnic groups and this ethnic diversity is reflected in well-crafted foreign policy of Kazakhstan. The experts on the region have also tried to understand the impact of personality cult on foreign policy of Kazakhstan.

Stability, integrity and peace at domestic level play a significant role to pursue a successful foreign policy for Kazakhstan. For example, during early years of independence (1992-1998), the Russian military base was set up in the Northern and Western parts of Kazakhstan and was populated by Russian ethnic groups or Russian speaking people. At that time, Kazakhstan did not have its trained military personnel and its economy was largely dependent on Russian. Poor economic condition in Kazakhstan accompanied by linguistic, ethnic and cultural fault-lines provided a fertile ground to Russian ethnic groups to start a protest for demanding political autonomy from Kazakhstan. It threatened political stability, national integrity as well as peace and security of newly independent Kazakhstan. As a result, the newly-born state adopted a practical approach to deal with the growing ethnic conflict on the one hand and it increased the pace of economic development by exporting oil and gas on the other. By smartly dealing with these two significant issues President Nazarbayev consolidated his power and authority (Ipek 2008:1192-1193). Development of oil and gas resources, construction of pipelines, a complex interplay between different ethnic groups and consolidation of the power-regime- all these were happening simultaneously.

Census data will provide a clear insight to understand the issue of complex interplay between, ethnicity, demography, nationalism and foreign policies of Kazakhstan. The latest national census data of 2009, reveals that Kazakhstan is home of more than 125 different ethnic groups and 20 religious groups. Census data reveals that 70.2% of population is Muslim and 26.3% people are followers of Christianity. Followers of Buddhism and Judaism are in a small number (Analytical Report 2011:19). Stalin's repressive policies, agricultural collectivization and severe famine resulted in the migration of Kazakh ethnic group from Kazakhstan Soviet Socialist Republic. Consequently, Kazakh ethnic became minority in Kazakhstan Soviet Socialist Republic with 39.7 percent of total population of the republic at the time of independence (Daly 2015). At the time of independence of Kazakhstan, Russian linguistic-ethnic group was almost more than half of the total Kazakhstani populations. Different aspects of demography played a significant role in Kazakhstan's foreign policy. Most of the Russian ethnic groups were located in Northern part of Kazakhstan which shared 7500 kilometres long border with Russia, Nazarbayev did not ignore these facts and tried to keep domestic policies in interest of Russian ethnic groups. He ensured just representation of Russian ethnic groups in the energy sector. Thus, Kazakhstan's domestic situation led to President Nazarbayev to follow a pragmatic foreign policy which understood the diplomatic importance of Russia.

It appears that during the early years of nation building the government took various initiatives to accommodate aspirations of different ethnicities. The main focus was to make a balance between Russian and Kazakh ethnic groups. While the key agenda remained to increase the number of Kazakh ethnic group and make Kazakhstan essentially a "homeland" for Kazakh ethnicity. The Census data 2009 informs that in 1997 a special Law "On Migration" was passed to invite Oralmans- Kazakhs who had migrated before independence. Republic of Kazakhstan appealed to different ethnic groups, which were considered of Kazakh nationality, from the different part of the world to join their homeland. For example, the government set the target of arrival of 10,000 families annually in 1993. This number increased in 2002 mainly due to recovery of economic condition led by discovery of new oil and gas fields. The rise in world energy prices helped to recover Kazakh economy in a

dramatic way. Consequently, it resulted in the arrival of 15,000 families in 2005 and 20,000 families in 2011 (Analytical Report 2011: 38).

The Analytical Report further revealed that during 1999-2009 immigrants mainly came from Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan, Eastern Europe, Mongolia, Russia, China, Turkey, Iran, Afghanistan, Pakistan, Denmark and Israel. Within few years demography changed dramatically. 73.9% of immigrants were Kazakhs who came for their permanent settlement and only 12.2 percent of immigrants were Russians, followed by Uzbek, (8.5 percent) Ukrainian, Korean, Germans, Byelorussians, Turks, Tatars etc (Analytical Report 2011: 37.38). Due to Government's overt and covert policy of promoting Kazakh language and ethnicity the large number of Kazakhs came to settle permanently in the republic.

National building was intertwined with foreign policies in such a way that it was able to meet two fold challenges. First, it helped to build a national identity which was largely based on Kazakh ethnicity. Secondly, to build a "Kazakhstani state identity" which accommodated large number of non Kazakh ethnic groups- mainly Russian minority (Cummings 2003: 139). Accommodation of non- Kazakh ethnicity was going hand in hand with consolidation of Kazakh ethnicity.

Foreign policy of Kazakhstan is based on pragmatism rather than ideological factors. It is reflected in the language policy of the government. For example, among all Central Asian countries, Kazakhstan recognises Russian as an official while Kazakh as a state language. It is worthwhile to mention that currently Russian ethnic group is the second largest group (23.7%) after Kazakh ethnic group (63.1%). During the Soviet era Moscow made Russian language as a medium of education. Due to this policy, Kazakhs lacked the knowledge of Kazakh language. After the independence of Kazakhstan the issue of language became an essential question in the construction of national identity (Schatz 2000: 493-494). The target was set in 2010 that 95 percent people would learn to speak Kazakh language by 2020. This was an ambitious project because 2009 Census claimed that only 64% of people were able to speak Kazakh language fluently. Government decided to promote Kazakh language as a medium of education and media. There was a fear that such a language policy would end the

domination of Russian language forever. Russian and other minorities became apprehensive about their future. People started fearing that government could change alphabet from Cyrillic to Latin (Lillis 2010).

The policies related with language, script, ethnicities and nationalities also reflected itself in other domains like domestic policies and foreign relations. Kazakhstan's policy towards Russian minority gradually shifted in other directions. And, it can also be seen in its changing foreign relation with Russia. Since 2000s, Kazakhstan reduced its dependency on Russian export pipeline routes by diversifying its energy export routes.

It is noteworthy to examine some current trends to understand this shift in policy.. In late 2014 during his journey to Kazakhstan Varvara Pakhomenko, a former researcher of Crisis Group, found out that the fear of Russian speaking people had reached at unprecedented level in Northern part of Kazakhstan. He has mentioned that in the academic year of 2014-2015, Kazakhstan Government started to ensure that final year University student must be well acquainted with the Kazakh's customs, traditions and language. Since Petropavlovsk province is dominated by Russian speaking people therefore in order to restore Kazakh culture, government introduced a policy of financially helping student of South Kazakhstan to study in Northern Kazakhstan. In universities government started to appoint academic staff who were qualified to instruct in both Kazakh and Russian languages (Pakhomenko 2015).

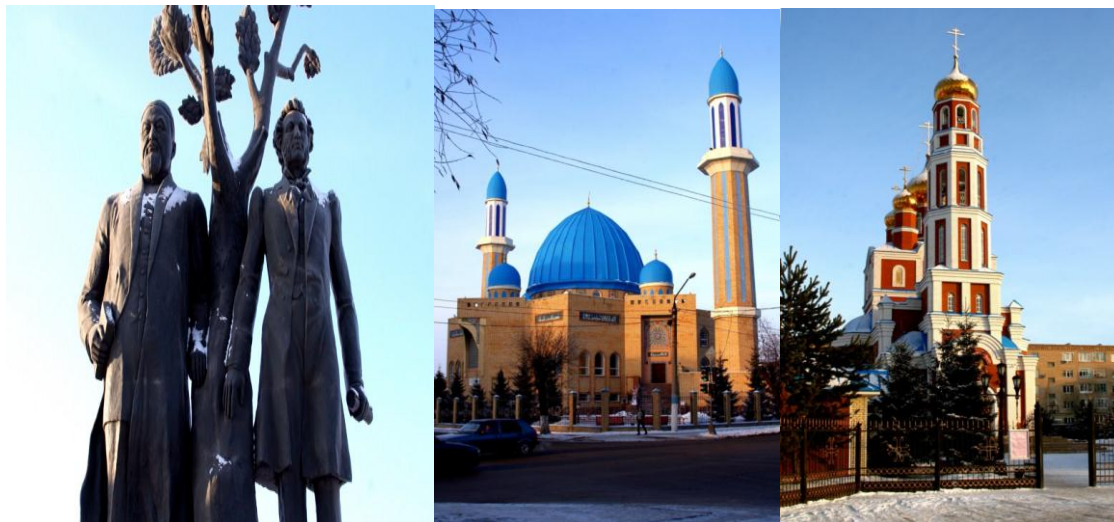
Language is the medium through which power speaks. Language policy plays an important role in reconstitution of new power relations. Strategy of the government has been not to allow to dominate one language in public spaces. The government also adopted the policy of promoting English language along with Russian and Kazakh and set the target atleast 20 percent people of the total population should be well-versed in English language by the year of 2020. The President said that Kazakhstanian must speak atleast three languages-Kazakh, Russian and English. During his address to a gathering of journalists Nazarbayev said "knowledge of three languages is our future. The world has become more globalised, and new generation need to be able to adjust to a multilingual environment" (Analytical Report

2011:22). Kazkh TV, one of the leading media house, reported that in the year of 2016, 170 Sunday schools were teaching 23 languages including Tajiks, Uzbeks, Germans, Polish, Ukranain, and Uyghurs to promote mother tongues of other ethnic groups. It was another effort to promote multi- ethnicity, multi-culturalism and multi nationalities (Kazakh TV 2016). While the government is promoting Kazakh language and ethnicity but at the same time it also supports multi-language policy to integrate other ethnic groups in Kazakhstani nationality.

By crafting state policies carefully, the President Nazarbayev tries to construct an image of the government in which “all Kazakhstanis are children of one homeland .” The billboard on a main road into Patropavlovsk province (North Kazakhstan) uses both languages(Russian and Kazakh) to welcome its visitors. Nevertheless, the idea of Kazakhstani nationalism promoted by Nazarbayev’s regime is continuously criticised by Russian minority groups and they think it as a process of soft assimilation.To promote multiculturalism and tolerance government erected statues of two great litterateurs- Abay Kunabaev(Kazakh) and Alexender Pushkin(Russian)-side by side in front of the main provincial administrative building in 2006 (Pakhomenko 2015).

Policies of the government deliberately show that the state is tolerant to religious beliefs of Russian ethnic group . Pakhomenko mentions that once Nazarbayev said that “Kazakhstan is a bird with two wings. One is the traditional Islam, and another is orthodox Christianity.”Orthodox Christianity remains as a dominant belief in Northern Kazakhstan. However, Mosques are being built more in numbers than Churches. However, rhetoric of multiculturalism is always used by the state to project itself as a secular country. The construction of Kyzyl Zar mosque and Cathedral Ascension Church in Petropavlovsk providence was completed on the same day in 2005 (Pakhomenko, 2015). (See the Image No 2.2).

Image No. 2.2 Kazakhstan’s Act of Balancing- Statues of two Great Litterateurs- Abay Kunabaev(Kazakh) and Alexander Pushkin (Russian) (on the left) while showing Kyzyl Zar mosque and Cathedral Ascension Church in Petropavlovsk providence (on the right).



Source: Pakhomenko Varvara(2015), “Russian Speaker of the Kazak Stepp: A journey along the Kazak-Russian border”, *Crisis Group*, (Online web) Accessed on 26 November 2016, URL: <https://medium.com/crisis-group/russian-speakers-of-the-kazakh-steppe-3af77ce467ff#.4ave1aroj>.

Various other policies were implemented to bring a change in regional “demographic imbalances”. Despite several public criticisms Kazakhstan shifted its capital from Almaty to Akmola(later named Astana) in 1997. Almaty is located in South-eastern part of Kazakhstan while Astana is located in Northern central part of Kazakhstan which is close to the region(Petropavlovsk Province) populated by Russian ethnic groups. The logic was given by the government that Astana was located in centre from where state would be able to deal effectively with its transportation, communication and defence system (Schatz 2000:492). Nevertheless, it is argued that the main reason was geopolitical consideration which wanted to bring a demographic change. North Kazakhstan is largely populated by Russian ethnic groups and rising demand for political autonomy by them was perceived as a threat to national integrity. It was expected that relocation of capital would help Kazakhstan to keep strict supervision on political activities of Russian ethnic groups. Another argument is given that Nazrbayev assumed that shifting capital would encourage Kazakhs to gradually shift in the northern Kazakhstan (Ostrowski 2010: 68).

During the twenty first session of its assembly President Nazarbayev said that peace and harmony are the key to achieve the goals of strategy “*Kazakhstan- 2050*”.¹³ The President claimed that Kazakhstan did not have any kind of discrimination against any ethnic, religious and national groups.¹⁴ At another platform, he reiterated “Interethnic harmony is life- giving Oxygen” and urged young people to carry on the tradition of ethnic harmony. He said that the government has unlocked all the doors for education and employment opportunity for younger generation across ethnic groups. This appeal for harmony was in accordance with changed realities at global level. He mentioned rivalry between Russia and West due to imposition of economic sanction on Russia, decline in world energy price and its repercussion for Kazakhstan economy, terrorist and extremists activities taking place in West Asia. In the light of these new realities he urged to people to unite together (Embassy of the Republic of Kazakhstan 2014). He warned to extremist groups that, “we will harshly punish any form of ethnic radicalism no matter from which side it comes” (Birnbaum 2015).

On the one hand, Nazarbayev government was using the language of secularism and multiculturalism; while on the other hand, Nazarbayev’s policy remained to be focused on appointing his own clan members at higher posts of government. His clan members were also appointed at decision making bodies related with energy affairs. Nazarbayev belongs to Chemolgan village and he is the member of the Elder Clan. Elder clan is located in South East Kazakhstan which remained near power circle nearby Almaty and people belong to that clan largely involved in political activities. During the 1990s, Nazarbayev exclusively used the card of clan based networking. Consequently, all the key posts like closest advisor to deputy Prime Minister, Director of the Committee on National Security, Minister of Foreign

¹³ Official Site of the President of The Republic of Kazakhstan (2012), “Address by the President of the Republic of Kazakhstan Leader of the Nation, N. A. Nazarbaev”, [Online web] Accessed on 19 July 2017 URL: http://www.akorda.kz/en/addresses/addresses_of_president/address-by-the-president-of-the-republic-of-kazakhstan-leader-of-the-nation-nazarbayev-strategy-kazakhstan-2050-new-political-course-of-the-established-state.

¹⁴ The Astana Times (2014), “Ethnic Harmony and Multi-Vector Foreign Policy Key to Kazakhstan stability, Development, Accessed on 25 November 2016, URL: <http://astanatimes.com/2014/04/ethnic-harmony-multi-vector-foreign-policy-key-kazakhstans-stability-development/>

Affairs, Minister of Energy Industries and trade and many other important posts were mainly filled with the members of Elder clan (Ipek 2008: 1193-1194). On the other hand, The people belonging to Middle Clan (North-East part of Kazakhstan) were highly acquainted with technical knowledge since the Soviet period were appointed in technical professions. Usually, they were kept away from powerful positions in the government. The third clan ,Yonger Clan, was mainly located in Western Kazakhstan and the member of this clan remained away from participation in the nation building process (Ipek 2008: 1193).

Ipek Pinnar further argues in her article that during the period of 1992-98, Nazarbayev government managed to legitimise its political and bureaucratic appointments by invoking Constitutional provisions. During that period, state intervention regarding with appointments was justified by the government in the name of improving economic condition and bringing political stability in the country. To consolidate his power Nazarbayev introduced three constitutions within the short period of 1992 to 1998. During this short period of six years, three parliaments were held and three Prime Ministers sworn in. Constitutional changes were brought to consolidate the power and authority of president in such a way that none of the political appointee and government officials were able to challenge his decisions (Ipek 2008: 1193). The story shows how an authoritarian government can manipulate Constitutional provisions to fulfil the interest of a particular ethnic group.

During the period of privatization of oil and gas resources in 1990s the energy sector attracted huge foreign investment. Rivalry emerged among various clans and ethnic groups for the distribution of resources. The government assigned different roles to different Clans to overcome internal conflicts. Since 2000s there was a policy shift in the clan based distribution of energy resources. After the change of policy the resource distribution remained limited in the hand of President Nazarbayev and few elite sections of different clans of Kazakh ethnic group(Ipek 2008: 1194). Hence, Nazarbayev effectively managed to make a balance between clan poitics and clientielism which led to political stability. Taking the benefit of the political stability Nazarbayev became independent in making negotiations with other countries (Ipek 2008: 1194).

Scholars are struggling with a range of questions related with the future of the country. They ask whether current policy of “ethnic balance” and language policy adopted by Nazarabayev

would threaten Russian interest in Kazakhstan. Is Kazakhstan has put itself at risks to become second Ukraine in 2015? Is there any possibility that Russia in future would intervene in Kazakhstan by using its card to protect Russian speaking people? Is Kazakhstan going to be next Ukraine?

Remarks of President Putin regarding Kazakhstan's internal affairs has raised some grim questions. Russian President Putin has publically claimed several times to protect Russian speaking people across the world. In 2014, Putin made a remark on President Nazarbayev that he "has performed a unique feat. He has created a state on a territory where there was never a state." The statement becomes crucial in the context of growing dissatisfaction and isolation among Russian speaking people due to Nazarbayev's national and language policy (Birnbaum 2015). Though the Russian language is still dominant language in Kazakhstan, Russians feel isolated from decision making process in the government. Ilya Namovir, a Russian linguist, who is editor of a portal named-"Russian in Kazakhstan" thinks that due to ethnic and language policy of Kazakhstan Russian ethnic-linguistic groups feel that they have been degraded to second grade citizen. Since the Ukraine- Russian crisis in 2014 media has also expressed similar concerns. Some Russian chauvinist think that if Russia intervene in Kazakhstan to protect Russians, it would happen mainly due to language and ethnic policies adopted by Astana rather than Russia's aggressive behaviour. Russian speaking people have expressed concern that despite the fact that Russians are more qualified and well educated, the high rank positions in the government are allocated to Kazakhs considering the clan based ethnic politics. When it comes to appointments ethnicity plays more crucial role than language, despite this fact that Russian is the official language of Kazakhstan Russian speaking people are not holding key government positions (Goble 2014).

Nevertheless, many scholars reject the possibility of Russian intervention in near future. It has been argued that so far Kazakhstan has used its Multi-vector foreign policy successfully to balance competing interests of major powers including Russia, China and United States. Currently more than half of oil from Astana is flowing to China and at any cost China would try to protect its huge investment in energy sector of Kazakhstan which is directly linked with China's energy security. Some other scholars opine that Russia cannot play the same role in Kazakhstan which it earlier played in Ukraine. President Nazarbayev has well crafted his foreign policies to protect the interest of Kazakhstan. However, no one knows how his successors would deal with the question of language, ethnicity and geo-politics.

III. Russia and Central Asian Oil and Gas Transportation Routes

To understand the present energy relationship between Russia and Central Asia, one needs to understand the history of 1990s. The time-period helps to understand the present geopolitical situation. It also reflects light on the proactive role played by new actors in the energy field of Central Asia. During the period, Central Asian countries marked adaptations and mutations at various levels in their foreign policies and energy policies. The present section deals with Russia's longstanding domination on oil sector in Kazakhstan and gas sector of Turkmenistan respectively.

In early 1990s, Russia's main interest was not to control energy production instead its major agenda was to dominate geopolitics of the region even at the cost of economic interest. Russia's key objective was to retain its influence in Central Asia and check external influences in the region mainly due to increasing interest of United States and the presence of Western oil companies in the region. Nevertheless, Russia itself was neither economically stable nor technically advanced to invest in the development of energy sector in Central Asian countries. However, Russia strongly opposed the formation of international oil consortium dominated by Western oil companies, in the Post Soviet Central Asian states. Russia used various kinds of tactics to create trouble in smooth functioning of Western oil companies (Kaliyeva 2004:3).

Russia's maintained its strategic control over energy resources throughout the Central Asia and Caspian region by the help of strict supervision by Russian army and its security services (KGB). Robert Cohen has shown that with the help of army and KGB Russia used to disrupt the flow of oil which was destined to European market from Kazakhstan. Several times Russia created hurdle in implementation of deals which were signed between the government of Kazakhstan and Western oil companies regarding the export of oil. To overcome these challenges, US oil companies were forced to give the reasonable share to Russian companies in the development of oil and gas fields and in construction of pipelines (Cohne 1996: 9-11).

Driven by mutual benefits Russia later preferred to become shareholders in the production of oil-fields and according to its changed policy it started to cooperate with Western oil

companies operating in Central Asia. Nevertheless, Moscow continued to oppose the construction of alternative pipeline routes and pursued its earlier policy of domination and monopoly on the transportation routes (Kaliyeva 2004:3). The pipeline system developed during the Soviet era helped Moscow to dominate oil and gas pipeline routes of Central Asia for a long time. Pipeline routes helped Moscow to maintain its hegemony on Post Soviet states of Central Asia. As the successor of the Soviet Union, Russia inherited with 152,000 Kilometres' of natural gas pipelines, 46,000 km of crude oil pipelines and 15,000 km of petroleum product pipelines. This pipeline network includes the territory of Central Asia, the Caucasus and Central Europe. The entire pipeline network has remained completely under the control of Russian state. It provided strategic leverage over other geopolitical players and also helped to generate large amount of transit fee as well. Geopolitical and geo-economic interest of Russia forced it to adopt several tactics for maintaining its monopoly on the entire pipeline system. For example, Moscow strongly opposed the construction of new pipelines infrastructure (Qurbanov: 2012). Despite the fact that Central Asian countries became politically independent in 1991, they remained economically dependent on Russia in 1990s. In 2000s the dependency on Russia was reduced due to the investment made by the United States and China in the development of oil and gas fields and pipeline infrastructure projects in Kazakhstan, Turkmenistan and Uzbekistan. For example, the construction of US backed BTC pipeline in 2006, China-Kazakhstan oil Pipeline in 2006 and Central Asian-China Gas Pipeline in 2009 has challenged Russia's supremacy over pipelines system. The construction of new pipelines not only ensured economic independence of these newly independent states but also assured political sovereignty. The energy rich states always kept their doors open for major geopolitical players. Those countries who were not rich in energy- Kyrgyzstan and Tajikistan- remained largely dependent on Russia. Russian state-owned companies have been the largest investors in Kyrgyzstan and Tajikistan and Russia provides military *assistance* to these countries. However, these two energy deficit countries (Kyrgyzstan and Tajikistan) along with Uzbekistan provide territory for NATO air bases to contain Russian dominance.

i) Russia and Kazakh Energy Pipelines

During the Soviet period, Kazakhstan's economy was totally relied on Moscow's assistance. Moscow provided equipments and technical expertise for the extraction of oil and gas, and helped in agriculture and other small industries. After the independence of Kazakhstan in 1991, it claimed its rights over its natural resources. Most of its oil resources were located in north-western part of the country which was closer to Russia's southern part. To develop its energy resources Kazakhstan started signing contracts with Western oil companies. In 1993, Chevron, a company from United States, was the first foreign oil company on the land of Kazakhstan. Chevron signed a deal with government of Kazakhstan worth \$ 20 billion to develop the Tengiz oil field (estimated 6 billion barrel proven reserves) and got assurance to extract oil for next twenty years. Later, other foreign companies like British Gas from Britain and Agip, an Italian firm, also joined Chevron in the development of the Tengiz oil field. Russia immediately responded by imposing high taxes and surcharges on the transportation of oil. Moscow tried to block the access of Kazakhstan to foreign markets. Several administrative obstacles created by Russia and its continued attempt to threat Western oil companies resulted in the decrease of the total production from Tengiz oil field. For example, it was expected that 700,000 barrel of oil would be produced per day. However till 1995 government of Kazakhstan and oil companies had to satisfy themselves only with the production of 50,000 barrel per day (Wegren 2016).

Kazakhstan's economy was completely dependent on sale of its oil and gas and development of these energy resources with the help of foreign partners was the only way for Kazakhstan to integrate itself with the world economy. However, oil led economic growth did not prove enough for Kazakhstan to contain Russia's influence and domination. Moscow used several strategies to keep Kazakhstan under its control. For example, in the first half of 1990s, Russia forced Kazakhstan to give Russian firms preference in the exploration of the oil and gas fields and demanded 20 -40 percent share in this joint adventure. Moscow pressurised Almaty to give assurance of participation of Russian companies in massive Chevron-Tengiz project. Russia used the instrument of debt for equity swap in Kazakhstan and oil debts became an effective instrument to control energy sector (Blank1995 b). Russia's pressure for demanding specific share for

Russian oil companies despite the fact that these Russian oil companies could not compete with their Western counterparts in technological expertise and financial strength. Russia secured significant shares in the biggest energy projects in Kazakhstan. For instance, it managed to get a sizeable share in Tengizchevroil and Kumkol-Lukoil projects and later in Karachaganak project. Kazakhstan government allowed Russian firms in its energy projects because it feared that the exclusion of Russia could result in the imposition of sanction by Moscow (Kubicek 2013:174).

Kazakhstan was rich in oil but it did not have the technology to refine its oil. Only Russia had the refining capacity and therefore, Moscow had not only its control over transportation of oil but also had control over the production of petrochemical goods (Blank 1995 b). Several times, Russia completely stopped the transportation of Kazakhstan's oil by alleging that the oil contained a large amount of sulfur (Pomfert 1995: 157, Kubicek 2013:173). In March 1993, Russian government agreed to sign an agreement with the government of Kazakhstan and Chevron to provide uninterrupted transportation of a definite amount of oil per day through its pipeline. It assured to increase its transportation quota for oil further but put the condition to reduce the amount of sulfur in oil which was exported through Russian pipelines. Nevertheless, during the Soviet Period, Russian Government never objected on the concentration of Sulfur in oil. Despite its assurance Russian government did not allow Kazakh Government and Chevron to export "agreed quota" and almost cut off the entire supply (Ipek 2007: 1186).

On April 28, 1994, Russian Ministry of Foreign Affairs sent an official letter warning the British Foreign Office regarding oil extraction in Caspian Sea by British Oil Company. Though, Russia, Kazakhstan, Turkmenistan, Azerbaijan and Iran shared their border with Caspian Sea yet Russia claimed that Moscow had the right to veto against any exploration in Caspian Sea even in those areas which were beyond the Russian territory. Russia's warning to Britain was direct threat to many larger projects which were to be started in Kazakhstan. Just after this incident, Russia choked-up Kazakhstan's almost entire oil export which was set to supply towards West. On the other hand, Kazakhstan's energy officials made an allegation against Russia that Russia's dominating behaviour was reflection of its desire to have share in Kazakhstan's oil projects. After realizing Russia's intention, the Kazakhstan Government

and western oil companies together reached at the conclusion that they need construction of an alternative pipeline which would allow Kazakhstan to transport its oil without using Russian pipeline infrastructure. At the same time Kazakh government and Western oil companies realised that unless Russia's interest were taken into consideration, the smooth operation of energy projects and transportation of oil to the world market would not be possible (Blank 1995: 55-61 a).

In 1990s, Kazakhstan was severely suffering not only from economic crisis but also it was facing the question of nation building. On the one hand, Kazakhstan needed capital investment and technological expertise from Western oil companies; on the other hand Kazakhstan was heavily dependent on Russian pipelines network for transportation of its oil. Considering the situations the President Nazarbayev followed a course of pragmatism in its foreign policy. Kazakhstan maintained good relationship with Western oil companies and US and was able to get economic and technological assistance. It also continued to give preference to Russia as its strategic ally and provided shares in the energy sector. Since 1990s to till the date multi-vector approach has remained a salient feature of the foreign policy of Kazakhstan and it adopted the policy of signing oil and gas contracts with Western companies rather than depending solely on Russia (Ipek 2007:1185).

ii) Russia's Monopoly on Turkmen Gas

In 1990s, lack of alternative gas pipeline routes and dependency on Russia severely affected gas production of Turkmenistan. Since Turkmen economy was largely dependent on gas export, decrease in gas production in 1990s directly hampered its economy. It was primarily led by two major factors. First, Turkmen gas importers like Ukraine and other Caucasus countries were no longer able to pay for the Turkmen gas because of their economic crisis. Secondly, several times Russia cut off Turkmenistan gas export which passed through its pipelines system. Turkmen gas had far better quality than Russian gas; hence supplying Turkmen gas via Russia was not in Russia's interest and therefore at many occasions it cut off supply of Turkmen gas. Russia used to gain strategic leverage by using the tactic of blocking the supply-line of Turkmen gas via its pipelines. Therefore, throughout 1990s

Ashgabat was not receiving payment through its gas export to Ukraine and other Caucasian countries due to Moscow monopoly on pipeline infrastructure (Craandall 2006: 98).

Power has been a key factor in the energy relationship between Turkmenistan and Russia especially when it comes to the bargaining capability. Controlling Price and payment of gas was a major strategic tool by using which Russia used to manipulate price and payment in favour of Moscow. For example, in 1990s almost all amount of Turkmenistan's gas was exported at low price to markets in Ukraine and other post Soviet countries. In November 1995, Russia and Turkmenistan took an initiative to overcome the payment and other related problems and created a joint venture called "Turkmenrosgaz" with the help of two Russian firms- Gazprom and Itera- and Turkmenistan's gas company- Turkmenneftegaz. The due amount from Ukraine was collected in the mid of 1997. It is worthwhile to mention that Ashgabat was exporting its gas at the price which was far below in comparison to the market price, despite this it was not receiving timely payment. After collecting due payments in Aug, 1997, Gazprom CEO Vyakhirev declared that Turkmenistan's gas which was exported to Ukraine and other Caucasian states would be replaced by Russian gas. He alleged Turkmenistan for this harsh decision and declared that Turkmenistan could not continue its supply to Ukraine and other Post Soviet states. Consequently, Russia cut off supply of Turkmen gas during the period of 1997- 1998. Gazprom officials claimed that Turkmenistan would "come begging on its knees." Even a public statement was made by Gazprom's co-founder that "Turkmenistan would be forced to eat sand," if Ashgabat would not agree to sell gas to Russia's under his conditions." In addition, later in 1999, Vyakhirev, the CEO of Gazprom, apologised to Turkmenistan's President Niyazov and Turkmen people for hurting the Turkmen sentiments (Heinrich 2014: 163-165). The incident shows clearly the way Russia and its state owned gas companies pressurised Turkmen Government to continue export of gas at the lower market price without receiving timely payment. Russian officials used to hurt the public sentiment of Turkmen people.

Turkmenistan's gas export contributed to 80 percent of total revenue. Throughout 1990s, Turkmenistan capacity of production and transportation of gas resources has been highly hindered by its landlocked geographical location. Though, Turkmenistan managed to open up new gas export route from Turkmenistan to Iran in 1997, but the volume of export was only

around 5 to 8 billion cubic meters annually. Still, around 50 billion cubic meter gas was flowing to Russia (Boucek 2007). Russia's strategy to dominate gas resources of Turkmenistan was largely led by three factors: a) Russia used the strategy of buying shares in the development of the gas projects through its state owned companies- Gazprom, Transneft and Itara. b) Russia used its pipeline infrastructure as a tool for controlling energy export of Turkmenistan. c) It controlled the gas price by buying gas at low price and selling it into European market at higher price (Galimova 2016).

IV. Pipeline Diplomacy in Central Asia: A Quest for Diversification of Pipeline Routes

What does make cross border pipelines a crucial factor in deciding the foreign policy of Central Asian states? Why do cross border pipelines inevitably attract political conflict? How does the cross border pipeline system differently affect the interest of different parties - suppliers, consumers, international companies and other non- state actors? All these questions need serious deliberation to understand pipeline diplomacy, cross border pipeline politics and geopolitics of pipeline routes in Central Asia.

Pipeline Diplomacy: pipeline diplomacy in Central Asia is decided by the struggle among various state and non- state actors to have a control over the pipeline routes. The pipeline diplomacy is primarily guided by geopolitical and energy security interests of many regional and extra regional powers. Most importantly, the interest of Central Asian republics lies in the diversification of their oil and gas pipeline routes. Apart from geopolitical considerations and regional politics the motive of profit of international oil companies also plays a major role in diplomacy related with oil and gas pipelines. Nevertheless, the story remains incomplete without mentioning the tangible and intangible interests of various ethnic and linguistic groups along with extremist and terrorist groups for controlling energy production and energy export routes in Central Asia. In this background, it would not be wrong to say that in the 21st century pipeline politics in Central Asia will play a pivotal role in the world politics. Hence, control on pipelines is closely linked with the control on oil and gas resources. Pipelines are the means through which resources are transported from oil and gas fields to the market. From the point of view of energy producing countries of Central Asia, strategic vision and art of dealing with various players regarding with foreign policies

are the key to achieve their goals. Domestic state of affairs will play a crucial role and it will decide the inflow of energy revenue, economic development and most importantly the regime stability of the country. Moreover, from the point of view of both- the exporting and importing countries- it is well accepted that the better the negotiating power will be the better would be the chances to be the winner in “New Great Game”. In the “New Great Game” the main focus is on controlling energy resources and pipeline routes in Central Asia. At this point, the role of diplomacy has a greater importance.

Since the second half of 1990s, the struggle among the major players for construction of pipelines and concern for their security has been at the heart of the “New Great Game” in Central Asia (Rousseau 2011). Transportation of oil and gas resources of Central Asia has been one of the critical and controversial issues of international politics. The significance of cross border pipelines in Central Asia can be analysed in the light of the claim made by Stephen Blank which says that control over pipeline routes has been a precondition for controlling Central Asia. In addition to this, whoever will control the energy trade and pipeline transportation routes of Central Asia will also decide the political and economic destiny of the region (Blank 1995: 189 a).

Energy rich countries of Central Asia- Kazakhstan, Turkmenistan and Uzbekistan- have been largely affected by their landlocked position. Landlocked position of Central Asian countries added extra obstacles in establishing energy transportation routes. A landlocked location of the state hinders its participation in the global marine trade. In contrast to landlocked position, a state which is largely connected with the leading trade routes can stimulate trade and achieve economic growth which helps to secure political stability, security and prosperity of the state (White 2007:4). Despite technological enhancement in transportation, landlocked countries still face structural challenges in making access to world market. It is not only far from the ocean but also it has to face other challenges which arise due to the dependency on the transit country for trade of goods. The dependency becomes complex as the landlocked country entirely depends on the infrastructure of its neighbouring transit states. In such a situation, it has no other options than to make friendly relationship with transit countries. The condition of peace and stability and bureaucratic system of transit countries affects the policies adopted by a landlocked country. In the case of international

trade huge corruption increases the cost of transportation. On the one hand landlocked country suffers from corruption at both levels-at domestic and at international levels (in this case transit countries) (Fayel et al 2004: 40- 43).

To access international market, landlocked countries of Central Asia inevitably depend on pipelines for transportation of oil and gas. Although, oil swaps, land transportation and shipping are other alternative methods which are used to supply petroleum products, pipeline remains the feasible alternative for transportation of large amount of oil and gas across long distances. However, long negotiations and bargaining are required to deal with the transit state through which oil and gas are usually transported to final destination. Energy rich Central Asian countries completely depend on the pipeline system for transportation of their petroleum products. Energy rich states of Central Asia understand importance of the pipeline infrastructure hence diversification of pipeline routes in different directions has been the key objective of their energy policy and foreign policy. Currently, various pipeline routes are available to Central Asian states in different directions of the world. For instance, these countries have access to Russia in the North, to European countries in the west (that are situated surrounding Black Sea and Mediterranean Sea), to China in the East, and Iran in south (Muisavi 2010:161) . In near future the target is to have access to new energy deficit countries- Afghanistan, Pakistan and India.

Pipelines are the source of economic development not only for energy exporting countries but also they equally contribute to the economy of energy consuming and transit countries. Pipelines play an important role in energy rich Turkmenistan, Kazakhstan, and Uzbekistan whose economies are largely dependent on oil and gas revenue. For energy consumers countries like China, Russia and US, pipeline provides access to petroleum products which are crucial to ensure energy security and economic growth. The third actors are the transit countries through which pipelines pass before reaching to its final destination - a consumer country. Pipeline construction and operation is a source of generation of huge amount of transit fee which helps to boost the economy of a transit country.

Nevertheless, geopolitical interests of various regional and extra regional powers also play a crucial role in construction of pipelines. Nevertheless, the decision of construction of a pipeline in a specific direction is not only a matter of economic feasibility but it is also

reflection of geopolitical interests of major powers and other stakeholders. In the case of political disagreement and armed conflicts, pipelines may become vulnerable to politics. In the case of Central Asia, political bargaining, social turmoil, terrorist attacks and environmental risks also affect the construction and smooth operation of pipelines (Mousavi 2010:163). The politics around pipelines is so complex that even after construction of pipelines smooth operation is not guaranteed.

Pipelines do not simply carry oil and gas but during this process they define a new corridor of trade and power. Construction of a pipeline is seen as an opportunity to transit state which is generally supposed to take various political and economic leverages. For example, transit states are benefited by inflow of foreign direct investment, employment opportunities, and transit royalties. The greater the number of countries involved between supplier and buyer, the greater the chance of level of difficulty in realization of the pipeline project. Various kinds of proposed and existing pipelines demand the diplomatic and counter diplomatic efforts for their construction and smooth operation. In the war like situation and at the time of political confrontation pipeline can be used as a political tool by the powerful state (Mousavi 2010: 162-163). However, once the pipeline starts to operate successfully, each party is benefited from the project. The larger amount of revenue and high transit royalties generated from the energy supply, fuels the economic growth which brings political stability in the country. However, the share of the benefit also reaches to ethnic groups and extremist factions as well.

Paul Stevens mentions three kinds of pipelines: (i) Domestic Pipelines; (ii) Cross -border Pipelines; (iii) Transit Pipelines. He defines domestic pipeline as a pipeline which exists in sovereign territory. Domestic pipeline is subject to implementation of laws and norms of that concerned territory. While, cross-border pipelines connect two countries- oil and gas exporter country to the importer one. In comparison of the two pipelines, transit pipeline is completely different as it has to necessarily cross the territory of a third sovereign country in order to reach its destination. Both cross-border and transit pipelines share some common features. First; various kinds of stakeholders are engaged in pipeline construction who are driven by their self interests. One stakeholder can have clash of its interest with the other. The existing mechanism, which allows different parties to maximise their share in the

project, leads to conflict between different stakeholders. Furthermore, it is the lack of the central authority which creates a condition in which sovereign governments try to maximize political and economic advantage by exercising their power (Stevens 2010: 9-10).

A) Diversification and Interests of Geo-political Powers

Since 1991, the history of the development of Central Asian oil and natural gas resources has been completely dominated by the Russian pipeline routes. Russia's hegemony over the energy resources and pipeline routes forced Central Asian countries to diversify its pipeline routes. This section remains focused on examining the major pipeline routes available to Central Asian countries. It throws a light on multi-vector foreign policy of Central Asian countries with special reference to diversification of their oil and gas pipeline routes. Diversification of oil and gas pipeline routes takes place along with balancing of influence of major powers. Policies related with oil pipelines in Kazakhstan and gas pipelines in Turkmenistan and Uzbekistan helps to understand multi-pipeline policy. Kazakhstan as a largest oil producer and Turkmenistan as a largest gas producer in the region; have been always keen to diversify their pipeline routes. In Kazakhstan, the construction of alternative oil pipeline routes started in 1990s with the help of Western countries. While diversification of gas pipeline routes in Turkmenistan, Uzbekistan and Kazakhstan started in early 2000s with the help of China. China built a pipeline route in 2009 to import gas from Turkmenistan to China (Coburn 2010: 21). Since the independence, the key agenda of the energy policies of Kazakhstan and Turkmenistan has been to get rid of Russian monopoly on pipeline routes. In Kazakhstan, the interest of energy sector was undermined due to the Russian domination on pipeline transportation in 1990s. Russian domination on pipeline routes was also against the interest of Western oil companies. Despite the fact that Western companies were producing oil in Kazakhstan they were not allowed to export this oil to Western countries. Thus, bypassing the Russian pipeline system was inevitable to pursue the interest of both-Kazakhstan and Western oil companies. The national interest of Kazakhstan was converged with the economic interest of Western oil companies (Chow and Hendrix 2010: 31-32).

Compared to Kazakhstan's oil sector, natural gas production in Turkmenistan remained completely under the strict control of President Niyazov. Following the "Positive Neutrality" policy, Turkmenistan's Government crafted state policies in such a manner that Western

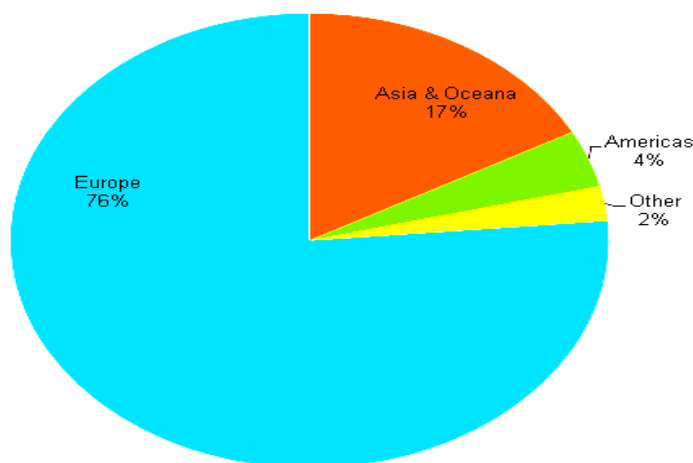
companies were strictly prohibited. State policies were largely dominated by the fear of domination of Western companies and possible threat to regime stability. In contrast to oil sector in Kazakhstan, the poorly privatized sector of natural gas in Turkmenistan could not attract enough capital and technological expertise for the construction of new pipelines. Turkmenistan's xenophobic behaviour resulted in Russia's long term domination over Turkmen gas sector. Only after the construction of China-Turkmenistan gas pipeline (2009) Turkmenistan became a little independent from Russian domination. After the death of President Niyazov in late 2006, Turkmenistan's new government has moved towards the speedy diversification of its gas pipeline routes. The state policies have been key factors in the diversification of oil and gas pipelines. Presently both Kazakhstan and Turkmenistan are committed to diversify their oil and gas pipeline routes. It is worth mentioning that diversification of pipeline routes not only facilitates the commercial interest of those Central Asian countries but also enhances their capacity to contain the geopolitical influence of major powers in the region.

i) Major Oil Pipeline Routes in Central Asia

Kazakhstan offers an interesting case for studying oil pipeline routes in Central Asia. Since the independence, Kazakhstan has successfully managed to diversify its pipeline routes. For instance, Caspian Pipeline Consortium (CPC) targets the oil export towards European market. While in the East direction, Kazakhstan-China pipeline route links Kazakhstan to China. Uzen- Atyru- Samara pipeline goes towards the North in Russia. In West direction, Baku- Tbilisi- Ceyhan Pipeline provides another alternative route to connect Aktau port of Kazakhstan in Caspian Sea to Mediterranean coast of Turkey (US Energy Information Administration Kazakhstan Analysis Brief Report 2015:6). The distribution of the oil is managed in a judicious way. According to KazMuniaGaz, the state-owned oil and gas company in 2015 distribution of Kazakhstan's total oil export was- 38 million tons to Caspian Pipeline Consortium Pipeline (CPC); 15.7 million tons to Atyrau-Samara Pipeline and 11.8 million tons to Atassu- Alashankou Pipeline (Kazakhstan-China Pipeline). Currently, the main existing oil exporting routes in Kazakhstan are: (KazMuniaGaz 2016).

- a) Caspian Pipeline Consortium Pipeline (CPC)
- b) Atassu- Alashankou Pipeline (Kazakhstan-China Pipeline)
- c) Baku- Tbilisi- Ceyhan Pipeline (Aktau Sea Terminal)

Figure No. 2.9 Kazakhstan's Oil Export Market Destination in 2013



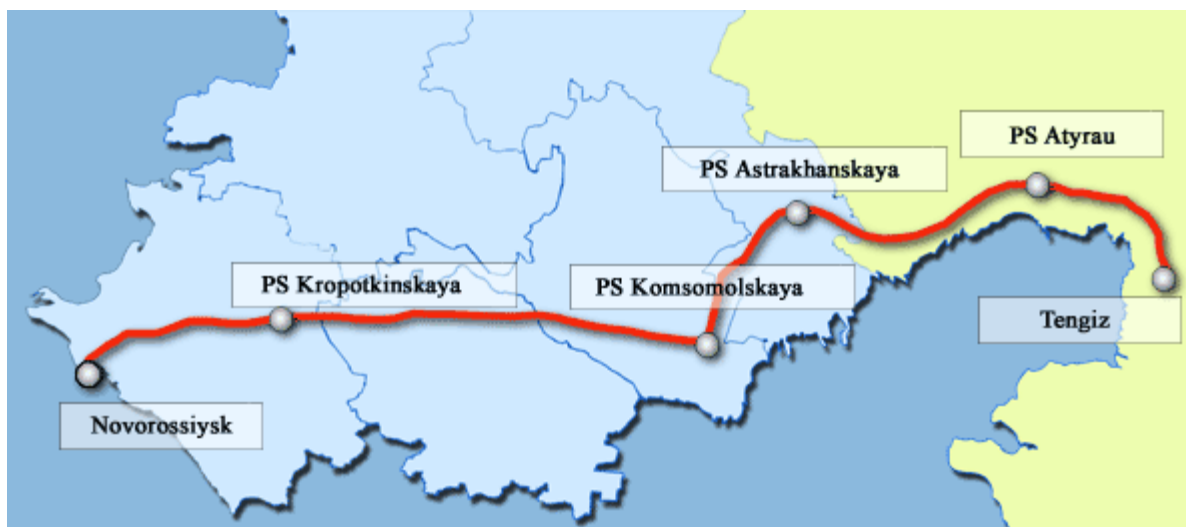
Source: US Energy Information Administration (2015), "Kazakhstan International Energy Data and Analysis", Accessed on 12 December 2016, URL: https://www.eia.gov/beta/international/analysis_includes/countries_long/Kazakhstan/kazakhstan.pdf.

A. Caspian Pipeline Consortium (CPC)

In 1990s, a consortium was formed by governments of Kazakhstan and Russia along with the help of various multinational oil companies for the construction of CPC pipeline. Till the date, CPC is the only pipeline in Russian territory which is not completely controlled by Russia as it usually happens in other cases. Generally Russian state-owned oil company- Transneft- has complete control on pipelines passing through Russian territory. Through CPC and BTC pipelines United States desires Caspian oil flowing towards West. CPC is considered as a mark of the victory of the liberal economic model in the Post Soviet era. Russian President Putin welcomed the construction of CPC pipeline and said that it had "exceptional significance for Russia both from an economic and from a geopolitical point of view." According to the perception of Western countries during the time of construction of

CPC Russia was not only weak but also it was not able to define its national interest (Dellecker 2008: 6-9).

Map: No. 2. 1 Caspian Pipeline Consortium (CPC)



Source: Fishelson James (2007), "From the Silk Road to Chevron: The Geopolitics of Oil Pipeline in Central Asia", *The School of Russian and Asian Studies*, [Online web] Accessed on 12 January 2017, URL: http://www.sras.org/geopolitics_of_oil_pipelines_in_central_asia.

CPC pipeline is used to export oil from Tengiz field in western Kazakhstan to Novorossiysk - 2 Marine Terminal on Russian Black Sea coast. From the sea terminal at Novorossiysk, the same oil is loaded on tankers for further shipping it into European market (see the map no.). CPC is a separate pipeline-section of already existing Soviet era pipeline routes. Nevertheless, the pipeline has essentially to pass through the Russian territory and Novorossiysk port facility is also provided by Russia (See map no. 2.1) Russia gets strategic leverage as well as it earns huge amount of transit fee from the pipeline transportation. The total length of CPC is over 1,500 kilometres which was laid down with the total cost of \$2.6 billion. Its construction was started in 1999 and was completed in 2001. On 13 October 2001, the pipeline loaded its first tankers at the Marine Terminal of Novorossiysk. Initially, in 2004, the pipeline had a capacity of supplying 28 million tonnes. Gradually its transportation capacity increased to 35 million tonnes in 2005. At present, its transportation capacity has increased to 38 million tonnes. However, increasing oil production in Tengiz oil field puts constant pressure to enhance the transportation capacity. Hence in 2016, the target was set by

various stakeholders to achieve the total supply capacity to 67 million tonnes (CPC 2016). Thus, pipelines play a crucial role in exporting oil from Kazakhstan's two major oil fields- Tengiz and Karachaganak to European market. In 2014, the amount of crude oil supplied through the CPC pipeline was recorded 865, 000 barrel per day in which 763,000 barrel per day was filled by Kazakhstan and 102,000 barrel per day by Russia (The government of Kazakhstan 2016: 64).

Nikolai Gorban, General Director of CPC claimed that the CPC represent the perfect example of international cooperation among 11 shareholders. The CPC includes some of the world's leading oil companies such as Chevron, Transneft, KazMunyaGaz, Lukoil, Rosneft, Shell, ExxonMobil and Eni. Currently, CPC is responsible for transportation of nearly 56 % of oil produced in Kazakhstan. Apart from the Tengiz, the output of two other largest growing oil fields of Kazakhstan - Karachaganka, Kashgan - are expected to be transported by the CPC (Panorama 2016: 3-5). Moreover, the presence of several international oil companies in Kazakhstan's oil fields and development of different pipeline projects shows Kazakhstan's commitment to diversification policy and multi- vector approach in the energy sector. As a result, on the one hand, Kazakhstan has close collaboration with US and Europe; on the other hand, it has maintained its strategic partnership with Russia (Mankoff 2014:3). Nevertheless, initially it was difficult task for the government of Kazakhstan to invite private oil companies from different countries. According to the official site of CPC its three major shareholders are: Russia (24%), Kazakhstan (19%), and Chevron (15%) a leading oil company of United States (CPC 2016).

The history of the pipeline dates back to 1993 when Chevron, a leading oil company which was involved in development of Tengiz oil field in Kazakhstan, decided to sign a deal with Russia regarding the construction of the pipeline. However, the pipeline could not be constructed at that time due to Russia's opposition. Russia had fear that the pipeline would transport Kazakhstan's oil towards western countries bypassing Russian territory which would reduce Russia's monopoly over pipeline routes. Nevertheless, Russia's major interest was that the pipeline should pass through Russian territory. The ultimate solution for Western oil companies was to give Russia a certain amount of economic benefit in form of transit fee.

Table No. 2.5 CPC Pipeline and Various Stakeholders

Major Shareholders in CPC Pipeline		Percentage
1	Russia	24%
2	Kazakhstan	19%
3	Lukarco BV	12.5%
4	Chevron Caspian pipeline Consortium Company	15%
5	Mobil Caspian Pipeline Company	7.5%
6	Rosneft -Shell Caspian Venture Limited	7.5%
7	CPC Company	7%
8	BG Oversea Holding Limited	2%
9	Eni Internatioal (N.A) N.V.S. ar.l.	2%
10	Kazakhstan Pipeline Venture LLC	1.75%
11	Oryx Caspian Pipleine LLC	1.75%

Source: CPC Official site (2016), [Online web] Accessed on 4 December 2016, URL: <http://www.cpc.ru/en/about/Pages/shareholders.aspx>

On the other hand, Kazakhstan's President Nazarbayev recognized the real problem and decided to diversify its shareholders. It sold 24 percent share of Tengiz oil field to US's another firm- Mobil Oil Corporation. These two American firms-Chevron and Mobil Oil Corporation- realised that the only way of achieving cooperation from Russian Government was to invite Russian company (Lukoil) as a shareholder in the pipeline construction. Finally, Russian interest was incorporated by providing it 24 percent share in the project. After long delay, the pipeline construction project got approval from the government of concerned states (Saivetz 2000:56). The pipeline came into existence in 2001. CPC pipeline is clear demonstration of balancing the geopolitical and economic interests of two major powers of the world-Russia and United States- by Kazakhstan government. Nevertheless, Dellecker Adrian raised a significant issue that unlike the BTC Pipeline, CPC does not come in the ambit of international law and was only based on the decree from the Russian President Yeltsin and the Prime Minister Victor Chernomyrdin. Both United States and

Russia have not ratified Energy Charter Treaty; hence implementation of the national decree is still in the favour of Russia (Dellecker 2008:7). In post-Soviet world, the history of Russian foreign policy towards Kazakhstan and other energy rich states has been full of disputes over transit fee in which Russia had always an upper hand. Hence for Kazakhstan it became crucial to reduce its dependency on Moscow- the dependency which extended from economy and transportation to newspaper, television, even agriculture was not an exception (Fishelson 2007).

A. The Baku-Tbilisi- Ceyhan (BTC) Pipeline

BTC is one of the United States' long term geopolitical endeavours in Caspian region- which includes Kazakhstan and Turkmenistan. It is also one of the two pet economic projects of Wasington: (i)Baku- Tibilsi –Ceyhan, (ii) Baku-Tbilisi-Erzerum. Both pipeline projects are designed to reduce dependency of Central Asian oil and gas export on Russian pipeline routes.¹⁵

The troubled history of CPC sent a clear message to leading Western oil companies that they could no longer rely on the single energy transportation pipeline routes (Dellecker 2008: 9). In this regard, to lay down a separate pipeline which would not pass through Russian territory was the main target of United States since Bill Clinton came in office in 1997. The completion of BTC pipeline was considered as a “Strategic Milestone in the Post Soviet Eurasia”. BTC pipeline is considered as the safe, and economically viable option for supplying Caspian oil resources to Western countries in a shorter duration. One of the strategic advantage of BTC pipeline route is that it does not pass through vulnerable checkpoints like Hormuz and Turkish straits (Cornell et all 2005: 17: 19).

The BTC pipeline was a part of the US's ambitious project of building “Eurasian Transport Corridor” in order to connect Central Asia and South Caucasus. As a result, in November 1999, “Istanbul Protocol” was signed by the governments of Kazakhstan, Azerbaijan, Georgia, and Turkey in order to take initiatives for the construction of BTC pipeline. The

¹⁵ RadioFree Europe RadioLiberty (2006) , “ Eurasia: Kazakhstan Squeezes In On BTC Pipeline Project”, [Online web] Accessed on 10 February 2017, URL: <http://www.rferl.org/a/1069229.html>

Map No. 2.2 : Baku Tbilisi Ceyhan (BTC) Pipeline



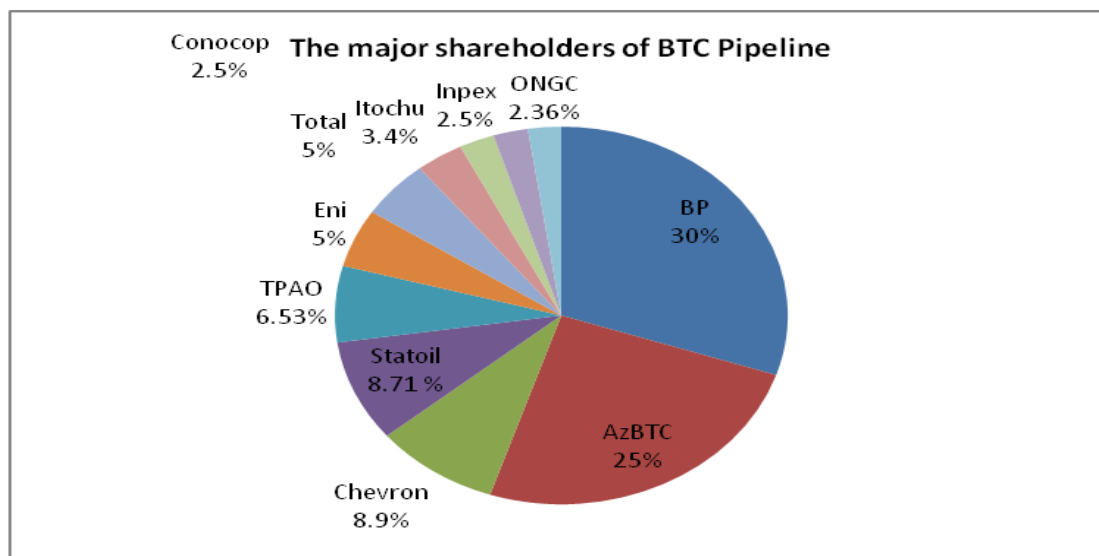
Source: “Baku Tbilisi Ceyhan (BTC) Caspian Pipeline” *Hydrocarbon Technology*, [Online Web] Accessed on 5 December 2016 URL: <http://www.hydrocarbons-technology.com/projects/bp/bp9.html>

construction of BTC pipeline became more significant after the incident of 11 September 2001. US high dependency on West Asia and possibility of disruption of energy supply in the region forced US government to diversify its energy supply routes following which the construction of BTC was prioritised (Nichole 2005:15-16).

Baku- Tbilisi-Ceyhan (BTC) pipeline was developed by a consortium named BTC Co. The consortium was formed in 2002 which was largely led by BP, a British oil company. BP was as a leading shareholder (30percent) with eleven other national and international companies- AzBTC (25 percent), Chevron (8.9 percent), Eni (5 percent), Inpex (2.5 percent), ConocoPhillips (2.5 percent), Total (5percent), TAPO(6.53 percent),ONGC (2.36 percent) (see the figure no. 9).¹⁶

¹⁶ BP Azerbaijan (2017), “Baku-Tbilisi-Ceyhan”, [Online Web] Accessed on 9 February 2017,URL: http://www.bp.com/en_az/caspian/operationsprojects/pipelines/BTC.html.

Figure No.2.10 The Major Stakeholders of BTC Pipeline



Source: BP Azerbaijan (2017), “Baku-Tbilisi-Ceyhan”, [Online web] Accessed on 9 February 2017, URL: http://www.bp.com/en_az/caspian/operationsprojects/pipelines/BTC.html.

The construction of pipeline was started in 2003 and pipeline was filled with oil in 2005. On 25, May 2005, the official opening of the pipeline was attended by the President of Kazakhstan, Nursultan Nazarbayev, along with presidents of Azerbaijan, Georgia, and Turkey. In June 2006, the pipeline became fully operational. During the inauguration, the President of Kazakhstan- Nazarbayev- made a strong commitment to develop a 1,100 mile long pipeline section from Aktau port in Kazakhstan to Baku in Azerbaijan for adding the share of oil from Kazakhstan’s the oil field-Tengiz- to BTC. Though, originally, the idea of BTC pipeline project was discussed between the government of United States and Azerbaijan, later Kazakhstan also came in its support. Currently, BTC pipeline is not only used to transport oil from Kazakhstan but it also transports oil from Turkmenistan. Transportation of oil from Tengiz field in Kazakhstan has resumed since October 2013. Apart from Kazakhstan and Turkmenistan, BTC also carries oil from Azeri- Chirag Guneshli oil field of Azerbaijan, which is located in Caspian Sea (BP Azerbaijan 2017) . According to a declaration in October 2016, Kazakhstan will be exporting 150,000 barrel per day from the offshore oil and gas field of Kashagan through BTC pipeline (Tsurkov 2016).

The pipeline's total length is 1,768 Kilometres and its diameter is 42 inches. It was constructed with the total cost of \$ 3.6 billion. The transportation capacity of pipeline has increased from 1 million barrel of oil per day to 1.2 million barrel per day. It passes through Baku- the capital of Azerbaizan (443 km) , Tiblisi- the capital of Georgia (249km) and finally reaches at Cheyhan (1076km) a terminal point at South Eastern Mediterranean coast in Turkey. It links Sangachal terminal on Caspian Sea to Ceyhan marine terminal on Turkish Mediterranean coast. The pipeline passes through 1,500 rivers and 13 seismically active fault crossing and climbs to a high point of 2,800 meters before reaching to sea level at Ceyhan.¹⁷

One of the key agendas of US foreign policies has been to establish pro-western regimes in the post Soviet states which are strategically important for energy pipeline routes. For example, US supported Rose Revolution in Georgia, Orange Revolution in Ukraine and Tulip Revolution in Kyrgyzstan. Regime change has been an integral part of US energy diplomacy in Central Asia and South Caucasus. During the process of construction of BTC pipeline, Georgia's location was critical as its status of a transit country. Unless United States had its control on Georgia, it was difficult for US to access the oil from Azerbaijan, Kazakhstan and Turkmenistan (Engdahl 2005).

Georgia's capital, Tbilisi, was the main transit gateway through which BTC pipeline was supposed to pass through before reaching its final destination in Turkey. Taking into account of geostrategic importance of Georgia; US administration started to influence Georgia through the mechanism of financial aid and investment. In 2003, Rose revolution took place in Georgia after which pro-western government was established in Georgia (Engdahl 2005). In this regard various unofficial visits were made by US officials to convince the Georgian government. In 2005, an official visit was made by the US President George Bush.

Commercial Interests and Political Goals

The case of BTC pipeline provides an insight to understand the link between oil business deal and politically powerful lobby of US administration. Dan Froomkin argued in his report

¹⁷ BP Azerbaijan (2017), "Baku-Tbilisi-Ceyhan", [Online Web] Accessed on 9 February 2017, URL: http://www.bp.com/en_az/caspian/operationsprojects/pipelines/BTC.html.

that big US oil companies like ExxonMobil, ConocoPhillips, Chevron and others companies usually made extraordinary efforts to support the political campaign for Presidential candidates during the time of election in the United States. The big oil lobbyists are largely behind to grease the wheels to the victory of the President. Later these big oil companies get the support from the government to fulfil their commercial interests (Froomkin 2011).

In his article “Revolution, Geopolitics and Pipeline”, Engdahl William F. says that all board members of big oil companies are also members of US administration. For instance, Zbigniew Brzezinski and Henry Kissinger both were deputed as security advisors of American President, who played a prominent role in influencing the US foreign policy while they were member of the board of US-Azerbaijan Chamber of Commerce (USACC). Zbigniew Brzezinski was a consultant of BP oil- Company whose Chairman was close adviser to British Prime Minister Tony Blair. During the Bill Clinton regime, Brzezinski as a security advisor managed to bring government’s support in the favour of BTC pipeline project. Brzezinski made an unofficial visit to Baku to meet Azerbaijan’s president, Haidar Aliyev on behalf of Clinton government (Engdahl 2005). The influential oil lobbying group turned the political support of government in their favour to win the big oil deals in Central Asia or in Caspian region. The US Government formulated its foreign policy in a way not to achieve only its geopolitical goals but also to fulfil the commercial interests of its big oil companies.

Moreover, Tim Cejka the chairman of Azerbaijan Chamber of Commerce (USACC) also holds the post of President of US oil company ExxonMobil Exploration. The other prominent powerful post holder Brent Scowcroft- then national security adviser of President George H W Bush-was also a member of USACC. This high profile group largely influenced the geopolitics in Central Asian and Caspian region. Before becoming the Vice President of the United States during the Bush administration, Dick Cheney was also a member of USACC. Former Secretary of State –Condoleezza Rice-worked as the Corporate Director of Chevron- the US company which was involved in the extraction of oil in Tenzing oil field in Kazakhstan. Thus, Politics and business was not separate from each other. Condoleezza Rice, Dick Cheney, Zbigniew Brzezinski and Henry Kissinger- all these powerful bureaucrats and politicians were deeply involved in pipeline projects (Engdahl 2005). The same Western oil companies which were active in the development of oil and gas fields were also

involved in the construction of pipelines. To fulfil their commercial interests and to secure geopolitical goals, Western oil companies were not only interested in developing oil and gas fields but at the same time their strategy was to ensure the transportation of petroleum products by the construction of alternative pipeline routes (Tsurkov 2016).

BTC Pipeline and Ethnic, Regional and Geopolitical Conflicts

Oil and gas pipelines from Kazakhstan and Turkmenistan usually pass through conflict prone territories of Caucasian states- Azerbaijan, Georgia. Pipeline politics is deeply shaped by ethnic and territorial conflicts in the region. States often use ethnicity as a tool to fulfil their larger interests: “The ethnicities in this region have used the pipeline politics more as a bargaining chip vis-a-vis their central governments for a better position and less as a pretext for separation” (Mousavi 2010: 159).

Ethnic issues became palpable in the case of Georgia. Georgia plays a key role in facilitating the transit of oil and gas from Central Asian countries to International market. It enables Kazakhstan to export its oil in European market without using Russian pipeline networks. However, the tense relationship between Russia and Georgia always threatened the position of Georgia as a safe transit state. Smooth operation of BTC pipeline is not only an economic issue but it is driven by other factors such as geo-political rivalry (between Moscow and Washington), regional conflict, ethnic tension and security situation of the region.

Georgia increasing closeness to US resulted in establishing pro Western government in 2003 after which Georgia allowed US to lay down BTC pipeline on its territory. Russia became suspicious about Georgia’s pro-US attitude. It considered Georgia’s steps as undermining Russia’s hegemony in the region which had long been considered as Russia’s strategic backyard (German 2009: 344) Russian politicians repeatedly criticised the pro-West attitudes of Georgia and Azerbaijan- two major states which were involved in the construction of BTC pipeline. Georgia’s each and every step towards increasing ties with US was aggressively responded by Russia. Russia cut off its energy supply to Georgia and pressurised it to join Commonwealth of Independent States. It also compelled Georgia to allow Russia to establish its air bases in the territory of Georgia. In addition to this, Moscow provided financial aid and weapons to support the separatist movement of two secessionist

territory of Northern Georgia- Abkhazia and South Ossetia. Since, these areas were populated by Russian speaking people and Russian nationality appealed them which became a disturbing factor for Georgian Government. President Putin, who is well known for his overt support for Russian diaspora across the world, discussed the situation with the local leaders of Abkhazia and South Ossetia and assured them for Russia's help. Putin's step was to make realise Georgia of its vulnerability and dependency on Russia (Cornell et al. 2005: 26).

On the other hand, Georgia accused Russia to support the separatists of Abkhazia and South Ossetia. While, Russia blamed Georgia for the violation of human rights of Russian speaking people in Georgia and also accused of providing shelters to Chechen separatists. This ethnic conflict largely affected the pipeline routes passing through the territory of Georgia (Nichole 2005 4-10). The tussle between Russia and Georgia has largely affected the geopolitics and energy diplomacy which is closely linked with the interests of energy rich countries of Central Asia.

The other prominent example of territorial conflict is the longstanding issue of Nagorno-Karabakh territory between Azerbaijan and Armenia which affects the oil and gas supply of Kazakhstan and Turkmenistan towards Western countries. As the construction of BTC pipeline completely bypassed the Russian territory, Russian officials pressurised Azerbaijan to withdraw from the BTC pipeline project. Nevertheless, Azerbaijan continued for its commitment to diversify its pipeline routes and reduce its dependency on Russian pipeline networks. Therefore, Russia supported Armenia in Nagorno-Karabakh conflict to teach a lesson to Azerbaijan. To counterbalance Russia, Azerbaijan turned towards United States (Nichol 2005: 3-5). Out of total territory of Azerbaijan, one-fifth is supposed to be occupied by Armenia due to Nagorno-Karabakh conflict. BTC pipeline was to prove helpful in bringing Azerbaijan a huge amount of oil revenue which could help Baku to reduce dominance of Russia and Iran (Staar 2005:15). Russia and Iran was main supporter of Armenia and they opposed the construction of BTC pipeline. One of their main apprehensions was that once the oil revenue starts to fuel Azerbaijan economy, it would strengthen the position of Azerbaijan in Nagorno- Karabakh conflict. On the other hand, Armenia invited Russia and Iran to counterbalance the US energy diplomacy. Nevertheless,

US's interest in supporting Azerbaijan's position was largely due to its abundant reserves of energy (Nichol 2005: 3-5).

Many scholars also justified the construction of BTC pipeline. US's scholar S Fredricks Staar argued that BTC pipeline would help Kazakhstan and Azerbaijan to diversify their energy pipeline routes and at the same time it would enable US to decrease its energy dependency on West Asia. He made the point that if BTC pipeline is not built, the oil and gas export of Kazakhstan and Azerbaijan would completely be controlled by Moscow and energy resources of the region would be used for revival of Russia's domination in the world (Staar 2005:8).

When it comes to the transportation of Central Asian oil to international market, BTC pipeline is only pipeline which bypasses Russian territory. Nevertheless, the BTC pipeline is prone to geopolitical interests and security threats in Caucasus. Russia and its allies, including Iran and Armenia, opposed the BTC pipeline project as it was considered to increase US's influence in the region. Azerbaijan-Kazakhstan-Turkey-Georgia alliance was keen to support the BTC pipeline project and they joined their hand with US. BTC pipeline is crucial for oil rich Kazakhstan and Azerbaijan to reduce their long-standing dependency on Russia. At the same time the pipeline was going to prove as a source of huge amount of transit fee for Georgia and Turkey. Therefore, two groups came in the front of each other during the construction of BTC pipeline. These were- (i) Russia, Iran, and Armenia on the one side and (ii) US, Turkey, Azerbaijan, Kazakhstan and Georgia on the other.

Kazakhstan participation in BTC Pipeline has enhanced the Astana's political and economic bargaining power. Kazakhstan has used its participation in BTC pipeline as a strategic tool to challenge the Russia's domination on oil export routes. For example, in 2008 Kazakhstan transported 50 million tonnes oil through BTC pipeline which increased Russia's apprehension regarding its status as a main transit country. Without any delay, Russia immediately facilitated the flexibility in the terms and conditions for transportation of Kazakh oil through Russian territory. In this regard, on 18 November 2009, a protocol was signed between Moscow and Astana to bring an amendment in existing conditions of oil transportation which was regulated by an agreement signed on 7 June, 2002. Accordingly, Moscow had to increase the volume of oil transportation passing through Atyrau Samara

pipeline from 15 to 25 million tonnes annually. Therefore, for Kazakhstan, BTC pipeline remains as a strategic tool to fulfil its national interest (Nurgaliyeva 2016: 100). Many observers and policy makers accept that Kazakhstan's President Nazarbayev has managed to use multi-vector foreign policy to strategically balance the interest of various geopolitical powers. He did not allow any single geo-political power to dominate either in the development of oil and gas fields or in the construction of pipeline routes. Foreign companies were also invited by Kazakhstan in a judicious manner so that it could pursue its multi-vector approach. In this changed scenario Kazakhstan Government opened up its export routes towards the East. In 2000s, two major factors- rising world energy prices and increasing energy demand of China-enhanced the capability of Central Asian countries to diversify their energy partners and to open up new pipeline routes.

B. China- Kazakhstan Oil Pipeline

China became an oil imported country since 1993 and it started to import 80 percent of its oil mainly from six core oil suppliers in West Asia- Saudi-Arabia, Iran, Angola, Oman, Yemen and Sudan. Nevertheless, China energy security came under threat after September 11, 2001 event after which Strait of Malacca (through which China's 80 percent of oil passed) came under US's increased domination in order to combat transnational terrorist threats. America's military intervention against Saddam Hussein in 2003 led to violent conflicts and retaliation by extremist groups throughout West Asia. These extreme situations threatened the oil supply from West Asia. When oil facilities of Saudi- Arabia (a key oil supplier to China) were targeted by al-Qaeda, it raised serious concerns about political stability in Saudi Arabia and its impact on China's energy security (Lee 2005:270).

Oil from West Asia passes through Indian Ocean, the Strait of Malacca and South China Sea before reaching China which makes the supply route vulnerable to geopolitical conflicts and terrorist attacks. Due to these apprehensions, China turned to energy rich Central Asian countries- especially to oil rich Kazakhstan to diversify its energy import. Importing oil from Central Asia gives China an upper hand as it can lay down overland pipelines which are not subject to American domination (Lee 2005: 270). On the other hand, Kazakhstan government wanted diversification of its pipeline routes in order to reduce its dependency on United States and Russia. Chinese state-owned companies came with huge investment to develop oil-fields and to finance a new alternative pipeline.

In 1997, an agreement was signed between the governments of Kazakhstan and China for the construction of a 3,000 kilometres pipeline. According to the agreement the pipeline was to be completed at the end of 2005 and was to be financed primarily by China (Oil and Gas Journal 2003 a). Accordingly, the construction of proposed pipeline was started in 2004 and its first stage was completed in November 2005 with total length of 962.2 kilometres from Atasu (in Kazakhstan) to Alataw Pass (in Xining province). The total cost of pipeline was estimated \$ 700 million. The pipeline was constructed by the joint venture between China National Petroleum Crop and Kazakhstan's State owned company KazMuniaGaz. Each company had equal share in the project. The total transportation capacity of pipeline was 20 million tonnes per year. Nevertheless, in the first phase of its operation, it was decided to transmit only 10 million tonnes per year (China Daily 2006). Later another section of pipeline from Atrau to Alashankou was built to increase the capacity of the pipeline up to 20 million tons per year to meet increasing energy demand China.¹⁸

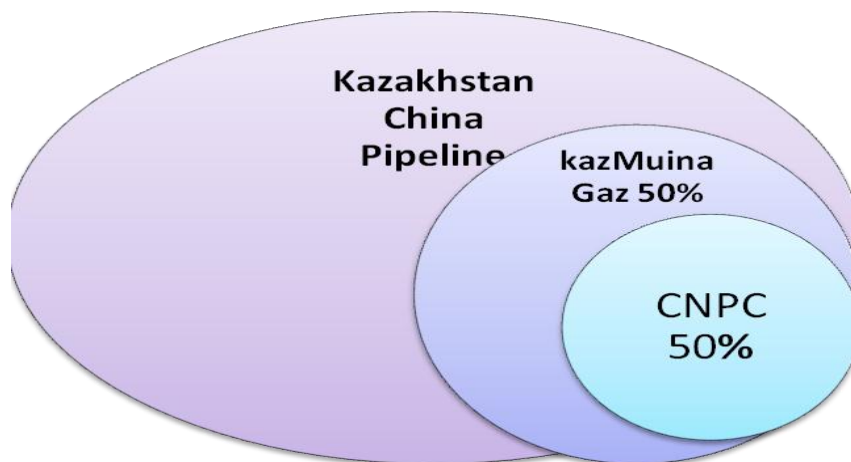
Map No 2.3 China-Kazakhstan Pipeline



Source: Engdahl William F. "Energy War" Geopolitics- Geoeconomics", [Online web] Accessed on 5 December 2016
 URL: http://www.engdahl.oilgeopolitics.net/Geopolitics_Eurasia/China_Gauntlet/china_gauntlet.html.

¹⁸ KazMuniaGaz (2016), "Oil Transportation", Accessed on 19 November, URL: <http://www.kmg.kz/en/manufacturing/oil/>.

Figure No. 2.11 The Major Stakeholders of China-Kazakhstan Pipeline



Analysing successful investment policy of Chinese state-owned companies, Jefery Mankoff pointed out that unlike Western oil companies almost all Chinese oil companies in Central Asia are state owned and they receive financial and political support from Chinese Government. Whereas, Western firms usually refrain from investing in politically and economically risky businesses. Chinese companies take the advantage of the situation and even in the adverse environment they are ready to take risks. In addition to this, unlike Western countries, Chinese oil and gas companies do not impose any condition to bring reforms in economic and political institutions of Central Asian countries, hence Chinese companies appeal more to Central Asian countries (Jefery Mankoff 2014: 2-4). Furthermore, China as an emerging economic power provides an alternative to Central Asian countries to counterbalance US agenda to introduce Western kind of democratic institutions which are perceived as a threat to their regime stability. China's political system and its growing economic power appear more friendly to Central Asian leaders in their political environment.

II. Natural Gas and Pipelines Politics in Central Asia

Among all the Central Asian countries; Turkmenistan is the leading gas producer in Central Asia followed by Uzbekistan and Kazakhstan. Understanding the gas pipeline diplomacy requires to address two significant questions. First; Is new geopolitics necessarily shifted towards natural gas from oil? Secondly, Why is gas pipeline more prone to politics than oil pipeline?

New geopolitics of energy is more focused on natural gas resources as the place of oil has comparatively come down in the energy mix. The growing demand of natural gas in two major markets of Europe and Asia is largely dominated by the fact that in comparison to oil natural gas is considered as more environmental friendly fuel. Large amount of gas reserves in Post Soviet Central Asia, mainly in Turkmenistan, Uzbekistan and some Kazakhstan has brought the change in energy market. The increasing investment in gas infrastructure is growing particularly in Europe and in new emerging markets of Asia, largely due to growing Chinese and Indian economy. Since, the coming years are going to be more dominated by natural gas as a major component of total energy mix; international politics will be heated by gas pipeline routes (Mitchell et al. 1996: 2).

For various reasons gas pipelines are more prone to international politics than oil pipelines. Unlike OPEC (Oil and Petroleum Exporting Countries) there is not any organization of gas exporting countries. While world oil prices are mainly controlled by OPEC; gas prices are negotiated at bilateral or at multi-lateral levels. In comparison to oil trade, gas trade deals are long term agreements and they require huge investment in infrastructure especially in the construction of long distance pipelines. Once the agreement is signed, it remains obligatory to various parties for decades (Dietl 2005: 75). Key driving factors which are responsible for gas pipeline politics in Central Asia are: (a) Geopolitical complexities, (b) Adequate capacity of pipelines, (c) Competitiveness of the Turkmen gas in East Asian markets than West and (d) Reliable information of the Turkmenistan gas reserves (Caponnetto 2000: 423). Those factors put Turkmenistan in the centre of the gas pipeline politics and arouse the interest of various vested interests of foreign oil companies and several geopolitical rivalries.

It has already been mentioned that after the fall of erstwhile USSR the Soviet era gas pipeline routes continued to dominate the decision making process regarding production, transportation and price-control of Turkmen gas. In 1990s, the Turkmenistan President Niyazov started the policy of “diversification” and adopted the policy of “Positive Neutrality” in the context of its foreign policy. Niyazov understood the importance of diversification of its pipeline routes and hence created “multi-vector network” for exporting its gas to different parts of the world. Turkmenistan gradually tried to reduce its dependency on Russian pipeline routes and cultivated its relationship with other powers following the policy of “complex balancing act” based on the principle of positive neutrality. Turkmenistan desire for independence and sovereignty is reflected in its unwillingness to join Russia led Eurasian Economic Union (EEU) and Collective Security Treaty Organization (CSTO). Ashgabat may refrain itself from joining these groups in near future. However, Russia’s annexation of Crimea has increased Ashgabat’s apprehension about Russia’s dominating policy in post Soviet world (Kuchins et al. 2015: 15) . In other words, Russia’s conflict with Ukraine keeps the Turkmenistan on high alert and it prefers to maintain a distance without annoying its presence. Hence, diversification and positive neutrality are the key categories which shape the language of Turkmenistan’s foreign policy. Turkmenistan has been consciously following the policy of diversification and *positive neutrality* (adopted on 12 December 1995) since the period of Niyazov. The current President Berdymukhamedov has also found these policies as helpful in counterbalancing Turkmenistan’s excessive dependence on Russian pipeline routes.

This section would discuss all existing gas pipeline routes available to Turkmenistan and would try to understand those factors which have been mainly responsible for long standing Russian hegemony on Turkmen gas export. Were geopolitical factor alone responsible for slowing the process of diversification of gas pipeline routes in Turkmenistan or were the former President Niyazov’s policies responsible for it? Diversification provides opportunities to preserve the interest of economy of Turkmenistan which is primarily based on gas-export. Introducing liberal changes in economy might have threatened the regime stability in a highly authoritarian government of Turkmenistan therefore the government abstained from bringing such changes. Hence, during Niyazov’s period, domestic policies

itself was responsible for slowing down of the process of diversification and government's main priority was regime-stability.

In 1993, President Niyazov launched a ten years development plan to develop energy resources of the country. Energy analysts had already predicted that Turkmenistan would prove the "second Kuwait" in near future. Nevertheless, the government was suspicious about foreign investment coming from the West and it did not allow Western oil companies to invest in its energy sector. The government preferred to sign a deal based on joint venture rather than inviting them for production sharing agreement (PSA) because PSA usually provides several kinds of legal rights to a foreign company. During initial years of Niyazov's presidency, only oil company which was allowed to operate in the Cheleken offshore area in Caspian region was Dragon oil from UAE. Later, China's CNPC and Malaysian PETRONAS became major operating oil companies in Turkmenistan. Unless the foreign companies became partner of Turkmenistan's state owned companies (Turkmengaz and Turkmenneft), they were not allowed to participate in the energy fields of Turkmenistan. Government gave a clear indication to foreign oil companies that development of energy resources in Turkmenistan is completely a subject of state control and the President was all in all to approve energy contracts. (US Energy Information Administration Country Analysis Brief Report 2013:6).

The post-independence history of Turkmenistan shows that initially pipelines routes were planned to be built in different directions of the world- towards Europe, West Asia, East Asian and South Asia. First route was supposed to supply Turkmen gas to Turkey via Iran and then to its final destination in European market. Second route was expected to carry out Turkmen gas to Pakistan and India via Afghanistan. Third route was to ship Turkmen gas to eastern port of China and finally to Japan. Fourth gas pipeline route, which was favored by United States, was to be supposed to supply Turkmen gas to European market passing through Caspian Sea. It was supposed to deliver through Baku Tbilisi-Erzurum gas pipeline which would have to run parallel to the BTC oil pipeline (Olcott 2004:1-3). Nevertheless, at the end, the single route which became the reality was a small Turkmenistan- Iran gas pipeline route: Korpedzhe to Kurt-Kui.

Among those proposed pipeline routes, two routes which would have proved lucrative were: first, transporting Turkmen gas to European market via Iran and Turkey and second, from Turkmenistan to India via Afghanistan and Pakistan. These two routes neither required advanced technology nor enormous amount of finance. Despite these advantages, these gas pipeline routes could not be built due to geopolitical factors. For example, the pipeline connecting Turkmenistan, Iran and Turkey could not be built due to geopolitical rivalry between US and Iran. US's sanction on Tehran discouraged the private lenders and financial institutions to provide sufficient finance for the pipeline-because its construction was perceived as a risky business to investors. On the other hand, the second route lost its viability mainly due to internal conflicts in Afghanistan during 1998 (Olcott 2004: 1-3). After bilateral agreement between Tehran and Ashgabat, the first pipeline route between Turkmenistan and Iran was built which helped to counterbalance the Russian monopoly on pipeline routes.

The Major Operating Gas Pipeline Routes are:

- i)** Central Asia-Centre Gas Pipeline
- ii)** Korpezhe-Kurt Kui (KKK) Gas Pipeline
- iii)** Central Asia- China Gas Pipeline
- iv)** Turkmenistan, Afghanistan, Pakistan, and India- TAPI Gas Pipeline

i) Central Asia-Centre Gas Pipeline (CAC)

From 1990s to 2000s, Russia controlled gas export of Central Asia through the help of Central Asian-Centre (CAC) pipeline as CAC is the major transmission line which helps Russia to import gas from Turkmenistan, Uzbekistan, and Kazakhstan to Russia. The CAC pipeline is completely controlled by Gazprom-Russia's leading state owned company- and it used the pipeline as a powerful weapon in its hands and played the role of a gatekeeper for Central Asian gas export (Henderson 2010). Gazprom as a main operator of CAC pipeline, helped to transport Turkmen gas which is transported to Russia via Uzbekistan and Kazakhstan. Gazprom uses the CAC pipeline to transport Central Asian gas to Russia and

abroad. The construction of the pipeline was started mainly due to the discovery of Dzharkak gas field in Turkmenistan. Central Asia- Centre gas pipeline was built between 1967 and 1985. The pipeline runs through Turkmenistan, Uzbekistan and Kazakhstan to Russia (the Alexabdrov Gai compressor station located at Kazakhstan-Russia border). The total transportation capacity of the pipeline is 45 billion cubic meters which would increase up to 90 billion cubic meters per year in near future.¹⁹

CAC pipeline has two branches: Eastern and Western. Both braches meet in Beyneu city of South-Western Kazakhstan and further reaches at Alexandrov Gay in Russia. The Eastern branch of CAC originates from the southern-eastern gas fields of Turkmenistan and it has total capacity of 2.2 trillion cubic feet. While, the Western branch has the capacity of 120 billion cubic feet which originates from Caspian Sea coast of Turkmenistan. Most of the gas is supplied through Eastern branch of CAC pipeline as the Western branch has aged and it needs to be upgraded. The aging of the pipeline has reduced the volume of gas passing through the pipeline (US Energy Information Administration Country Analysis Brief report: Caspian Sea 2013: 21).

Despite these evident structural problems, for two decades Russia did not take adequate steps for repairing pipelines. The pipeline continued to deliver seventy percent of gas from Turkmenistan and Uzbekistan. The gas transported from Turkmenistan, Uzbekistan had to pass through Russian pipeline routes before reaching to foreign market. As Russia considered Turkmenistan as a competitor in gas sector , it constantly neglected the need for structural changes (Henderson 2010).

Later, in 2003, a long term agreement was signed between the governments of Turkmenistan and Russia. According to the agreement, Turkmenistan would continue to export its gas to Russia for the next 25 years. Nevertheless, the CAC pipeline had inadequate infrastructure

¹⁹ Gazprom News (2005), "1st meeting of Central Asia-Centre gas pipelile dispatchers held", [Online web] Accessed on 18 february, 2017", URL: <http://www.gazprom.com/press/news/2005/april/article63089/>.

and it was incapable to meet the agreed amount of supply. To keep its gas supply continued, Russia had to upgrade the aging pipeline and required to build a new section of existing pipeline. On the other hand, on behalf of the agreement Russia would have to buy 5 - 6 billion cubic meter (bcm) gas , in 2004, 6 -7 bcm in 2005, 10 bcm in 2010, 60- 70 bcm in 2007 and 70- 80 bcm annually from 2009 to 2028. However, Russia did not import more than 45 bcm gas from Turkmenistan (Vasanczki 2011:8). Since January 2016, Russia has completely stopped buying Turkmen gas.

It is worthwhile to mention that Russia used to supply gas to European market hence Russia's capacity to buy Turkmen gas largely depended on demand of gas in European market. More than one-fifth of total gas needed by European countries was used to met by Russia and out of total export of Russia to European countries, 80 percent of gas was to pass through Ukraine's territory. In 2009, gas demand declined in European market due to various reasons such as Russia-Ukraine conflict, world economic crisis in 2008-2009, and slows down in world oil prices (oil price is linked with gas price). All these driving factors resulted in the reduction of Russia's gas export to European market and finally it reduced to 4.5 billion cubic meters in 2009 (Protasov 2010: 27).

According to the agreement, Russia was obliged to buy Turkmen gas. In between, on 9 April 2009, an incident of pipeline blast took place in Turkmenistan. Due to the explosion supply of gas from Turkmenistan to Russia was completely stopped. Turkmenistan Government accused Gazprom-the Russian state owned gas company- for the explosion of the pipeline. Turkmenistan's foreign minister criticised it as an irresponsible behaviour of Gazprom which could have threaten the lives of people and could have serious ecological repercussions for Turkmenistan. While Gazprom claimed that it happened due to low volume of transportation of gas. On the other hand, many technical experts opined that low amount of flow could not be a reason for the explosion. In other words low pressure was not responsible for the pipeline explosion. Energy analysts were of opinion that due to decline in demand in European market Russia was no longer able to buy gas from Turkmenistan. In this changed situation, Russia's own gas was sufficient and it was difficult for Russia to buy Turkmen gas at higher price compared to low European market price (Gurt and Auyezov 2009).

Nevertheless, Turkmenistan has not been mute spectator in the gas pipeline politics. It has used rhetoric as a powerful tool to balance the interests of different actors. Rhetorical tools help leaders to manoeuvre the game in favour of nation's interest and ensure regime survival. It is clearly reflected in the strategy followed by the President Niyazov. For example, On 23 January 2006, during Niyazov's meeting with Russian President Putin, Niyazov declared that cooperation with Russia would be an honour for Turkmenistan. Niyazov assured Russian President that Russia was the main customer of Turkme gas. He said that relations between Ashgabat and Moscow are not limited to development of gas resources of Turkmenistan, he also ensured the transportation of Turkmen gas towards European market. He assured President Putin for Russia's bid for Central Asian gas resources (Blagov 2006). However, few months later Niyazov flew to China for signing an agreement the construction of an alternative pipeline-Turkmenistan-China gas pipeline. Without any delay China ratified the agreement and since 2009, Russia's supremacy on Turkmen gas decreased gradually and finally ended in January 2016.

Map No.2. 4 Central Asia- Centre Gas Pipeline



Source: Official site of Gazprom, [Online web] Accessed on 15 December 2016, URL: <http://www.gazprom.com/about/history/chronicle/2003/>.

Map No. 2. 5 Iran- Turkmenistan Natural Gas Pipeline



Source: Caspian Barrel (2016), "Iran lobbies its interest in Turkmenistan", [Online web] URL: <http://m-korchemkin.livejournal.com/304374.html>.

iii) The Korpezhe-Kurt Kui (KKK) Gas Pipeline

The first cross border gas pipeline between Turkmenistan and Iran (Korpezhe-Kurt Kui) was completed in 1997. It starts from Korpezhe in Western Turkmenistan and reaches to the northern city of Kurt Kui in Iran. Though, the Korpezhe-Kurt Kui pipeline was a small pipeline and the volume transported through the pipeline was also low, yet to some extent it helped Turkmenistan to reduce its dependency on Russian pipeline routes. Secondly, unlike Russia, Iran purchased Turkmenistan's gas at market price and provided cash instead bartering like Russia (Fishelson 2007).

iv) Central Asia- China Gas Pipeline

China-Turkmenistan gas pipeline has been the most successful example so far regarding Turkmenistan policy of diversification of its pipeline routes. The pipeline ensures the flow of Turkmen gas towards the lucrative market of China. The history goes back in 1992, when feasibility of the pipeline was discussed by Mitsubishi Corporation, a Japanese company and China National Petroleum Company (China). It was planned to supply the energy resources of Caspian Sea to China and link it to the Yellow Sea terminal port from where further target was to reach Japan and Republic of Korea by using tankers. In this direction, in 1997 three corporate giants - Unocal, an American oil company, Mitsubishi Corporation, a Japanese

firm, and CNPC from China established a consortium to link the gas fields of Turkmenistan, Uzbekistan and Kazakhstan to China's eastern Sea. Nevertheless, due to its long route covering nearly 6, 000 kilometers, the pipeline project was not economically viable. Therefore, the project could not be accomplished (Akiner 2015; Dash 2000: 3302).

On 3 April 2006, President Niyazov made an official visit to Beijing, only a few months before his death in 2006 to revive the historical project which was signed back in 1990s. It is worthwhile to mention that it was the first time, when Turkmen President Niyazov visited to any foreign country since 1997. During the visit, in Beijing, Niyazov signed a deal with his Chinese counterpart President Hu Jintao in the field of energy cooperation and both parties agreed to construct a pipeline from Turkmenistan to China. To strengthen cultural and economic ties, it was decided to cooperate in the field of education and trade. In order to strengthen the relationship with Chinese government, Niyazov presented - Akhal-Teke horse (the national cultural symbol of Turkmenistan) to Chinese President. Niyazov motivated Turkmen students- who were studying in Shanghai- to learn the spiritual experience of China in order to make the relationship between two countries stronger. Nevertheless, the key agenda of President Niyazov was to invite China for the, construction of a gas pipeline from Turkmenistan to China and take help in extraction of Turkmenistan's gas reserves located on the right bank of Amu Darya (Blagov 2006).

The deal was important because after the independence of Turkmenistan, Chinese companies were the first foreign companies invited by Turkmenistan to develop onshore gas fields of Turkmenistan based on the Production Sharing Agreement (PSA). Chinese Government showed its interest in the project and without any delay the formalities were completed. China also signed bilateral deals *with* Turkmenistan, Uzbekistan, and Kazakhstan to give equal shares to all countries through which the pipeline was to be passed (Akiner 2015). The construction of the pipeline was completed nearly in two years and it started to operate in December 2009. The Central Asia- China gas pipeline was the major victory for Ashgabat as well as for Beijing.

The pipeline starts from Gedaim city in Turkmenistan and passes through Central part of Uzbekistan and Southern part of Kazakhstan and finally it reaches to Horgos town in China's Xinjiang province. The pipeline is divided currently in three parallel lines and each

Map No. 2.6 Central Asia-China Gas Pipeline



Source: Farchy Jack and Kynge James (2016), “The New Trade Route: Silk Road Corridor”, *Financial Times*, [Online web] Accessed on 15 February 2017, URL: <https://www.ft.com/content/ee5cf40a-15e5-11e6-9d98-00386a18e39d>.

pipeline has 1,830 kilometres length. Line A became operation in December 2009, line B in 2011 and finally line C in 2015. The total capacity of line C is 25 billion cubic meter and its supply is divided in three gas rich countries of Central Asia as- Turkmenistan (10 billion cubic meter), Uzbekistan (10 billion cubic meter), and Kazakhstan (5 billion cubic meter). Initially, the total transportation capacity of the pipeline was 30 billion cubic meters per year which has now reached at 55 billion cubic meters per year. The total capacity is planned to increase 65 billion cubic meters annually by the end of 2020.²⁰ Moreover, line D is also in the process of construction with total length of 1,000 kilometres and having total capacity of transportation of 30 million cubic meters gas. Proposed line D is supposed to supply gas form Galkynysh gas field in Turkmenistan to China via Uzbekistan, Kyrgyzstan, and Tajikistan. In September, 2013 construction of line D started in Tajikistan. Once the line D will be

²⁰ CNPC(2016), “ Flow of Natural Gas from Central Asia”, Accessed on 23 November 2016,URL: <http://www.cnpc.com.cn/en/FlowofnaturalgasfromCentralAsia/FlowofnaturalgasfromCentralAsia2.shtml>.

completed it would supply nearly 85 billion cubic meters of gas from Central Asia to China. The pipeline would be the longest pipeline network in Central Asia .²¹

Nevertheless, some concerns are growing in Turkmenistan regarding China's increasing influence. Recently Turkmenistan's Government has expressed concern about growing influence of Chinese oil and gas companies. Secondly, the loan provided by Chinese Government to Turkmenistan which accounts more than \$ 10 billion, for the development of Galkynysh gas field and for the construction of the pipeline, is still to be paid by Turkmenistan. Whatever revenue comes from gas export to China is expended in paying huge amount of installments of loan. Since 2014, the burden of loan increased because of low world energy prices which started hitting Turkmenistan's economy. Turkmenistan is exporting gas to China without any profit (Pannier 2014).

Turkmenistan-Afghanistan-Pakistan-India Pipeline(TAPI)

Presently, TAPI pipeline has become the key agenda for Turkmenistan's energy policy. TAPI pipeline project will provide an opportunity to Ashgabat to move towards South Asia. The TAPI pipeline would allow Turkmenistan to bring new energy partner and would help to balance the domination of China which is currently the only importer of Turkmen gas. On 7 November 2015, Turkmen President Berdymukhammedov ordered to its state owned oil and gas companies to take initiatives for the construction of the TAPT pipeline (RadioFreeEurope RadioLiberty 2015).

History of TAPI pipeline goes back to 1997 when it was proposed to construct a pipeline from Turkmen gas fields to south Asian market. In 1997, Central Asian Gas Pipeline, a consortium, was established by various international oil companies including Delta from Saudi Arabia, Unocal, from America, Gazprom from Russia, and companies from Japan and South Korea. The project targeted to build 1,271 kilometres long pipeline starting from

²¹ Ibid.

Map No. 2.7 The Proposed TAPI Pipeline



Source: Asia Times Online (2015), [Online web] Accessed on 15 December 2016, URL: http://www.atimes.com/atimes/South_Asia/HI01Df01.html.

Charjow in Turkmenistan and passing through Afghanistan and Multan (Pakistan) and it was finally supposed to reach India, Bangladesh and Myanmar(Dash 2000: 3302). Nevertheless, domestic instability in Afghanistan increased apprehensions about its feasibility and major stakeholders stepped back from the project.

Image No. 2.3 Ground Breaking Ceremony of TAPI Pipeline on 13 December 2015 and Leaders of the Four Countries



Source: Times of India (2014), [Online web] accessed on 15 December 2016 URL: <http://timesofindia.indiatimes.com/india/Vice-President-Hamid-Ansari-breaks-ground-with-other-leaders-for-TAPIpipeline/articleshow/50160176.cms>.

In a groundbreaking ceremony on 13 December, 2015 Turkmen President- Gurbangulye Berdimuhamedov, President of Afghanistan- Ashraf Ghani, Prime minister of Pakistan- Nawaz Sharif and Vice President of India- Hamid Ansari participated to restart the project. They reached an agreement according to which construction of the TAPI pipeline was to be completed till 2020. “The groundbreaking marks a new chapter in regional economic cooperation”, said Sean O’Sullivan, Director General of ASIAN Development Bank’s, Central and West Asian Department. He also pointed out that “TAPI pipeline is a true game changer, an historic undertaking that will address the energy needs of the region and contribute to development, peace, security and in turn prosperity” (Asian Development Bank news release 2015). As the pipeline would cover a long distance through Afghanistan, Pakistan and India, it is expected that during its construction huge employment opportunities would be generated which would benefit local people. On the other hand, It would also enable Turkmenistan to diversify its gas export, which would include lucrative markets of South Asia. Hence; the pipeline would prove mutually beneficial for all concerned parties (Asian Development Bank 2012: 2).

TAPI would be 1,800 kilometre long pipeline with the total transportation capacity of 33 billion cubic meters per year. It would provide an unprecedented opportunity to connect the economies of four countries :Turkmenistan, Afghanistan, Pakistan and India. The pipeline is supposed to transport natural gas from Galkynysh gas field of Turkmenistan to India (Fazilka in Punjab) via Afghanistan and Pakistan (Asian Development Bank 2012:1). The major stakeholders participating in the construction of the pipeline are: Turkmen State Concern, Afghan Gas Corporation, Pakistan’s Inter State Gas Systems (Pvt. Lmt.) and India’s Gail (Lmt.) (Trend News Agency 2015) . The total cost of the project, estimated by the Asian Development Bank, is around \$ 10 billion. However, the estimation of the cost of the pipeline has increased from 2.6 billion dollar in 2005 to \$ 10 billion due to the constant delay in reaching a consensus among different parties (Vaid and Kar 2015). Other factors responsible for longstanding delay are: the issues of gas price negotiation, transit fee and lack of determination of government of Afghanistan and Pakistan to deal with their domestic security issues. The strain relations between India and Pakistan is also responsible for delay in the project. Though, India has entered into the project since 2008, the progress could not proceed further after 2010 (Haidar 2016).

Changing Geopolitics and Turkmenistan's Challenge for Diversification

The declaration of lifting sanction on Iran by US and Western countries has created another challenge for Turkmenistan, as in the changed scenario Tehran would focus more on development of its own gas-fields instead of buying Turkmen gas. , Mica'el Tanchum has examined the post sanction situation in Iran and its implications for the Eurasian energy architecture. According to him, Iran may emerge as the toughest competitor to Russian gas and Turkmen gas which is supposed to flow towards European market and emerging South Asian market. The possibility of Iran- China gas pipeline may bring new challenges to Turkmenistan's economy that is heavily dependent on gas revenue (Tanchum 2015). The second challenge to Turkmenistan is coming from sanction on Russia. Since January 2016, Gazprom has completely stopped importing Turkmen gas. Western sanction (led by the Ukraine Crisis in 2014) and decreased demand of Russian gas in European market has forced Russia to reduce its import of Turkmen gas from 40 billion cubic meters in 2008 to 3.1 billion cubic meters in 2015. Russia has also reduced the average price from 259.22 per 1,000 billion cubic meter in 2014 to 180.39 per 1000 billion cubic meters in 2015. In January 2016, giving an argument in the favour of low cost of transportation Gazprom declared to import the small volume (3.1 billion cubic meters) of gas from Uzbekistan and completely stopped its import from Turkmenistan (Pannier 2016). Both Russia and Iran which were two traditional gas importers of Turkmen gas has now completely stopped import from Turkmenistan. Currently, China is lone importer of Turkmen gas. In the changed geopolitical situation, Turkmenistan requires to bring new energy partners to pursue its policy of diversification of its pipeline routes and energy market.

Chapter- Third

China's Oil and Gas Pipelines Strategy in Central Asia

China is one of the biggest economies of the world and its energy consumption has been drastically increasing since the last more than two decades. To meet its increasing energy demand, China depends on import of oil and gas. China's energy import primarily depends on supply of oil and gas from West Asia. However, in post 9/11 world, West Asia has become a disturbed region and many of its countries are considered as war-prone area. US's invasion of Iraq, its tense relation with Iran and the rise of fundamentalism and extremism in West Asian countries raised serious concern for China's energy security. In this chapter efforts has been made to trace out the trajectory of shift in the energy diplomacy of China and would also try to understand Chinese strategy of diversification of its oil and gas supply, which has been crafted after much deliberation.

China's increasing interest in Central Asia shows how smartly China, an energy consumer country, is able to get benefited from energy resources of its neighbouring countries. Central Asian countries have one of the largest reserves of oil and gas and these countries are also interested in reducing their dependence on Russia. The chapter sheds light on China's "*go west strategy*" and try to show that how China's growing energy cooperation with Central Asian countries is the manifestation of China's go west strategy. Capital intensive energy ventures are at the heart of growing partnership between China and Central Asia.

In addition to this, the chapter also analyses the role of institutions, treaties and financial aid and loan in energy diplomacy. The role of state-owned companies in "open market" has also been discussed thoroughly. The chapter shows how Chinese state-owned energy enterprises act as arms of the government and hardly care about profit and cost of energy-projects, thus they easily outbid their Western counterparts. The pattern of investment of Chinese oil corporations is discussed. Moreover, China's idea of Silk Road Economic Belt has is discussed briefly as it is linked with economic integration of Central Asia with China.

The chapter also tries to show how Chinese energy security is inevitably linked with the modernization of military. In Chinese case one can easily see its desire to develop itself as a Blue-water Navy. Recently, China has announced heavy deployment of naval corps in Indian Ocean. Scholars think that it shows China's concern for marine security which is popularly

described in literature as Malacca dilemma. Threats at Hormuz strait and increased activity of piracy also pose threat to the transportation of oil through Sea lanes. Considering all these factors the main focus of the chapter remain focus on examine China's gas and oil pipeline strategy in Central Asia.

I Role of Energy in the Development Strategy of China

Energy is life blood of China's economy. In China, economic development is considered as crucial factor to bring social and political stability. Lack of access to energy resources will prove detrimental to Chinese economy. In such a condition the country will become vulnerable to social and political turmoil. Many scholars predict that the rising social and political pressure will help to lose the grip of power of Chinese Communist Party (Davis 2014, Ji 2007: 469-470). Therefore, energy is a strategic factor for socio-economic development and political stability of China. The security of energy supply is not only associated with the rapid growth of Chinese economy but also with the security and development of the nation. In addition to this, the sustainable development of the Chinese economy is closely linked with the sustainable development of the world economy. In this context, China's energy security is an important part of global energy security (Qinhua Xu 2007:2). The domestic situation of China plays a crucial role to determine its foreign policy with special reference to energy producing countries across the world. Energy security plays a crucial role in the "high politics" of national security of China (Pop 2010: 200).

Moreover, in order to understand China's energy strategy in general and particularly in Central Asia we need to understand the challenges and opportunities which affect China's energy strategy. Since the rise of Chinese economy and its energy demand, the factors which has been responsible to dominate China's energy security are: a) China's rising gap between supply and demand b) As China's 80 percent of oil supply comes through oil tankers which pass through vulnerable chokepoints- Malacca Strait and Gulf of Hormuz- which are prone to potential blockades. C) Ecological concern due to oil shortages which oblige China to rely on coal as the larger source of energy d) unpredictable political instability in major oil producing countries especially those of West Asian region major source of energy supply of China e) The global presence of US will always have a strategic impact on China's energy security. US naval domination in Malacca strait creates anxiety for China because any

conflict can sabotage 80 percent of China's supply which pass through the region (Ji 2007: 468-473).

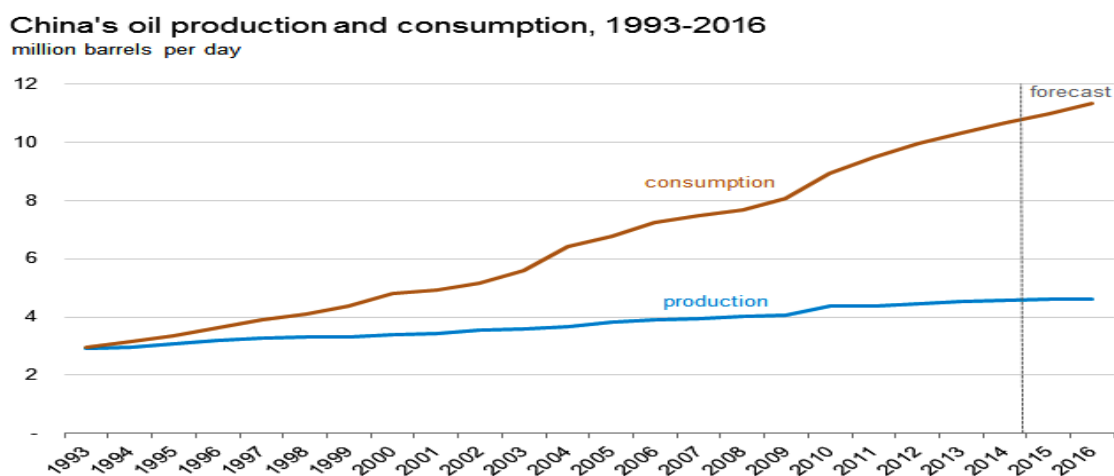
i) China's Energy Security and Structural Problems

China was an oil exporting country in the 1970s and 1980s. In 1993, China became an importer of crude oil and it meant its self sufficiency in oil ended in 1993 and since then the annual volume of import has been increasing considerably year by year. Various factors are behind increasing consumption of oil and gas in China such as its rapid industrialization and urbanization along with expansion of its economy. In 1978, economic reforms and open door policy introduced under the leadership of Deng Xiaoping gave an impetus to industrialization and modernization of Chinese economy. After economic reforms China witnessed a shift from centrally planned economy to market oriented economy.

China's reform policy in 1978 was influenced by the rapid economic growth and development of its neighbouring countries like Hong Kong, Singapore, Taiwan and South Korea, East and West Germany, East and West Europe. The market oriented economic performance in these countries set an example before the Chinese leadership and it was quick to acknowledge the fact that market- economy could perform better than centrally planned economy (Chow 2004:128). However, China's economic reform was notably different from market reform of Soviet Union or many former Socialist countries in Eastern Europe. Unlike these countries, China's economic reform was marked by the fact that China did not change its political system and continued to hold its grip on political system. Secondly, each and every step of economic reform was taken after serious deliberation and thorough assessment of the previous one. Chinese leadership had its own reservation about the performance of market oriented reforms. The slogan- "*to build an economic system with Chinese characteristics*"- was introduced in 1980s which remained in vogue till 2000s. Adopting a pragmatic approach Deng Xiaoping said "it does not matter whether a cat is black or white as long as it catches mice". China's economic reforms preferred pragmatism over ideology (Chow 2004: 140). Major components of economic reforms included: agriculture, state-owned enterprises, open door policy for attracting investment, the price system, the development of non- state sectors, the banking and financial sector, economic and social infrastructure and social welfare system etc. (Chow: 2004:128-140). This resulted in rapid

industrialization and urbanization along with modernization of Chinese economy which fuelled the energy demand. Hence, economic reforms which were initiated under Deng Xiaopeng “*sparked a huge demand for energy in the long sleeping dragon*” (Henderson 2005:29).

Figure No 3.1



Source: US Energy Information Administration (2014), “China Overview”, Accessed on 3 January 2016 URL: https://energy.gov/sites/prod/files/2016/04/f30/China_International_Analysis_US.pdf

ii) The Evolution of China’s Energy Security Policy: Self Sufficiency to Oil Diplomacy

China’s energy security policy has been transformed from self-sufficiency or self reliance to resource diplomacy or oil diplomacy. In order to understand the evolution of China’s energy strategy it would be helpful to divide the trajectory into five phases. Each phase helps to understand the policy change which is closely linked with China’s rising energy import and its activities of overseas investment. These five phases can be categorised as (a) 1992-1997 (b) 1997-2002 (c) 2002-2006 (d) 2006-2012 and (e) 2013- till present

Since 1993, annual volume of oil has been increased considerably year by year. China’s self sufficiency was ended in 1993 and it became a net oil importer country. However, before 1997, the annual volume of oil import was not more than 15 million tonnes which accounted

less than 10 percent of China's annual oil demand. This era is marked by lack of experience of Chinese Government officials. Lack of the familiarity with the international order made Chinese authority suspicious about international energy order. In this period, China started importing oil through direct purchasing contracts. Oil import accounted 30 percent from Indonesia, 40 percent from Oman and Yemen and only 2 percent from Saudi Arabia-the country which is now the largest oil supplier of China. Later Angola also became an oil supplier to China. Apart from importing oil, Chinese state-owned oil companies started to acquire small assets and to participate in development of oil fields in Canada, Peru and Indonesia. Nevertheless, in this period (1992- 1997) "energy diplomacy" or "energy strategy" had not evolved as a policy of Chinese diplomacy.

Moreover, in 1997, the volume of oil increased to more than 35 million tonnes and it remained nearly the same till 1999. The period of 1997-1999 oil market witnessed stability and was favourable to oil importing countries as the oil supply was ample and prices were low. In those circumstances, China's basic policy was to import needed oil from international market. It was economically more viable for China. Even if China had investment in overseas oil fields, it was aimed at generating profit rather than to provide oil sources to China (Huasheng 2007: 131). As, in 1997, the volume of import increased, the awareness among Chinese officials also increased and they realized the significance of operation in foreign countries to have a control over production. The new awareness resulted in the formulation of "Go Abroad" strategy in 1997. "Go Abroad" strategy allowed Chinese state-owned oil companies to secure "equity oil" deals in foreign countries and have ownership on oil production according to which China could either sell its oil in international market or supply to home. Chinese Government also focused on bilateral "*strategic oil partnership*" in order to secure oil supplies. In this regard, Chinese delegation started visiting energy rich countries like Saudi Arabia, Kazakhstan, Russia, Algeria, Nigeria, Sudan, Kuwait, Iran and Iraq. Hence, the period is marked by the China's achievement of securing exploration right of onshore oil and gas fields and the construction of oil and gas pipelines in the respective countries (Stegen 2015: 98).

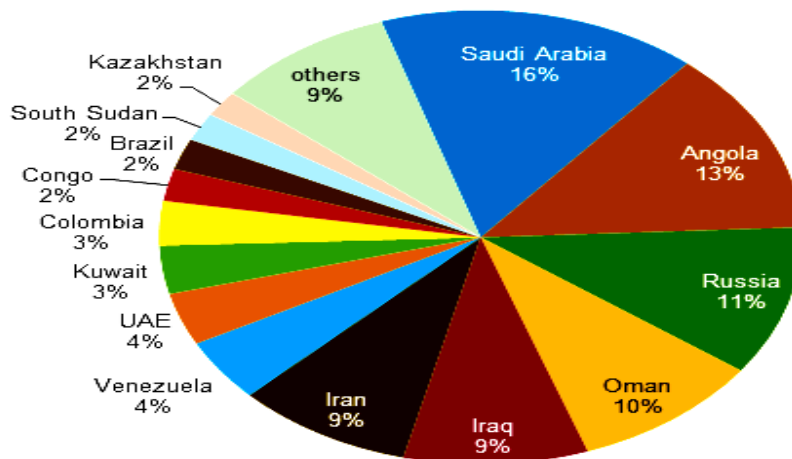
However, since 2000 the situation completely changed when China's oil import reached around 70 million tonnes which accounted 30 percent of China's domestic demand. In 2001,

China's energy policy witnessed a major transformation. Acknowledging the importance of energy security, Chinese Government set forth the concept of energy strategy by formulating China's Energy Strategy in the 21st century. Diversification of energy import was given high importance and "going global" became the slogan of new energy strategy (Huasheng 2007: 131). Diversification was meant for reducing China's dependence on a single oil producing region and also a single transport route.

Moreover, The Iraq- war in 2003, created anxiety for China and to maintain its energy security it became imperative to make a shift from West Asia region to other energy rich regions in the world- including neighboring energy region of Central Asia, Latin America and Africa. Before the Iraq war, most of overseas investment made by China's state owned oil companies was concentrated in West Asia. China's CNPC signed a contract worth 1.3 billion in 1997 and got the right of oil production in Al-Ahdab oil field in Central Iraq with the potential production estimated around 90,000 barrel per day. China also got production rights in Halfayah oil field in Iraq with production capacity of 300,000 barrel per day. It is worthwhile to mention that these two oil fields in Iraq had the capacity to meet the 13 percent demand of China's domestic production. It was mainly China's energy- driven interest for which China advocated for lifting the UN sanction on Iraq. UN sanction on Iraq not only put restriction on foreign investment in the oil fields but also put a cap on export. However, in 2003, US-Iraq war forced China to wipe out its stake in Iraq (Zhao 2008: 211).

In 2003, China became the world's second largest energy consumer by surpassing Japan. In 2004, China became the third largest oil importing country after United States and Japan. China's oil import reached 136 million tonnes in 2005 which accounted for 44 percent of China's imported of crude oil. In addition to this, China also started to import LNG in 2006 (Pop 2010:200). The new situation was reflected in the official documents of Chinese Government as in march 2006, the 11th Five- Year Plan for National Economic and Social Development of the People Republic of China says that its aim is to "Expand Cooperation in International oil/ gas development on the basis of equality and mutual benefits, actively engage with the international energy system, make full use of international market and ensure the security of China's energy supply" (Qinhua 2007 :4).

Figure No. 3.2 Sources and Percentage of China's Total Crude Oil Imports (in 2014)



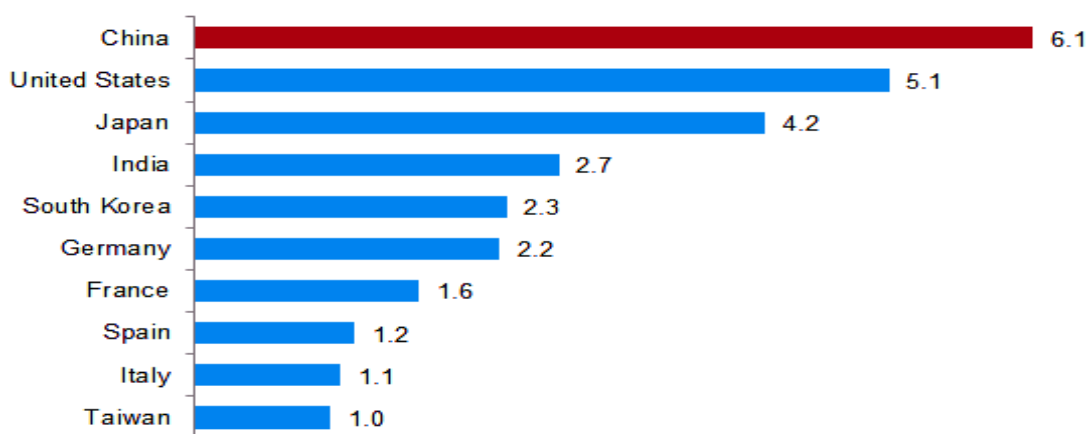
Source: US Energy Information Administration, Country Analysis Brief: China (2014), "China Overview", Accessed on 3 January 2016 URL: https://energy.gov/sites/prod/files/2016/04/f30/China_International_Analysis_US.pdf

Consequently, energy diplomacy has become the significant component of the China's foreign policy. In the meantime, Chinese state-owned energy enterprises (SOEs) oil c- highly motivated by their diplomatic goals- are increasingly becoming active in overseas activities of oil exploration and pipeline construction in the energy rich countries (Qinhua 2007 :4). In this context, China's "go forth" policy began in 2002 when it took the most promising SOEs and provided them incentive such as tax break, low interest loans and cheap land for strategic acquisition to invest abroad. Now, more than half of China's outer investment is focused in the natural resources sector in abroad. Securing oil supply, buying foreign assets such as refineries independently and joint projects have become the most visible pieces of Chinese "go forth" energy policy. China's overall energy foreign policy whether it is in West Asia, Africa, Central Asia, it is followed by complex web of political, economic and security policy which moves and it encompass of its outward energy security policy (Garrison 2009:32).

Moreover, the third phase (2006-2012), of China’s global energy strategy witnessed China’s expansion into new location such as Turkmenistan, Uzbekistan , Brazil, Algerai, Argetina, Gabon. As China became a natural gas importer country in 2006, it started giving priority to cooperation in gas sector. China policies promoted LNG import and began to invest in overseas gas fields. For example, China started to invest in natural gas rich countries- Turkmenistan and Uzbekistan- of Central Asia. Hence since mid 2000s, energy rich Central Asia region came into the focus of China’s global energy strategy. Apart from expansion of geographical location, Chinese enterprises moved further to participate in those projects which help them to increase their technical expertise. Consequently, projects became more risky and even unfamiliar projects which involved deep-water exploration became the part of Chinese overseas investment. Chinese companies prioritised to have joint venture with Western oil companies to gain technical expertise especially in LNG and deep- water exploration (Stegen 2015: 99).

During the third phase of its energy strategy, China came out with the new approach “loan for resources”. Loan for resources policy was focused on providing finance for oil and gas fields exploration activities and infrastructure projects in energy rich countries including

Figure 3.3 China’s Rank in Top Ten Global Oil Importer 2014, (Million barrels per day)



Source: US Energy Information Administration, Country Analysis Brief: China (2014), “China Overview”, Accessed on 3 January 2016 URL: https://energy.gov/sites/prod/files/2016/04/f30/China_International_Analysis_US.pdf.

Central Asia, Sub-Saharan Africa and Latin America. Under this policy, various deals were signed with Russia, Kazakhstan, Turkmenistan, Venezuela, Brazil, Ecuador, Bolivia, Angola and Ghana. The largest deal was signed with Kazakhstan- \$ 15 billion- in exchange for 200,000-250,000 billion barrel per day of oil while \$ 40 billion worth agreement was signed with Venezuela in exchange for 600,000 barrel per day of crude oil and products (Stegen 2015: 99). The loan was expected to smoothen the way for China to win more energy deals in energy producing countries. China offered \$ 10 billion loan to Central Asian countries in 2009. As in the period of the financial crisis (2008-2009) Central Asia countries were hit by the global financial crisis and they witnessed decline in the foreign investment and cuts down in remittances from workers employed in Russia. Chinese President Hu Jintao claimed that Chinese credit would “make their own efforts to counter the shock of the international financial crisis” (Gorst and Anderlini 2009).

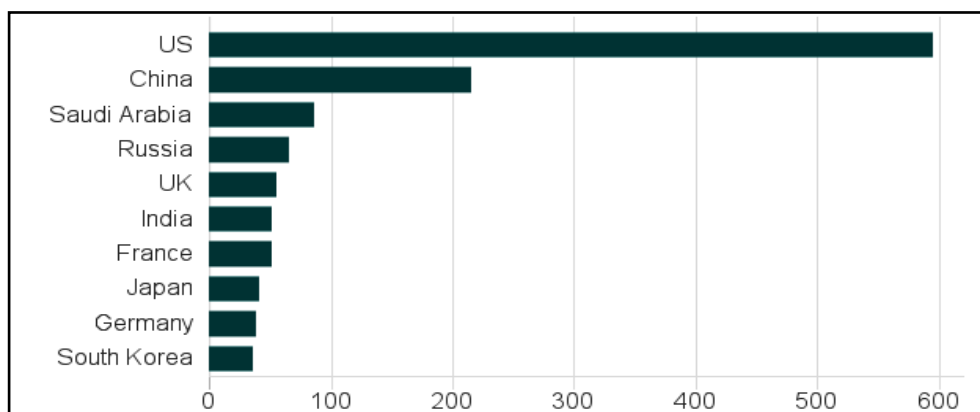
Moreover, in 2013, China’s net oil import reached at 282 million tonnes which was equivalent to 5.64 million barrel per day. It was estimated that it constituted one-third of total global demand of oil. Consequently, in 2014, China’s surpassed United States and it became the biggest net oil importing country in the world. It has been estimated that demand for oil in China would continue to increase by 11.1 million barrel per day and net import will reach 6.6 million barrel per day. However, China’s 12th Five- Year Plan targets that its oil imports should not go beyond 61 percent of its energy demand. Nevertheless, other estimations show that oil import would reach over 66 percent and oil demand would rise over 12.2 billion barrel per day by the end of 2020. While, natural gas demand would also reach 400 billion cubic metres annually and could also rise to 420 billion cubic metres by 2020 (Wang 2015:12).

iii) China’s Malacca Dilemma

“Malacca Dilemma” has become a familiar word in energy diplomacy and media often represents it as a serious concern since the word was coined by Hu Jintao in 2004. He claimed that four-fifth of China’s crude oil supply passed through the Malacca Strait which is controlled by “certain major powers”. His reference was to US and its allies which wanted to control the strait. As China major oil supply passes through the Malacca Strait –the chokepoint – which is vulnerable to supply disruption. Chinese media accused the United

States and Japan of increasing their military presence in the Malacca Strait by making an excuse to handle the twin threat of maritime piracy and terrorist activities. It was cautioned by some scholars that “It is no exaggeration to say that whoever controls the Straits of Malacca will also have a stranglehold on the energy of China” (Storey 2011: 85-86).

Figure No. 3.4 China’s Place in World Largest Military Spending Countries 2014 (\$ billions)

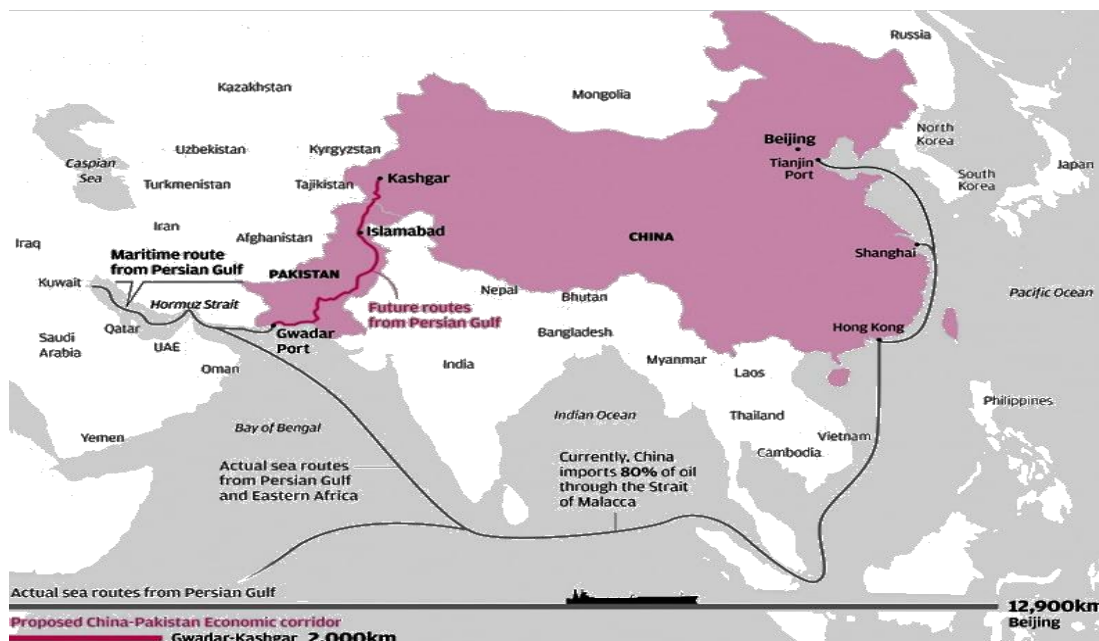


Source: BBC

News (2017), “China to increase military spending by 7 % in 2017”, [Online web], Accessed on 29 March 2017, URL: <http://www.bbc.com/news/world-asia-china-39165080> (Note: Data based on the Stockholm International Peace Research Institute).

Moreover, China’s 80 percent of oil from West Asia and Africa has necessarily to pass through two dangerous waterways- Hormuz and Malacca Straits- including the Indian Ocean’s Malacca Strait-630 mile- long strait and as narrow as merely 1.5 mile wide- which experiences around 40 percent of the world’s piracy (Zhao 2014: 156, Mccauley 2014). That is why, the heat of China’s energy security lays in the safety of Sea Lane of Communications (SLOCs), as, China lacks a “blue water navy” to protect the Sea Lane of Communication. China has embarked on the security of SLOC by taking initiatives to build up its naval capability and to develop its research and development (R&D). Therefore, the factor of SLOCs led to bring transformation in China’s navy capability and maritime strategy for achieving the goal of energy security. Nexus between, energy security and armament is visible in the case of China. The concern for safeguarding vulnerable sea passes through which oil is transported triggered militarization of the region. PLA analysts believe

Map No.3.2 China's Proposed China-Pakistan Economic Corridor: An Initiative for Building Up Blue Water Navy to Secure Maritime Routes



Source: Dawn News (2015), "China's New Silk Road : What's in it for Pakistan", Accessed on 12 March 2017, URL: <https://www.dawn.com/news/1177116>.

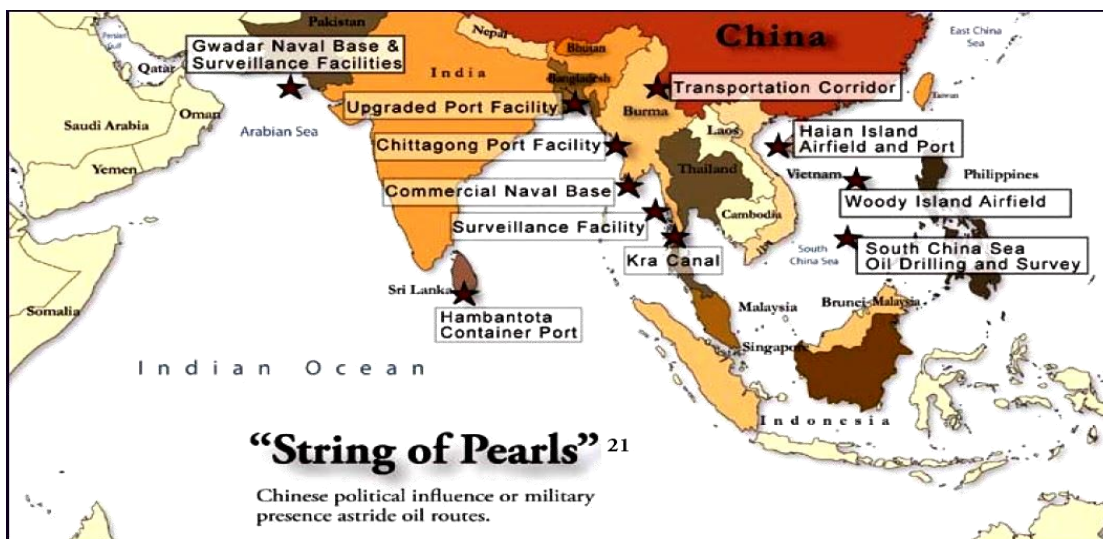
that oil security , military security and SLOCs are closely linked with each other. As all the power, particularly United states, seek to enhance china naval power in order to win the race for securing energy resources, China also took step to strengthen its naval strengths and to enhance capability of monitoring and intelligence gathering. China has already built some surveillance facilities in the India Ocean (Ji 2007: 483-484).

Recently, China has embarked upon its significant program of military expansion. On 3 March 2017, China announced to increase its spending by 7 percent annually on military expenditure which accounts 1.3 percent of its GDP. The news came after few days of Donald Trump statement in which he announced to make US the world's strongest military power and increase its military spending by 10 percent (New York Times, 2017, BBC 2017). Chinese scholars and politicians criticise media frenzy on the same issue and defend the decision of the government in the name of establishing peace and security due to the changed geopolitical situation. Some of them think that military spending is intertwined with China's

growing pace of economy. Nevertheless, outside China, experts are of opinion that the hidden agenda of Chinese Government is to spend the increased budget on building its naval capability, particularly to develop aircraft carrier to protect vulnerable sea lanes- Malacca and Hormuz Strait and South China Sea. Safety of sea lanes are directly connected with China's energy security. Thus, the most important component of China's military modernization is to upgrade blue-water navy so that it could tackle any aggression towards China's inbound sea borne oil and gas shipments (Chiu 2017).

Moreover, in this direction, China's String of Pearls strategy has well been discussed among scholars. It is also an initiative to challenge and diminish the US superiority on maritime routes especially in the Indian Ocean. Every "pearls" in this chain or string represent a sphere of influence which China is securing in harbours and coastal towns along the shore of the Indian Ocean. Though, the motivation behind the String of Pearls strategy is economic in nature, Chinese government will be able to attain a couples of strategic goals in Indian Ocean. String of Pearls policy is a strategic replacement of those "pearls" with one another in order to make a chain of hubs that can serve as economic, military and intelligence cores in the Indian Ocean (Pejic and Desi 2016).

Map No. 3.3 China's "String of Pearls" Strategy to Overcome Malacca Dilemma



Source: Pejic Ignor and Desi Tzoneva (2016) "China's String of Pearls' Project" *South Front*, [Online web]

Accessed on 16 March 2017, URL: <https://southfront.org/chinas-string-of-pearls-project/>

The most debated Chinese maritime activity in the Indian Ocean is the development of Gwadar port in Pakistan. China has invested \$ 46 billion to develop Gwadar Port which is situated at the mouth of the Persian Gulf, 400 kilometers from the Chokepoint of the Hormuz Strait. Once the construction is completed it will allow China to have a naval base in the Western Indian Ocean. China will also be able to encircle the Malacca Strait and counterbalance the US naval domination in the region. Moreover, the importance of Gwadar port lies in the fact that a navy base at the port would help China to secure its safe transportation of oil passing through the Sea lanes as well as to achieve geostrategic goals of controlling the major activities of other powers (Ji 2007:484). Threat of energy security does not come from surging energy import, it is the concern for safe transportation of energy which creates anxiety for China's energy security (Ji 2007:484).

II. Central Asia in China's Energy Strategy

Though, oil in the Caspian region including Kazakhstan, Turkmenistan, Uzbekistan accounts for only 2-3 percent of the total known resources of the world, its proximity to China's market and world oil market makes it critical to Beijing. As China's energy demand has been rapidly increasing since 2000s, Beijing is looking for reliable supplies closer to home. Now-a-days Central Asian region has become a significant source of energy to China (Garrison 2009:41).

Central Asia's geographical proximity and strategic location in Eurasian heartland ensure that China can rely on the energy transportation routes from Central Asian countries with which China shares its border with stable bilateral relations. Unlike West Asia where China has to invest in building naval capability to protect its supply lines, transportation of Central Asian energy resources through overland pipelines ensures uninterrupted supply. Secondly, Kazakhstan, Uzbekistan and Turkmenistan are blessed with large deposits of oil and gas, and advanced technology can help to increase the current production of those countries. Hence, the Central Asian countries are emerging as an alternative of West Asia which is war-prone area. Thirdly, Central Asia is more important to China because the region could provide transit to energy resources from Iran and West Asia. The land based route of Central Asia are much shorter and cheaper than currently used marine routes dominated by United States (Paramonov and Stokov 2010:30).

Driven by these factors, Central Asia's oil and gas have occupied a significant place in China's energy strategy. Central Asian countries are also keen to diversify their energy market and pipeline routes and they want to reduce dependency on Russia. In this political scenario energy rich Central Asian countries are coming closer to energy starving China. Both sides have adopted a pragmatic approach considering geopolitical and geo-economical factors. Moreover, energy cooperation between China and Central Asia is suitable to interests of both parties. Meeting interest of one side also serves the interest of the other side. For example, the keen desire of Central Asian countries to reduce their dependency on Russia also helps China to fulfil its desire to emerge as a regional power. China's desire to have direct access to energy resources is more easily accommodated by energy rich countries of Central Asia (Petersen and Barvsch 2011: 43-44). Given the complex situation, energy resources of Central Asia find the important place in China's energy strategy. Energy cooperation between Central Asia and China also reflects the pragmatic approach of the leaders of both sides. Long with fulfilling economic interest led by energy security, both sides also find geopolitical compatibility with each other.

In addition to this, China approach to access energy resources of Central Asia is followed by "*equity approach*" Following this approach, the involvement of Chinese state-owned enterprises do not only limited to gain contracted amounts of oil and gas, but to become active project partners. The simple logic behind to follow equity approach is that direct ownership of resources is best way to ensure the efficiency of project and securing reliable long-term energy supply. The key aim of Chinese oil corporations in Central Asia is to acquire as much equity as possible. To make this possible, Chinese Government often pays above the odds and offering huge loans on generous terms. That is why, the interest of three major Chinese state-owned CNPC, CNOOC and SINOPEC have become prominent in Central Asia than Russia (Lo 2012:4).

Moreover, Central Asian energy becomes important to China because it helps to diversify its import and reduce its dependency on geopolitically vulnerable sea-lanes (Peyrouse 2009:8). China has invested heavily and signed multiple agreement to bring oil and gas form energy rich Central Asian neighbouring countries (Marketos 2012: 44). In addition to oil and gas, abundant Uranium- a source of nuclear power - in Kazakhstan and Uzbekistan and potential of hydropower of Tajikistan and Kyrgyzstan (two control 90 percent of water resources in the

region) makes Central Asian region important for China. The Compatibility of both sides finds beautiful articulation in words of Liuhongpeng: (Xinhua 2012).

“Central Asia has abundant energy resources, while China has a stable demand for energy. Cooperation between two sides has excellent prospectus”, Liu Hongpeng, Chief of the Energy Security and Water Resources department of the ESCAP (Xinhua 2012).

Moreover, the statement made by General Liu Yazhou of China’s People’s Liberation Army well describes China’s interest in Central Asia: “Central Asia is the thickest piece of cake given to modern China by the heaven”. On the other hand, Central Asian Governments are also accepting Chinese loans for the development of their oil and gas fields as well as to build their aging infrastructure meant for transportation of those resources. In this regard, China’s investment can be seen as pre- payment of goods which are to be received later (Radio Free Europe Radio Liberty 2014) .

Central Asia- China Energy Cooperation

Central Asia and China energy cooperation can be divided into four phases. In April 1994, Chinese Premier, Li Peng made an official visit to Central Asia-Kazakhstan, Uzbekistan, Kyrgyzstan and Turkmenistan. It is worthwhile to mention that China had become a importer of Petroleum products by the time. Nevertheless, energy was not the primary agenda of China (Liao 2006: 62) at that time and throughout 1990s Central Asian petroleum products and gas were flowing towards West. Even in its early phase when China started to invest in Kazakhstan in the last decade of the 20th century. The energy investment of Chinese companies were mainly concentrated in Kazakhstan’s oil and gas industry. However, in the early of 2000s, China’s growing oil import changed the direction of Central Asian oil and gas and it started to flow towards east. In the early years of 21st century, apart from Kazakhstan, Chinese state-owned oil companies (SOEs) gradually started their investment in Turkmenistan and Uzbekistan as well (Paramonov and Stokov 2010: 18-19).

Central Asia-China energy cooperation can be divided into four major stages. The first stage from 1997 to 2003 China’s main target was to gain economic profit instead of having long-

term investment strategy in Central Asia. The second phase started from 2003-2004 and it was focused on promoting future energy cooperation and increasing oil and gas production. Third stage was from 2005 to 2010, and during this period, strategic importance of Central Asian oil and gas resources was recognized by Chinese government. Consequently, Chinese oil corporations got involved into larger number of infrastructure projects development including the construction of oil and gas pipelines in Central Asia. Fourth stage started from 2011 and continues in present. This stage witnesses improvement and extension of existing oil and gas pipelines and increased energy cooperation with Central Asia countries (Bin 2014: 599).

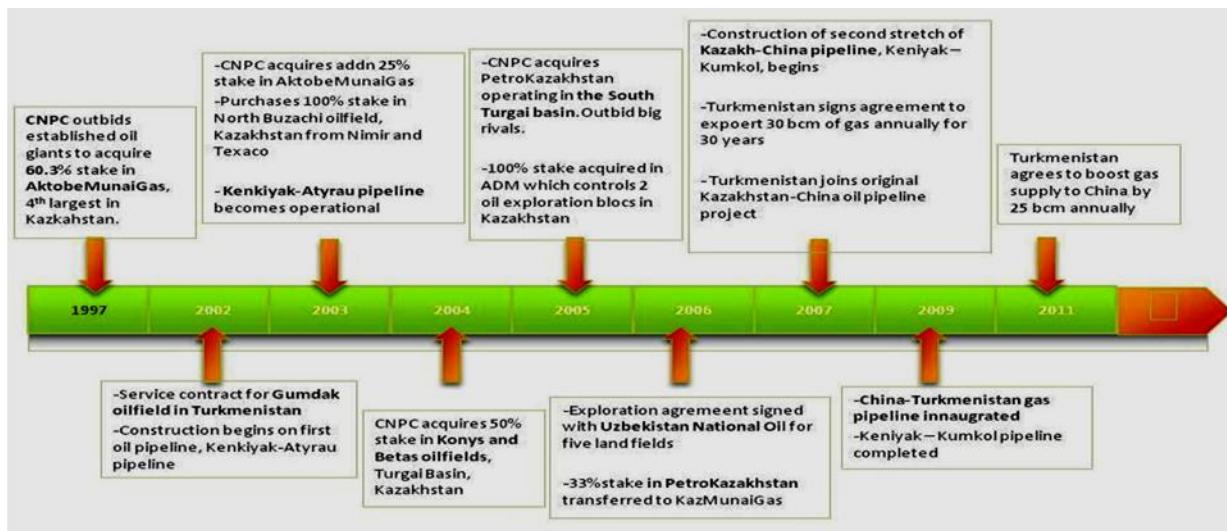
Despite China's substantial investment in the region, China's relations with each individual Central Asian country depend on varying degree of their strategic, political, economic importance. China has mainly targeted those countries of the region which are particularly abundant in petroleum and gas or strategically important for the transportation of those resources. The section tries to analyse China's overall energy investment in each of countries of Central Asia.

Kazakhstan

Kazakhstan is ranked among the top 15 countries in terms of oil reserves and has 3 percent of the world's total oil reserves (KazMuniasGaz 2016). Given the importance of its hydrocarbons, China's investment in Kazakhstan is focused on energy resources particularly in oil and gas. The share of Chinese state-owned oil enterprises in the energy sector of Kazakhstan has been steadily increasing after signing "intergovernmental agreement on cooperation in the field of oil and gas" by the Ministry of Energy and Mineral Resources of Kazakhstan and China's CNPC. The two governments also reached at the General Agreement on the development of oil fields and construction of pipelines. Currently, China's CNPC operates in five oilfield development projects in Kazakhstan- CNPC AktobeMuniasGas, North Buzachi, PK, KAM and ADM. In addition to this, Chinese oil corporations are engaged in two construction projects- the Kazakhstan-China Crude Oil

Pipeline, the Northwest Crude Pipeline and the second phase of the Kazakhstan-China Gas Pipeline.²² (CNPC 2017).

Figure No.3.5 Energy Agreement Signed between Energy Rich Republics of Central Asia and China



Source: The Oxford University Politics Blog (2013), “India and China in Central Asia: Different Game Plan for Securing Energy Resources”, [Online web] Accessed on 12 April 2017, URL: <https://blog.politics.ox.ac.uk/india-and-china-in-central-asia-different-game-plans-for-securing-energy/>

There are nearly 20 Chinese energy enterprises which are operating in oil and gas fields of Kazakhstan, generally these companies hold shares ranging from 50 to 100 percent. The biggest three Chinese oil corporations are CNPC, SINOPEC and CITIC and rest of Chinese oil companies are either subsidiaries or small in size. These three big Chinese oil companies are mainly located in Kyzylorda and Atyrau oblasts in Kazakhstan. They are mainly responsible for the lion share of production and transportation of Kazakh oil to China (Urazova 2017).

From the very beginning of their diplomatic relations, China regards Kazakhstan important for its economic and energy interests in Central Asia. The series of dialogues dates back to

²²CNPC (2017), “CNPC in Kazakhstan”, [Online web] Accessed on 27 March 2017, URL: http://www.cnpc.com.cn/en/Kazakhstan/country_index.shtml.

1994, when first time Premier Li Peng visited Kazakhstan and started strategic relations with Almaty. After the visit, China concluded its first deal with Kazakhstan in 1997 and CNPC bought 60 percent of the Aktobemunaigaz oil company with the total worth of \$4.3 billion. CNPC obtained the production licence for many oil fields including Zhanazhol, Kenkiyak Oversalt and Kenkiyak Subsalt. It also got a contract for an exploration block. Presently, CNPC's shareholding in AktobeMuniaga has reached at 85.42 percent (Parkhomchik 2015).

In mid 1997, CNPC beat Amoco, Texaco and Unocal to win the tender to develop Uzen oil field, located in Mangistau Peninsula in Western Kazakhstan. After those acquisition of two fields, mass media started to highlight it as "*China's westward movement*", "*watch out for China*", "*China joins the Great Game*", and other similar tone was widely heard. Some went to speculating on potential Chinese threat to world (Xu 1998:3).

In addition to this, launching a new wave of acquisition of oil fields in Kazakhstan, CNPC and SINOPEC attempted to acquire 16.67 share of Agip KCO in international consortium which was involved in various kind of exploitation activities including of Kashagan. British Gas company was going to sell its 1.23 billion dollar share and accepted China offer to buy its share with the consent of government of Kazakhstan. However, the other member of the consortium including Shell, Exxon Mobil, Conoco Phill and Agip went against this decision and requested to exert their right to pre-emption over British Gas shares. After repurchasing British Gas share, China sold half of them to KazMuniaGaz. Thus, despite the support from Astana, China failed to establish itself within Kashagan oil field (Peyrouse 2007: 52).

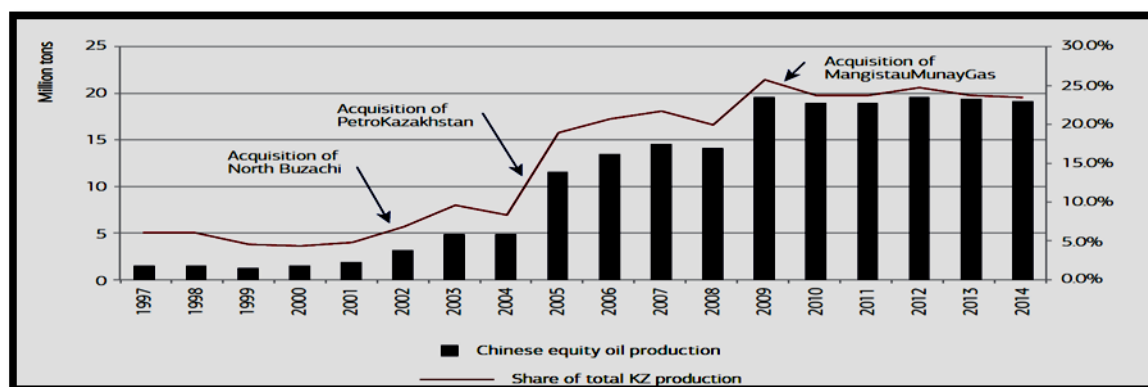
Moreover, in 1998, for linking Kazakh oil fields with China's Xinjiang Province, the two countries agreed on building around 3,000 km long oil pipeline. This pipeline was to be financed by CNPC over the next twenty years. However, neither Kazakhstan was able to demonstrate an ability to provide the needed volume of oil nor CNPC was able to finance. Consequently, due to the unenthusiastic reception on the Kazak side and unwillingness by China to invest in the infrastructure, no progress was reached for several years.

Discovery of giant oil field of Kashagan which is estimated the fifth largest in the world and Russia's reluctance for the energy cooperation with Kazakhstan opened the door for China to enter into Central Asia. Since March 2003, CNPC and Kazak state oil company KazMuniaGaz are working as a joint venture for the construction of the crude oil pipeline

from Atasu in Kazakhstan to Alashankau in China with the total worth of \$ 800 million (CNPC 2017). Moreover, in 2005, the successful takeover of PetroKazakhstan (Petrokaz) proved another milestone for China. PetroKazakhstan was an international petroleum company which was registered in Canada but had all of its assets in Kazakhstan. China's main interest was driven by its aspiration of to acquire full ownership in the oil field of Kumkol South, and to have a joint ownership of Kumkol North with Russia's Lukoil. The importance of KumKol oil fields lies in its significant lactation which was at the midpoint of the China-Kazakhstan oil pipeline, hence acquiring PetroKaz's assets was not only important for enhancing CNPC's oil reserves in Kazakhstan, but was equally important for improving the efficiency of the pipeline (Liao 2006: 66).

Bilateral political relationship played an important role to ensure the CNPC's takeover of petrokaz in October, 2005. For example, in July 2005, just few months before signing the deal Chinese President Hu Jintao paid a visit to Kazakhstan which resulted beginning of the strategic partnership with his counterpart- President Nazarbayev. The visit was significantly important as on the one hand, the strategic partnership gave a push to overall relationship between Kazakhstan and China, on the other hand it ensured China's claim to take over the Petorkazakhstan. Despite the fact that China was facing a tough competition from India's state-owned Oil & Natural Gas Crop (ONGC) and Russia's Lukoil, China successfully managed takeover of PetroKazakhstan(Liao 2006: 67).

Figure No. 3.6 China's Increasing Involvement in Kazakhstan Oil and Gas Fields (1997 to 2014)



So
 urce: Parkhomchik Lidiya (2016), "China-Kazakhstan Relations in Oil and Gas Sector", *Eurasian Research Institute* [Online web], URL: <http://eurasian-research.org/en/research/comments/energy/china-kazakhstan-relations-oil-and-gas-sector>.

Nevertheless, some experts are of the opinion that Chinese oil companies have invested in the oil gas fields of Kazakhstan which are already in their mature stage of production. The limitation of Chinese investment in the oil and gas fields lies in the fact that despite China has many oil assets in Kazakhstan. Though, it is not the largest oil producer in the region. The assets acquired by Chinese oil companies are old and depleting, therefore unless China makes new acquisition the share of Chinese oil companies in the oil production will continue to decrease. Secondly, Chinese expansion in the oil industry began when almost all important energy assets had already been owned by Western oil corporations. Notably, Chinese companies do not hold share in the three largest oil fields of Kazakhstan- Tengiz, Karachaganak and Kashgan- which are dominated by the Western oil companies. Thirdly, Chinese oil enterprises face tough competition from the Western oil companies which are reluctant to co-operate with Chinese oil companies. For instance, in 2003, Western companies blocked CNPC's acquisition of share in the Kashgan oil field (Jarosiewicz and Strachota 2013).

However, in September 2013, China National Petroleum Corporation (CNPC) successfully initiated an agreement with KazMuniasGaz state to purchase 8.33 stake in Kazakhstan's Kashagan Caspian Offshore Project with the total worth of \$ 5 billion. It is important to stretch that Kashagan is the world's largest superfield oil discovery since the last decade and China beat out India to finalize the deal (Daly 2013).

Turkmenistan

According to the size of proven gas reserves (17.5 trillion cubic meters/ 9.3 percent of world's total proven gas reserves world) Turkmenistan ranked fourth after Iran, Russia and Qatar (Oil and Gas Journal 2015). Turkmenistan's substantial gas reserves make it highly important investment destination for Chinese energy- seeking state-owned enterprises. China started taking interest in Turkmenistan, the world's fourth largest holder of natural gas reserves in 1992. There were various factors behind the China's late entry into the gas field of Turkmenistan: the resistance from Russia which considered Central Asia as its exclusive zone of influence, concern of Central Asian countries about Russia's reaction and lack of interest of Central Asian countries for cooperating with China in the energy field (Jarosiewicz and Strachota 2013: 43-44). That is why, until 2006, China had not expanded

its economic presence in Turkmenistan. However, after 2006, Beijing recognize its energy interest in the gas sector of Turkmenistan and China's investment activities became more noticeable (Paramonov and Stokov 2010:26-27). The first natural gas agreement was signed in April, 2006. China's CNPC reached at an agreement for a joint natural gas project with the Oil and Gas Industry and Mineral Resources of Turkmenistan. In July 2007, CNPC signed production sharing agreement according to which it got right to explore and develop gas fields on the right bank of the Amu Darya River. It also signed Natural gas sale-and-purchase agreement with Turkmen State Agency Management and Use of Hydrocarbon Resources and Turkmengaz State Concern respectively.²³ According to 2007 agreement, Ashgabat and Beijing agreed to construct 1,833 kilometres long Central Asia- China gas pipeline connecting Turkmenistan to Xinjiang province via Uzbekistan and Kazakhstan. In 2009 pipeline started to operate successfully and by the 2012 Turkmenistan was exporting more than half of its gas export to China. In 2008, an agreement was signed between CNPC and Turkmengaz to increase the total volume of Turkmen gas up to 40 billion cubic metres by 2015. In 2009, China provided \$ 4 billion loan for the development of the South Yoloton gas field- world's second largest gas field with proven seven trillion cubic metres- and in 2011 again China provided \$ 4.1 billion dollar loan to Turkmenistan. In September 2013, during the Xi Jinping visit in Turkmenistan the volume of gas export was decided to increase upto 65 billion cubic metres by the 2020 (Stegen 2015: 201).

Uzbekistan

Given the importance of its proven oil reserves of estimated 594 million barrel by the Oil and Gas Journal and as its status of a transit country, Uzbekistan has a significant place in China's energy policy. Uzbekistan is third largest gas producer in Eurasia after Russia and Turkmenistan. In June 2006, CNPC signed an oil and gas exploration agreement with Uzbekneftegaz. In August 2006, Aral Sea project was started which is located in Ustyurt Basin in Uzbekistan. A consortium which was comprising of CNPC, Uzbekneftegaz, Lukoil, Petronas and Korean National Oil Corporation, signed a production sharing agreement with the government of Uzbekistan in Tashkent to explore and develop the Uzbek part of Aral

²³ CNPC (2017), "CNPC in Turkmenistan", [Online web] Accessed on 27 March 2017, URL; http://www.cnpc.com.cn/en/Turkmenistan/country_index.shtml.

Sea. In October 2008, CNPC and Uzbekneftegaz agreed on to create a joint venture to develop Mingbulak oilfield in Uzbekistan.²⁴ In 2009, Uzbek section of Central Asia –China gas pipeline became operational. According to an agreement signed in 2010, between the CNPC and Uzbekneftegaz, Uzbekistan would supply 10 billion cubic metres of natural gas per year to China. One year later in 2011, two parties agreed on the construction and operation of Line C of the Central Asia-China Gas Pipeline. Furthermore, in 2013, both parties signed for establishing a joint venture to develop the three important gas fields and other potential oil and gas resources in Karakul block in Uzbekistan. In addition to this, in 2014, construction of Line D of Uzbek section of Central Asia-China Pipeline was agreed between the both parties with the estimated worth of \$ 800 million. The line D is expected to connect existing pipeline infrastructure of Uzbek section of to Tajikistan. However, despite growing ties between Tashkent and Beijing, Chinese investment in Uzbekistan is less compared to all other Central Asia countries. China’s total economic trade and energy cooperation with Kazakhstan accounts \$ 30 billion, whereas it accounts only \$ 4.7 billion with Uzbekistan.²⁵

However, according to a recently signed agreement on “development program of strategic partnership relations for 2014-18” both parties agreed to sign bilateral deals particularly in energy sector. Hence, China has become a vital partner with all Central Asia countries, however, the degree of dependence of Central Asian countries on China varies noticeably (Izimov 2017: 1-3).

III) Major Oil and Gas Pipelines between Central Asia and China

(A) China- Kazakhstan Oil Pipeline

In May 2004, during the trip of President Nursultan Nazarbaev to Beijing, the two governments agreed on the construction of the Kazakhstan China oil pipeline. 2,798 kilometers long Kazakhstan-China pipeline was finalised to transport crude oil from oil fields

²⁴CNPC (2017),“CPC in Uzbekistan”, [Online web] Accessed on 12 March 2017,URL: http://www.cnpc.com.cn/en/Uzbekistan/country_index.shtml.

²⁵ CNPC (2017),“CPC in Uzbekistan”, [Online web] Accessed on 12 March 2017,URL: http://www.cnpc.com.cn/en/Uzbekistan/country_index.shtml.

of Western Kazakhstan to Dushanzi refinery in the Xingjian province. The pipeline connects Atyrau in Kazakhstan's Caspian shore to Alashanko on Chinese border in Xingjian province. The Kazakhstan-China Pipeline has diameters of 813 millimeters and designed with the capacity of 240,000 billion barrel per day. However, with aim of further expansion of the pipeline, the full capacity is aimed to reach 400, 000 barrel per day in 2014 (Zhang 2016:29).

The pipeline has three segments. The first segment included Atyrau- Kenkiyak section which is 448 kilometers long. It starts at Atyrau near Caspian Sea and ends at Kenkiyak. The section was put into operation on 28 March 2003.²⁶ The second phase of the pipeline is known as the Atasu-Alashanko oil pipeline. The pipeline with 962.2 kilometers total length (813 millimeters in diameters) run from Atasu in Kazakhstan to the Alataw Pass in Xinjiang. This pipeline was started in September 2004 and was completed in November 2005 with the total cost of US \$700 million. In May 2006 CNPC inaugurated the pipeline and started to import oil from Kazakhstan. Oil transport volume was initially 10 million tons yearly and was expected to reach 20 million tons in near future (Xinhua, 2005). In 2015, the Atasu-Alashanko oil pipeline facilitated transport of 11.8 million tons oil annually.²⁷

The third and the most recent section of Kazakhstan China pipeline is known as Kenkiyak-Kumkol oil pipeline. The construction of this part was started on 11 December 2007 and finally it came into operation on 11 July 2009. With the length of 794.263 kilometres and with the total capacity of 10 million tons the pipeline is an important one. In 2015, 6.2 million tons of oil was transported through Kenkiyak-Kumkol pipeline.²⁸

Construction of both section of Kazakhstan- China Pipeline- Atasu-Alashankou, Kenkiyak-Kumkol was carried out by Kazakhstan-China Pipeline LLP (KCP) project. It is a joint venture between KazTransOil JSC and CNODC (50-50) established for cooperation in engineering, construction and facilitating operation of the pipeline. Both KazTransOil JSC

²⁶ Hydrocarbon Technology (2017), "Kazakhstan-China Crude Oil Pipeline, Kazakhstan", [Online web] Accessed on 5 April 2017, URL: <http://www.hydrocarbons-technology.com/projects/kazakhstan-china-crude-oil-pipeline/>.

²⁷ KCP official site (2016), "Kazakhstan-China Pipeline", [Online web] Accessed on 5 April, 2017, URL: <http://www.kcp.kz/company/about?language=en>.

²⁸ KCP official site (2016), "Kazakhstan-China Pipeline", [Online web] Accessed on 5 April, 2017, URL: <http://www.kcp.kz/company/about?language=en>.

and China National Oil and Gas Exploration and Development Corporation established their project in accordance with the Framework Agreement of Full Scale Cooperation Development in the Field of Oil and Gas between the Government of Republic of Kazakhstan and Government of People's Republic of China on MAY 17 2004.²⁹

Map No, 3.4 Atasu-Alashankou Pipelines: The New Segment of Kazakhstan-China Oil Pipeline



Image Credit : Official Site of KCP (2016) , “Kazakhstan-China Pipeline”,URL: <http://www.kcp.kz/?language=en>.

²⁹ KazTransOil (2017),“Kazakhstan-China Pipeline LLP”, [Online wb] Accessed on 5 April, 2017, URL: http://www.kaztransoil.kz/en/about_the_company/assets_structure/daughter_companies_and_jvs/kcp/?928376395.

Table no 3. 1 Kazakhstan-China Pipeline

Name	Parameters	Goals	Commissioned
"Kenkiyak - Atyrau" pipeline	Length – 448,85 km. Diameter – 610 mm. Capacity – 6 MMT/y.	To integrate HOPS “Kenkiyak” and OPS “Atyrau”. To provide Aktyubinsk region oil producers an access to: Atyrau refinery, CPC pipeline, “Atyrau – Samara” pipeline, as well as to railroad oil loading rack at OPS “Atyrau”.	June 2004
"Atasu - Alashankou" pipeline	Length – 965.10 km (of which 2.2 km – in China). Diameter – 813 mm. Capacity: Initial – 7 MMT/y, since 2008 – 10 MMT/y, since 2011 – 12 MMT/y	The construction of the new export system to deliver Kazakhstani and Russian crude oil to China.	July 2006 (first phase)
"Kenkiyak - Kumkol" pipeline	Length – 794.15 km. Diameter – 813 mm Capacity – 10 MMT/y (with the possibility of expansion up to 20 MMT/y).	The construction of the new oil transportation system to deliver West Kazakhstan crude oil to Pavlodar and Shymkent refineries and to China.	October 2009
"Atasu-Alashankou" pipeline (second phase of the second stage of the Kazakhstan-China pipelines system , With the capacity of expansion up to 20 MMT/y)	Construction of two OPS in order to increase the capacities of “Atasu-Alashankou” pipeline up to 20 mln.t. per year.	Construction of two OPS in order to increase the capacities of “Atasu-Alashankou” pipeline up to 20 mln.t. per year.	December 2013

Source: KazTransOil (2017), “Investment Projects”, Accessed on 5 April, 2017, URL: http://www.kaztransoil.kz/en/about_the_company/assets_structure/daughter_companies_and_jvs/kcp/?928376395.

Logistical challenges: As the pipeline was to be installed in seismically active zones, the construction of pipeline faced various kind of challenges. During the construction of the Kazakhstan-China pipeline, lack of infrastructure, harsh climate conditions such as extreme temperature and heavy flood and rain waters posed serious problems. For example, the

Atasu-Alashankou section of the pipeline travels through the marshy region for 34 kilometers, the desert area for 150 kilometers and through the windy area for 83 kilometers. This section of the pipeline also crosses four rivers, nine highways and two railways.³⁰

(B) Central Asia-China Gas Pipelines

3,666km long Central Asia-China gas pipeline starts at Turkmen-Uzbek border city Gedaim and runs through Central and Southern Kazakhstan before reaching at Horgos, in the Xinjiang Autonomous region of China. The pipeline currently, consists of three parallel lines, Line A and Line B, and Line C and each line is 1,833km long. Turkmen Samandepo gas field located near the Amu Darya.

Kazakhstan's Karachaganak, Kashagan and Tengiz oil fields are also connected with the pipeline. Line A with the diameter of 1,067 millimeters became operational on 14 December 2009 and Line B on October 2010. The delivery capacity of 30 billion cubic meters annually was achieved by the end of 2011. In addition to Line A and Line B, the construction of Line C was started in September 2012 and was completed at the end of 2013. 1,830-km long Line C has the diameter of 1,219 millimeters (152 millimeters larger than Line A and B) with designing capacity of 25 billion cubic meters. The Line C runs parallel to Line A and Line B. By the end of 2015, the three lines, built by CNPC and its Central Asian partners, were supposed to reach at the combined capacity of 55 billion cubic meters per year. This 55 billion cubic meters per year is equal to approximately 20% of China's total natural gas consumption.³¹

In addition to this, during the Xi Jinping visit on 3 to 13 September 2013, China signed intergovernmental agreement with Uzbekistan, Tajikistan and Kyrgyzstan for the construction of Line D. On 4, March 2014, CNPC subsidiary Trans-Asia Gas Pipeline

³⁰CNPC (2017), "CNPC in Kazakhstan", [Online web] Accessed on 27 March 2017, URL; http://www.cnpc.com.cn/en/Kazakhstan/country_index.shtml.

³¹ CNPC (2014), "Line C of the Central Asia-China Gas Pipeline becomes operational", [Online web] Accessed 6 April 2017, URL: http://classic.cnpc.com.cn/News/en/press/newsreleases/201406/20140603_C1585.shtmlCOLLCC=459803956.

Company Limited signed an agreement with Tajiktransgaz and on August 2014 it signed a deal with Uzbekneftegaz for the construction of the Line D of the Central Asia- China Gas Pipeline. The Construction of line D has already been started in September 2014, the pipeline will pass through the territory of Tajikistan, Uzbekistan and Kyrgyzstan to China. Line D is designed with annual capacity of 30 billion cubic meters. Line D was expected to be completed by 2016 but it has been put on hold in 2017 due to decrease of gas demand in China³². Once the pipeline becomes operational, it would start transporting 85 billion cubic meters natural gas annually which will contribute to 40% of China's gas import. Thus, one can reach at the conclusion that China is deeply engaged with Central Asian countries in multiple ways to secure its energy import.³³

Map No. 3.5 Central Asia-China Gas Pipeline Includes Three Parallel Lines- A, B, C while Line D is under Construction.



Source: Gureshi Aurangzeb (2015), "China is slowly returning to its foreign glory", *Business insider*, [Online web] Accessed on 16 December 2016, URL: <http://www.businessinsider.com/china-is-slowly-returning-to-its-former-glory-2015-3?IR=T>.

³² Eurasian Net. Org. (2017), "China- Central Asia Gas Pipeline Expansion Delayed Again", [Online web] URL: <http://www.eurasianet.org/node/82671>.

³³ CNPC (2017), "CNPC in Turkmenistan", [Online web] Accessed on 27 March 2017, URL: http://www.cnpc.com.cn/en/Turkmenistan/country_index.shtml.

IV New Emerging Trends in Chinese Energy Policy in Central Asia

There are various factors due to which China wants to increase its energy cooperation with Central Asian countries. These factors include surging energy demand, geopolitical risks and price volatility. In order to have deeper ties with its neighbouring states, China is enhancing its engagement in downstream projects which so far has been limited to upstream projects. The statement made by Premier Wen Jiabao (in the opening ceremony of six days China-Eurasia Expo held on 2-7 September, 2012) gives an insight to understand China's increasing interest in downstream projects in Central Asia: "Our Cooperation in this field (energy) has expanded for simple imports and procurement to both upstream and downstream sector covering design, prospecting, refining, processing, storage, transport and maintenance" (Xinhua 2012). Earlier China's energy policy was focused on investment in upstream projects which included investment in oil and gas extraction activities and pipeline construction. However, the new dimension of China's energy policy has extended towards investment into downstream sector which include building refineries in Kyrgyzstan, Tajikistan and Kazakhstan.

Kazakhstan: Despite the fact that Kazakhstan is rich in crude oil, it lacks refinery capacity. The President accepted in 2011 annual address of Kazakhstan that it is pathetic condition for a oil producing county not to have enough capability of refineries in the light of growing demand of gasoline, diesel fuels and jet fuels (The Astana Times 2015). The lack of refineries increased dependency of Kazakhstan on Russia and Kazakhstan still relies upon Russia for more than 40 percent of its fuel supply. Kazakhstan refinery cannot meet the standard of upgraded crude oil above the Euro 2 (Ai 80). Furthermore, in 2013, Russia saturated the Kazakhstan market with refined petroleum which caused serious repercussions for Astana. As Kazakh crude has high concentration of Sulfur, it led to increase the total cost of refined products which went higher than Russian products coming from Siberia (Tengri News 2014). Finally, Kazakhstan Government had to ban Russian petroleum products however this ban was lifted on 1 January 2014. The real concern for Astana is Russia's control on the refinery-system due to which Russia is able to control Kazakhstan's oil export to European market. To help Kazakhstan and challenge Russian domination in 2014, China announced to own the Shymkent refinery in Southern Kazakhstan. China made an investment

of \$1 billion in order to upgrade the refining capacity of Shymkent refinery. China also assured to meet Euro-4 Euro-5 standard of crude oil which will make Kazakh oil more attractive to European market. The goal is to refine up to 6 million barrel of oil per year (Tanchum 2014).

Tajikistan: Since 2014, China has started to finance a refinery in Dangahra town of Tajikistan. Dangahra is the region where influence of President E. Rehmon is strong and it is political heartland of the country. The economy of the town is dependent on remittances sent by workers from abroad. China's investment was considered strategic because of two main reasons: (a) The investment was to generate employment opportunity for local people in the Tajikistan, (b) it would help Tajikistan's to decrease its dependency on Russia for refined fuel products. Moreover, once the refinery construction will complete, it would start to supply over one million tonnes of petrol and diesel per year. The supply of crude oil in the refinery is expected from the untapped oil reserves in the South-West part of Tajikistan. CNPC and other oil companies are involved in exploration of new oil-fields in the region (Rickleton 2014).

Kyrgyzstan: Kyrgyzstan is also totally dependent on Russia for refined products. However, China has already built a refinery in Kara-Balta - an industrial city of Kyrgyzstan and another smaller refinery is being built in Tokmak- a city which is considered as energy-deficit city of Kyrgyzstan. In addition to this, Crude oil for these refineries is expected to come from oil fields of Kazakhstan- where CNPC controls major oil fields. Both these refineries are strategically located at a place which links Kyrgyzstan to Kazakhstan and Russia through Aktobe- where CNPC control significant oil fields (Rickleton 2014, Douaud 2014).

Though, the total investment in deals signed with Tajikistan and Kyrgyzstan do not exceed than \$1 billion, yet it signifies China's growing involvement in the hydrocarbon sector of Central Asia. The big stories are the contracts signed with oil- rich Kazakhstan and gas-rich Turkmenistan which worth tens of billions dollars. Though, Tajikistan and Kyrgyzstan are economically poor and politically fragile states, yet these two countries share their border with Xinjiang province. As they are transit countries, both Tajikistan and Kyrgyzstan help to

transport oil and gas from giant fields of Kazakhstan, Uzbekistan and Turkmenistan to Xinjiang province via their territory (Rickleton 2014).

China has already connected these two countries with the help of Line D of Central Asia-China gas pipeline. It is worthwhile to mention that the role of Tajikistan and Kyrgyzstan will grow when China will connect West Asia to Xinjiang province via Central Asia. China fulfils its own strategic interest by offering them a helping hand in their own battle for energy security and reducing their dependency on Russia (Rickleton 2014). Decreasing Russia's economic and political influence in the energy sector of Central Asia is crucial for China to integrate Central Asia into its ambitious project which want to see Xining province as a regional trading hub. By investing huge money in aging energy infrastructure and refineries of Central Asian countries, ultimately China is creating opportunity for itself (Douaud 2014).

Chinese Oil Corporation and Pattern of Investment in Central Asia

In order to understand Chinese energy strategy in Central Asia, one must understand the pattern of overseas energy investment of Chinese SOEs in general and particularly in Central Asia. Since 2001, China's energy security follows the path of diversification, investment in oil and gas fields, construction of pipelines and other infrastructure related with energy sector, and expansion of its oil companies. China has focused its efforts on investment in exploration, acquisition of development rights for oil fields and pipeline construction in Central Asia. In a study, "China's Energy Diplomacy: SOEs Relations in the Context of Global Distribution and Investment", Yeh and Yu two scholars have categorized the pattern of Chinese energy investment into three category: (a) Based on the rights associated with oil fields (b) Commercial supply of oil and gas (c) The basic infrastructure development. The study shows that form 2003 - 2010, total 43 investment projects were made in Central Asia by Chinese which includes 160 rights of oil fields or construction of pipelines. These were mainly rights of investigation, extraction, property rights of oil fields and supply of oil and gas. The main approach of Chinese Corporations' was regional investment, establishment of new energy corporations through joint investment with host country's enterprises and merger with third- country enterprises. From 2003 to 2010 Chinese SOEs acquired 39 rights through seven merger and acquisition projects. The merger and acquisition project completed

by the CNPC in 2009 is best demonstration of this kind of investment pattern. The CNPC and Kazakhs national Petroleum and National Gas Corporation, co-financed Mangistau Investment B.V. in the Netherlands. Mangistau Investment B.V. purchased all the properties of Mangistau Munia Gas and acquired 15 rights of investigation and extraction each form Kalamkas and Zhetybai regions (Yeh and Yu 2012: 329).

Moreover, according to Sino-Kazakh agreement in May 2004 both parties agreed on joint exploration and development of oil and gas fields in the Caspian Sea. China provided \$ 600 million loan to Uzbekistan for joint exploration of oil and gas fields in July 2006. The another example of CNPC's big deal is acquisition of PetroKazakhstan in 2005 with the total worth of \$ 4.2 billion. Furthermore, Chinese Government through the International Trust and Corporations' purchased stakes in oil fields in Western Kazakhstan with the worth of \$ 1.9 billion (Clarke 2011: 168) .

Moreover, Chinese energy corporations have also invested in the construction of the pipeline infrastructure of Central Asia. China's investment in pipeline construction has shown its desire of diversification of its energy supplies and establishing Xinjiang as an important transit route for oil and gas flowing towards east. It is clearly reflected in China's energy security policies of "west gas- transport east" and "west oil- transport east". China's "Eleventh Five Year Plan" focuses on expansion of domestic and overseas oil and gas resources, investigation of new oilfields, and completion of the construction of national pipeline network. The key objective behind construction of transportation channels was that oil produced in the West could be transported towards East, oil produced in the North could be transported towards South and gas produced in the West could be transported towards East (Yeh and Yu 2012: 335, USC-US-China Institute 2007).

China's CNPC cooperated with Kazakhstan in building crude oil pipelines connecting Atasu and Atyrau part of Kazakhstan with Alashan part of Xinjiang. Since 2006, construction began to connect Almaty, Kazakhstan with Korla Xinjiang. In this way, the Atasu- Atyrau- Alashan connected with Caspian Pipeline Consortium (CPC) network. The two pipelines- Atasu- Atyrau- Alashan pipeline and Almaty Korla, stretched westward with Azerbaijan. In North, the pipeline connected with far eastern oil and gas networks in Russia. In South-East, it connects to oil and gas fields in South/ North Parts of Iran, while in South-West makes a link with the Persian Gulf. In addition to this, in 2007, following the policy of "west gas-

transport east” Chinese Government signed an agreement with the government of Turkmenistan for the construction of Central Asia-China Gas Pipeline. In April 2008, a joint venture between Uzbekneftegaz and CNPC was signed to build 530 kilometres section of 1,830 kilometres. Turkmenistan-China natural gas pipeline was concluded which would originate from Turkmenistan to reach at Xinjiang province via Uzbekistan and Kazakhstan (Yeh and Yu 2012: 335-337). By 2016-2017, the pipeline will be also passing through Tajikistan and Kyrgyzstan with the completion of Line D of Central Asia-China Gas Pipeline. Chinese Government has heavily invested in Turkmenistan to bring the giant Galkynysh gas field into operation and granted \$ 8 billion loan for the period of 2010-2011. In this way, all five-states of Central Asia are included in Chinese energy strategy in general and oil and gas pipeline strategy in particular. The development of pipeline infrastructure allows Central Asian countries to develop an alternative transportation route towards East and get rid of Russia’s monopoly on pipeline routes. All five Central Asian countries are also benefiting from the investment and loan provided by Chinese government which help to overcome the challenges of their aging infrastructure and helping them in the exploiting their oil and gas reserves (Indeo 2016: 12).

China’s strategy of making West- East corridor through construction and development of pipelines demonstrates how China plays card of regional security to promote its interests. Xinjiang province serves as the main gateway for importing Central Asian oil and gas. The region is also important for the development of political and commercial relations between Central Asia and China. Above all China’s main agenda is to bring stability in Xinjiang province which is closely linked with national security of China.

In this background, one of the striking features of China’s energy diplomacy is that they never worry about cost of the project. Profit is not main concern for Chinese state-owned oil enterprises and they invest the vast sum in various equity acquisition and project loans in the petroleum and gas sector in Central Asia. Chinese Government, state-owned corporation and banks care less for investment cost and profit than their Western counterparts. They take consideration of long-term strategic security and overall stability in its neighbourhood which is highly important for the national security of China. The ground for assessing the cost-benefit balance is multi-faceted. The case of Kazakhstan and Turkmenistan- two principal energy resources economies- is the clear demonstration of China’s approach (Lo 2012: 4-5).

Moreover, China's energy policy in Central Asia is mainly driven by political and strategic interest rather than merely market-driven policy. Chinese Government understands that security and stability are prerequisite conditions for investment in energy sector. China's major concern is to ensure economic development in politically and economically instable and conflict prone province of Xinjiang. Most of the Chinese scholars and policy makers believe that economic growth breeds political stability. They are of the opinion that close economic relationship with Central Asian countries will allow Chinese Government to control potential political instability and spill over into its Westward territory (International Crisis Group 2013:4).

In this regard, China is rapidly acquiring energy resources, investing heavily in the infrastructure and is engaged in building roads, pipeline, highways, railways and electricity grids and telecommunications for the social-economic development of Central Asian region. Politically, Chinese government's concern is to ensure that friendly regime should continue in power in neighbouring countries (International Crisis Group 2013:11-12).

The key argument is that economic and security are main driving forces behind the construction of oil and gas pipeline network in Central Asia. Construction of oil and gas pipeline is in order to connect Central Asian oil and gas fields to China is a technically and financially complex affairs. The geographical distance which ranging from 3000 kilometres to 10,000 kilometres and cost which is worth of several billion dollars. In addition to this, Chinese state-owned enterprises relatively later to those of Western Oil Corporation already has established in the field of Central Asia. Those entire factors make the production and transportation cost higher than of West Asia (Peyrouse 2007: 46). However, despite all possible security risks and the low commercial benefits pipelines, China has deeply involved in pipeline infrastructure development of Central Asia shows that economic profit is not the only agenda of China. It is the border security which matters most for Chinese Government. To link resources rich Central Asia to Xinjiang province not only ensures the economic development of Xinjiang province but also ensure border security. Therefore, one of the real motives Chinese oil companies behind the construction of pipeline is to promote national security agenda of Chinese Government. It solved two fold interests of Chinese Government: first importing oil and gas through Chinese built up pipeline has ensured its national energy security. Secondly, it has boosted economic development in Xingjian province.

In contrast, some scholars are of view that China's control over Xinjiang province will help Beijing to expand Chinese political influence in Central Asia. That would help in China's "peacefully rise" (Clarke 20 : 91-92). Additionally, China as a the most populous country in the world and third largest in area, also has the largest numbers of neighbours. China shares 22,000 kilometres of its land with neighbouring countries including Kazakhstan, Kyrgyzstan, Tajikistan. "*Peaceful rise*" is a language which Chinese leadership use to assure its neighbours those Beijing ambitions of becoming a global power would not threaten the peace and stability of the region (Shen 2012). In this regard Niklas Swanstrom is of the view that that in a decade or two, China might directly challenge the supremacy of the United States, Japan, and Europe in International affairs. But before that happens, Chinese leaders are trying to create a zone of friendly and stable neighbours around China's border that will provide them political support as well as economic leverage in future. "Quest for natural resources shape China's policies in Central Asia but it is not the whole picture" Swanstrom added (Bransten 2004).

In this, Central Asian republics are of utmost important for China's emergence as a global power. Chinese scholar Ji Zhiye thinks that China's strategic design should continue to help Central Asian countries to enhance their management skills, to achieve economic development, to have access to reliable market and to attract investment in basic infrastructure such as roads, railways, highways, communication and advanced technology. As these countries are in the midst of their economic transition and social transformation, the conscious efforts of China's policy maker should focus on formulating foreign policies which do not interfere in their domestic affairs (Zhiye 2014).

Institutions, Lobbying Groups and the Role of Ideology

In pursuing the energy interest, China has adopted an integrated approach which involved the senior party leadership, state-owned energy enterprises and financial institutions to promote China's diverse agenda in Central Asia. In first glance it seems securing reliable to access Central Asian oil and gas resources but China seek to use energy cooperation to develop closer political ties with Central Asian regimes (Lo 2012: 6). For this purpose, various institutions, groups and ideologies are playing a significant role in the formulation of China's foreign policy regarding Central Asian countries. Though, responsibility for China's Central

Asian policy lies on the State Council but the International Department of the Central Committee of the Communist Party and Politburo's Leading Groups of Foreign Affairs play vital role in policy formulation. In addition to this, the Ministry of Foreign Affairs plays a key role in the implementation of China's diplomatic relations with five Central Asian states (Mariani 2008: 4-5). Moreover, in the field of economic relations the Ministry of Commerce seems more influential. In the field of energy cooperation National Energy Administration (NEA) which works under the National Development and Reforms Commission (NDRC) plays a key role. NEA is mainly responsible for energy cooperation and formulation of energy resources policies. It also deals with finance, taxation, environment protection and energy price adjustment. Third, apart from it, the Ministry of Finance, state owned China Development Bank, the China Export-Import Bank and the China Investment Corporation also play a crucial role in the development of economic relationship of China with Central Asian countries. Fourth, state-owned enterprises such as Sinopec, the China National Petroleum Corporation (CNPC) and China National Offshore Oil company are key actors in the formulation and implementation of energy policy. However, these institutions never question ideology and functioning of Communist Party of China (Mariani 2008: 4-5).

V Chinese Energy Diplomacy in Central Asia

China's foreign policy in Central Asia is driven by its goals of securing energy resources and ensuring safe transportation of energy resources to China. In order to achieve these goals, China's energy diplomacy adopts soft policies. This section would attempt to throw light on diplomatic tools and soft power instruments used by China.

Chinese energy diplomacy has created a favourable international environment for the country. China encourages Chinese national oil corporation to develop international markets through sales of commodities, by undertaking engineering projects, and promoting the advancement of the technology of the Chinese enterprises. As those activities are central part of Chinese energy diplomacy, the government provides financial and diplomatic support to its national oil enterprises. In addition to this, Chinese national development policy is the foundation on which China's energy diplomacy is formulated. The main focus of Chinese energy diplomacy is to diversify energy relations with energy rich regions including Central

Asia. Energy policies has been crafted to decrease the dependency of China on a single oil-producing region or on a single oil transportation route (Qinhua 2007:4) .

Chinese State-Owned Enterprises in Central Asia

China operates in Central Asia primarily through its state-owned oil companies. It is imperative to understand the nature and characteristics of these companies. It is worthwhile to mention that almost all Chinese energy enterprises operating in Central Asia are big investors in the region. The major activities of these companies are : oil and gas extraction, exploitation activities and construction of pipelines. Structural pattern of investment would throw some light on Chinese state-owned enterprises (SOEs). This section tries to explore the investment strategy and diplomatic tools of Chinese Government and its SOEs in dealing with the energy rich Central Asia in general and Kazakhstan, Turkmenistan and Uzbekistan in particular.

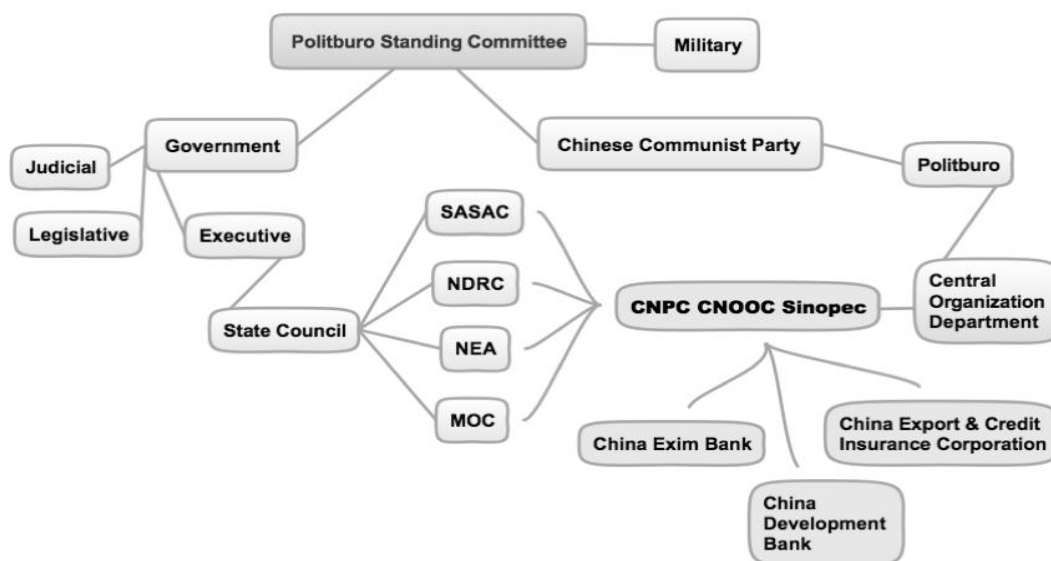
China's three big state-owned oil companies (NOCs)- CNPC, SINOPEC, CNOOC- are politically and financially supported by Chinese Government at home and abroad. The main purpose of these Chinese NOCs is to work as arms of national foreign policy rather than working as absolute profit-maximising Corporation (Blank 2006). To understand overseas investment strategy of Chinese SOEs in general and particularly in context of Central Asia one must understand the origin of these Chinese oil corporations. The three popularly known Chinese energy enterprises- (a) China National Petroleum Corporation (CNPC), (b) China Petroleum and Chemical Corporation (Sinopec) and (c) China National Offshore Oil Corporation (CNOOC)- share a common set of parents- the Ministry of Petroleum Industry and the former Ministry of Chemical Industry. In early years of economic reforms (1980s), Chinese Government decided to convert the productive assets of these ministries into state-owned enterprises (SOEs) with the objective to introduce competition, promote economic efficiency and to have wider share of ownership in order to develop a national market, raise tax revenues to state and reduce government expenditure (IEA 2011: 9). That is the main reason why Chinese energy corporation invest in the energy sector of Central Asia irrespective of much consideration of costs and profits. The main concern is to rationalize government policies to safeguard national security. Consequently, energy diplomacy of Chinese SOEs in Central Asia gives high importance to secure import of gas and petroleum

resources and thus to promote the government's agenda of national energy security (Yeh and Yu 2012: 326-327).

It is worthwhile to mention that most of China's investment in oil and gas industry of Central Asia is made by Chinese state-owned enterprises (SOEs). Chinese state-owned companies are defined national firms whose majority assets are owned (or fully owned) by state or more specifically by the State Assets Supervision and Administration Commission (SAAC) of China. SAAC owns and regulates national oil companies. However, the most vital institutional mechanism of political and administrative control of Communist Party of China is the Central Organisation Department (COD). Through the help of COD, the three major national oil companies-CNPC, Sinopec, CNOOC- largely remain under the control of Communist Part of China (CPC) . COD also has power to appoint executives within the Chinese Communist Party including ministerial, vice ministerial positions, SAAC, business organization, academia and media. Even the nomination and control of three powerful positions: general manager, party secretary and the chairman of national oil companies (NOCs) are also under COD. Hence, all executives holding those positions are member of Chinese Communist Party and chairmen of companies are also party secretary (Francisco 2013: 19-23).

Moreover, the Chinese Communist Party considers energy security as one the key strategic agendas of the foreign policy. While making decisions about overseas investment, the primary objective of Chinese SOEs is to rationalise government policies on energy security. By this reason the Chinese SOEs get diplomatic and financial support of Chinese Government which enables them to outbid competitors during negotiation and put forward "good neighbour measures with energy producing host governments of Central Asia (Peyrouse :2007 40). Any defection by the governments of Central Asian countries, against Chinese state-owned oil firms jeopardise not only future investment by China's SOEs but hamper bilateral relations as well. These characteristics of Chinese SOEs provide them political support of governments of Central Asia (O'Neill 2014: 148).

Figure No. 3.7 Complex link between Government Bodies, Oil Corporations and Financial Banks in China



Source: Tang Changwei (2015), "Globalised Economy and the Chinese Oil Companies" *International Institute for Asian Studies (IIAS)*, [Online web] Accessed on 30 March 2017, URL: <http://iias.asia/the-newsletter/article/globalized-economy-chinese-national-oil-companies>.

ii) Soft Loan and China's Energy Diplomacy

To invest in the host country, the foreign oil companies are expected to participate in construction and maintenance of the basic infrastructure, to provide technological expertise for exploration of oil-fields and to develop pipeline infrastructure which requires substantial amount of capital. These are often bargaining chip which foreign oil companies use when negotiating with host country. These chips help to gain the rights of exploration which are key components of energy diplomacy.

In addition to the political support, China's energy strategy relies on the mechanism of soft loan. The key advantage for Chinese SOEs is financial support from Chinese Government. Chinese Government use foreign aid and loans as diplomatic tools in order to enhance SOEs's access to energy resources of energy producing countries in Central Asia. In this regard, China's aggressive lending policy has targeted oil producing Kazakhstan. China provides favourable loan to Kazakhstan for the development of its oil and gas projects under Chinese oil corporations (Paramonov and Stokov 2010:23). The capital and equipments which China provides to Kazakhstan for the exploration of oil and gas fields and the

construction of pipeline projects by Chinese Government are ultimately used by Chinese oil companies involved in the project. On the other hand, in response to this support, Central Asian states provide larger access of their oil and gas resources to Chinese state-owned oil companies. Massive financial aid and loan secure a strong position for China's oil corporations in energy sector and help to gain "political support" of Central Asian states (Paramonov and Stokov 2010:28). For instance, in 2009, China provided SCO \$ 10 billion loan to Central Asian countries to mitigate the effect of the economic crisis. Another \$ 10 billion loan was offered in 2012. In November 2014 China announced the creation of 40 \$ billion Silk Road Fund to support the project which is aimed at realizing transport infrastructures (Indeo 2016: 12).

However, many scholars think that China used its economic power to secure the approval of energy deals. For example in 2009, China took the advantage of global financial crisis and China's Export-Import Development Bank lended \$ 5 billion to state-owned Development Bank of Kazakhstan. CNPC also lended another \$ 5 billion to Kazakhstan's state-run gas giant- KazMuniasGaz National Co. Moreover, CNPC bought 49 percent minority holding in Kazakhstan's AO MangistauMuniagaz company from KazMuniasGaz. Those energy deals enabled Kazakhstan Government to continue its robust pace of exploration for oil and gas and achieve the long- term aim of diversification and modernisation of its economy. In this regard, in 2008, Kazakhstan received \$ 21 billion in form of investment for the exploration and production which helped it to overcome the effect of global economic crisis. According to Kazakhstan state news agency Kazinform, \$ 5 billion loan would help pay for the MangistauMuniasGaz deal and the construction of BeineuBozoiAkbulak gas pipeline which would serve the interest of southern Kazakhstan (Blank 2009)

Thus, Kazakhstan's need for capital and a reliable export market gets an important place in the China's energy strategy. In the words of Kazakh President Nursultan Nazatbayev "economic cooperation [energy cooperation] has become the major motivation pushing the overall development of the Kazakhstan China relations." Thus, China strategically provided loan to governments and big corporations of energy producing countries at the time of distress (Blank 2009).

Unlike Western, China has managed to win the heart of the leaders of the Central Asian countries by not interfering in their domestic affairs while using financial aid and investment as a diplomatic tool to access the energy resources. China differs from US on the policy of regime change in Central Asia and it promotes regime stability in the region. Contrary to China US position is dubious and Washington always criticises authoritarian regimes of the region. According to some Chinese analysts US finances some NGOs which advocate democracy and demand freedom of expression. Unlike intrusive and legalist approach of Western countries, China does not impose the condition of good governance, democratization, the rule of law and human rights. The “non –interference” principle makes Chinese financial aid and loan most appealing to Central Asian leaders. Beijing has conveyed the message to Central Asian regimes that China is only interested in Central doing business, hence avoid any political majors that could jeopardise major energy deals (Lo 2012 4-5).

The Chinese strategy is appealing to the leaders of the region because like Russia it does not follow the restrictive trade policies in the Central Asian region and like Washington, Beijing does not press Central Asian leaders for agenda of internal reforms. The differences in their approach are clear on the ground. No U.S. president has ever travelled to Central Asia. The last U.S. vice president visit to the region was Al Gore’s visit, who went to Kazakhstan in 1993, during the administration of Bill Clinton. Visits by U.S. secretaries of state have been few and far between. All these factors lead to increasing acceptability of China in the region. Moreover, Chinese leaders want to win the heart of their Central Asian counterparts by demonstrating respect, offering generous financial aid, investment and loan, and taking a hands-off approach to domestic issues (Olcott 2013).

Central Asian regimes are considered highly authoritarian in nature which pose a potential threat of political uncertainty. In addition to this, aging infrastructure, rapid corruption, social and cultural conflicts among various ethnic groups- all these features make Central Asia a risky place for foreign investment. Economic activities of Chinese Oil Corporations are highly motivated by the political factors and it hardly care for risks associated with investment in Central Asia.

Chinese investments and loan enhance rather than threaten the political stability of Central Asian regimes. Through Chinese SOEs’ investment Kazakh President Nazarbayev, his

family members and closest associates get huge profit. In return, Kazakhstan protects Chinese oil corporations from the policy change which can potentially threaten their investment. (O'Neill 2014:147). According to a leaked US embassy cable, it claims that more specifically, it is Timur Kulibayev, (the husband of Nazarbayev's daughter-Kulibayev Dinar Nursulatanovna) one of the most powerful gate-keepers around President Nursultan Nazarbayev, who controls 90 percent of the economy of Kazakhstan. The source claimed for his avarice for large bribes. In addition to this source, various open letters by opposition and independent newspapers also claimed for charges of major acts of bribery and corruptions against Kulibayev particularly related with various energy deals with Chinese state-owned oil enterprises. Those sources alleged that Kulibayev made a profit of \$ 116 million from CNPC's 2003 acquisition of Kazakh Government's 25 percent stakes in Aktobe MuniaGas (Cooley 2012: 141).

Consequently the support of Timur Kulibayev becomes imperative for Chinese SOEs in order to gain approval and protection for their major investments in the energy sector of Kazakhstan. In Kazakhstan "state-run enterprises" is synonymous with "enterprises owned by the family." O'Neill thinks that "keeping Kazakhstan political succession in family is the crucial for protection of China's energy investment." He further argues that, "the less the change at the executive level, the greater the stability in Sino-Kazakh relations" (O'Neill 2014:148-150). Some scholars are of the view that through its energy policies Beijing promotes China's model of "market-oriented authoritarianism" in Central Asia. Central Asian republics are laboratories for China's new normative power.

iii) SCO "Energy Club" and China's Energy Diplomacy

Bilateral energy deals dominate the energy relationship between China and Central Asian countries. Since 2007, China has taken initiatives to strengthen the relationship through the multilateral framework of SCO's Energy Club. The shift in China's diplomacy from bilateral to multilateral cooperation is the need of changed situations like China's increasing energy demand, new geopolitical shift in the region, and vulnerability of energy producing countries of Central Asia.

China want to use the stage of Shanghai Cooperation Organization for economic integration of the region. SCO facilitates a platform where energy hungry China shares dais with energy rich countries of the region. Energy Club, a non-governmental consultative mechanism helps to formulate strategy for SCO members and implement joint project to increase energy security of energy producing as well as energy importing countries. The purpose of this structure is to bring together representatives of government departments, research institutions and business groups (Golobokov 2015: 45-46).

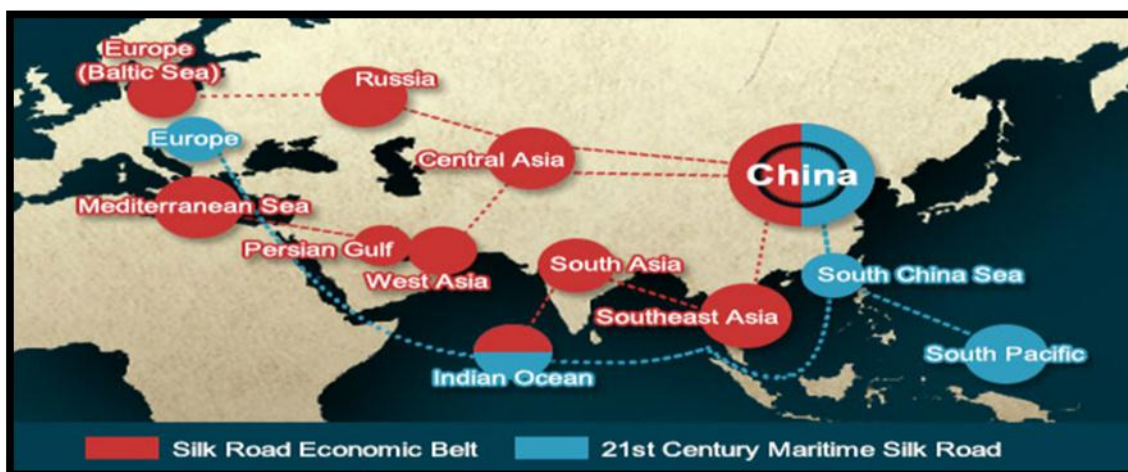
China has aggressively supported the idea of SCO Energy club which would help China to overcome supply constraints in the region. The basic idea behind formation of Energy Club was to promote interests of energy producing countries, transit states and energy consuming states of SCO. The idea of “Energy Club” was first proposed by Russian President Putin in 2006 and the idea was welcomed by other member states of SCO. The idea was proposed again in 2007 at the SCO Summit in Bishkek. Though, the idea has not been materialized at institutional level yet Western scholars started to perceive SCO “Energy Club” as a model similar to OPEC (Granet 2015).

Though, historically China’s energy diplomacy has followed the course of bilateral deals with energy producing countries. However, Energy Club within SCO can help China to pursue its interest more efficiently as the organization would help to deepen the “spirit of cooperation” with energy rich Central Asian partner with which China already has bilateral energy deals. Increasing cooperation would help China to increase its investment and influence more in the energy rich Central Asian countries and will strengthen China’s position in the region. It is worthwhile to mention that in 2015, it was the first time since foundation of the SCO organization (2001) that an initiative has been taken to increase the number of its member states by inviting India and Pakistan to their full accession in SCO. Nevertheless, chances of Iran to be a full member of SCO in coming years could create new opportunity for China. Iran has large gas reserves which are of great significance to China because of its increasing demand of natural gas (Weitz 2015). In addition this, the main reason of the failure of SCO Energy Club as a comprehensive organization is largely due to different interests of the two giants of SCO-Russia and China-who want to dominate energy resources of Central Asia (Granet 2015).

iv) China's Silk Road Economic Belt Strategy

With OBOR strategy China has embarked on developing huge infrastructure project such as pipeline, road, highways and railways which will link East Asia to West Asia via Central Asian region. It is worthwhile to mention that prime centre of the infrastructure development is energy rich Central Asia- which is considered as the centrepiece of entire Belt (Bessler2015:3). Moreover, China identifies transportation bottlenecks as a primary barrier to regional economic integration. The Silk Road Economic Belt has target to develop a series of transportation, energy and telecommunication infrastructure projects. The blueprint of the project mentions about a “Eurasian Land Bridge” which would try to connect different parts of Europe and Asia. Similarly the project talk about development of China-Central Asia-West Asia and China-Indochina Peninsula Economic Corridors. These corridors would connect some important cities of China ,Europe and Central Asia. Total estimated Silk Road Fund is \$ 40 billion and out of this \$ 16 billion would be separately allocated for pipeline and other infrastructure projects in Central Asia. The main lending agencies involved in new “Silk Road” are: the Export-Import Bank of China, the China Development Bank, the China investment Corporation and China's Foreign Exchange Reserves (Zimmerman 2015: 7-8).

Map No. 3.6 China's Silk Road Economic Belt Strategy



Source: Eyley Brian (2015), “China's new silk roads tie together three continents”, [Online web] Accessed on 13 March 2017, URL: <https://www.chinadialogue.net/article/show/single/en/7849-China-s-new-silk-roads-tie-together-3-continents>.

In September 2013 the development of Silk Road Economic Belt (SREB) was announced during Xi Jinping's visit to four Central Asian countries- Kazakhstan, Uzbekistan, Turkmenistan and Kyrgyzstan. China's vision for a Silk Road Economic belt was first discussed in speech of President Xi Jinping at Nazarbayev University. The Xi Jinping visit opened a new chapter of China's relationship with these four Central Asian countries. According to China's Foreign Minister Wang Yi, total 38 agreements were concluded between the governments and companies of two sides. It covered a wide range of areas including economy, trade, security, culture and people to people exchange and more importantly stable and long term cooperation in energy sector was decided during the visit (Xinhuanet 2013). Chinese President's announcement for building a new "Silk Road" was not accidental instead the idea was outcome of long deliberation. The strategy was to secure China's energy import and simultaneously create a huge market for Chinese goods by linking different part of Asia - East Asia South Asia, Central Asia and West Asia (Stegen 2015:200).

On the other hand, all five Central Asian countries –particularly energy rich countries with their heavy reliance on energy resources- are supposed to largely get benefited from China's SREB project. The project is supposed to develop the infrastructure which would link landlocked Central Asia to world market. It would further enhance trade opportunity for both the energy producing and the energy deficit countries of the region. The construction of SREB is critical to the economic development, security and the prosperity of the Central Asia region. China has announced \$ 40 billion Silk Road Fund for the SREB project. Central Asian countries have welcomed China's plan of linking Europe and Asia via Central Asia. Central Asian countries are eager to get benefited from their status of being as "transit hub" which could be a source of huge transit fee (Hongzhou and Arthur 2015: 1).

Is China's Silk Road Economic Belt: A Chinese Marshal Plan?

China new Silk Road plan is perceived within Chinese circles as an effort to counterbalance the US's "pivot to Asia" policy and check US domination in Central Asia. China new Silk Road plan is often compared with "US Marshal Plan" which contributed to rebuild Europe after the end of WWII. US Marshal plan brought peace and prosperity in Europe but scholars argue that it created a market for US products and increased US's domination in the

world. According to Xu Shanda- the former Deputy Director of the China State Administration of Taxation- “Chinese Marshal Plan” was proposed to use China’s foreign exchange reserves to create external demand against the adverse impact of the global financial crisis. Nevertheless, Chinese Marshal Plan shares some distinct features to the US Marshal Plan. China’s SREB project has no ideological agenda while US Marshal Plan was set up to prevent communism in Europe. Secondly, US Marshal Plan was one sided as flow of investment was directed form US to Europe while Chinese Marshal Plan is intended to distribute production capabilities in terms of comparative cost advantages (Bessler2015:10).

The construction of SREB has raised serious concerns among politicians, security experts and scholars of Central Asia. The major apprehension is that China’s economic presence could lead to Chinese domination and interference in the regional affairs. Russia’s unwillingness is additional hurdle in the successful implementation of the project (Hongzhou and Arthur 2015: 2). China is going to face various challenges in construction of New Silk road. Geographical barriers, political differences, local discontent, environmental issues, threat from terrorists group-these are some challenges which China would face in near future.

Chapter- Four

Russia- China Energy Competition in Central Asia

Energy has become symbol of geopolitics in the 21st century. Like nuclear weapons or large armies, energy has also strategic importance. Energy is doing the same thing what earlier was done by other means of diplomacy. One scholar rightly says that means of international influence have become more diverse and sophisticated, but the goals remain the same: national security, power projection and control over resources and territory (Petersen, Barysch 2011: 1). After NATO- led invasion of Afghanistan, Central Asia has emerged as an area of strategic interest. Though, different actors like United States and European Union operate in the region, Russia and China remain the principal competitor struggling for abundant energy reserves of Central Asia. Russia claims for its historical and linguistic ties with Central Asian states and has the substantial military presence in the region. While, China uses the policy of financial aid and loan policy with flexible bilateral diplomacy. The focus of both powers are deeply concentrated on the control on Central Asian energy reserves and its supply routes (Ross 2012).

In this background, the chapter will examine the new emerging “Great Game” in Central Asian region. For multiple reasons energy is fundamental to the rise of Russia and China as great powers. For Russia, possession of the vast oil and gas resources fulfils a function similar to its nuclear weapons in the Soviet era. The post 1999 boom in world oil prices helped Russia’s reemergence as a great power. The country’s abundant energy reserves and rapidly growing global demand for the same resources has given Russia the opportunity to play a more influential role in the global politics. When Kremlin officials speak of Russia being as “energy superpower,” they really refer to that its revival is as a global, multi-dimensional power. In this way, energy is not simply as an instrument of influence in itself, but others forms of power are inherently associated with it: military, political, economic, technological, cultural and soft power (Petersen , Barysch 2011: 1).

Energy and geopolitics are also closely intertwined in China’s case. Nevertheless, for China energy is not an instrument of geopolitical ambition, but a key driver of assertive foreign policy. It is mainly because of China’s larger dependency on import of oil and gas resources from outside world. Securing reliable access to energy resources will play a key role for

China's modernization and its rise as a superpower. China has responded to its growing demand of energy resources by making the worldwide search for energy (Petersen A, Barysch 2011: 1-2).

Central Asia is popularly known as "heart of Eurasian continent", Many diplomats continue to believe in Makinder's theory which claims that "He who controls the heartland controls the world." Given the importance of geostrategic location, coupled with abundant oil and resources, Central Asia has become the main centre of the competition and co-operation between Russia and China. For both Russia and China, Central Asia is a ground where their interests clash because both these countries want to control vast energy resources and supply routes.

I Central Asia and the Major Powers

Looking at the historical background of Central Asia, "it has been always remained a focus of *"hegemonic design"* of imperial power ascribing to its geographical location, its huge oil and gas reserves." However, its history and culture, ideological peculiarity, rapid transformation in societal and economic outlook-all these factors have invited many external powers to penetrate into the region (Jain 2007:49-50).

To highlight the geostrategic importance of Central Asia which is popularly known as the heart of Eurasia. Brzezinski Zbigniew said that Eurasia was the "chessboard" on which the struggle for global primacy would be played (Brzezinski 1997: 31). (See figure no 4.1) "Although geostrategy- the strategic management of geopolitical interests- may be compared to chess the somewhat oval- shaped Eurasian chessboard engages not just two but several players each possessing different amount of power" (Brzezinski 1997: 31-34).

Geopolitical and Geo-economic importance of Central Asia, can be found in the "*Heartland theory*" of Sir Halford Mackinder, a British geographer. In his speech, in 1904, he outlined his "*Heartland theory*" which was a founding monument for geo-politics. In his theory, he argues that control of Eurasian landmass (Europe, Asia, West Asia) which contains bulk of the world's population and natural resources, was important to control the world (Durden 2013).

Sir Halford Mackinder observed that Russia occupied a position in the Eurasian heartland which served as "the pivot region of the world politics" with its potentialities in population, wheat, cotton, fuel and meat so incalculably great." Mackinder was of the view that if Russia

form this dominant geographical location could expand its railway network over Eurasian territory and use these resources to maritime fleet, “the empire of the world then be in sight.” Thus while analyzing the importance of Eurasia, he coined two terms “the pivot” and “heartland” which highlight the strategic importance of Central Asia (Colley 2012:4 a).

Image No. 4.1 Eurasian Chessboard: Space and Geo-politics



Source: Deviant Art (2017), Eurasia, [Online web] Accessed on 19 July 2017, URL:<http://j-kane.deviantart.com/art/Eurasia-135623300>

As the time passed, among natural resources energy resources, particularly first oil and then natural gas, became increasingly important. Mackinder’s theory remains still relevant to understand the ongoing geopolitical confrontation between US, Russia and China for controlling the energy reserves in Central Asia (Durden 2013).

In 1991, the demise of the Soviet Union not only led to fall of a great power but created a geopolitical vacuum in Central Asia. This geopolitical vacuum created an interest in the region. It became critical to United States and Western Europe to prevent anti-Western alliance increasing its influence in the region. The changed situation also served Chinese interest; the confrontation between United States and Russia, the economic and political

chaos in the region, provided Beijing an opportunity to realize its dream of “Greater China.” Most importantly, the geopolitical vacuum helped Central Asian states to save their sovereignty and to assure material wellbeing of their political elites (Syroezhkin 2002:169-170). Moreover, due to region’s sizeable energy reserves combined with unique political status, these countries came into the limelight of Western media and policy debate (Baker Institute Study 1998: 1).

The demise of the Soviet Union not only led to fall of a great power but created a geopolitical vacuum in Central Asia. This geopolitical vacuum created a new interest in the region. Today, Central Asia is the centre-stage for the competition and co-operation between various geopolitical powers like United States, Russia, China, EU, Iran, Turkey India, Pakistan etc. To highlight the geostrategic importance of Central Asia, Brzezinski Zbigniew said that Eurasia was the “chessboard” on which the struggle for global primacy would be played. Before Brzezinski Zbigniew, it was Mackinder who gave “heartland theory” to highlights geostrategic and geo-economic importance of Central Asia. Many diplomats continue to believe in Makinder’s theory which claims that “He who controls the heartland controls the world.” Given the importance of geostrategic location, coupled with abundant oil and resources, Mackinder theory remains relevant to understand the ongoing contestation and cooperation between many geopolitical powers like US, EU, Russia and China for controlling the energy reserves in Central Asia.

The demise of the Soviet Union not only led to fall of a great power but created a geopolitical vacuum in Central Asia. This geopolitical vacuum created a new interest in the region. Today, Central Asia is the centre-stage for the competition and co-operation between various geopolitical powers like United States, Russia, China, EU, Iran, Turkey India, Pakistan etc. To highlight the geostrategic importance of Central Asia, Brzezinski Zbigniew said that Eurasia was the “chessboard” on which the struggle for global primacy would be played. Before Brzezinski Zbigniew, it was Mackinder who gave “heartland theory” to highlights geostrategic and geo-economic importance of Central Asia. Many diplomats continue to believe in Makinder’s theory which claims that “He who controls the heartland controls the world.” Given the importance of geostrategic location, coupled with abundant oil and resources, Mackinder theory remains relevant to understand the ongoing contestation

and cooperation between many geopolitical powers like US, EU, Russia and China for controlling the energy reserves in Central Asia. Apart from it, political instability, ethnic and religious conflicts as well as intervention by external power create more challenging situation for the region (Xinhua 2011).

The trend of international politics followed in post Cold War era witnessed a call for qualitative justification of interest maximizing behavior. However, encroaching overseas energy resources might be seen as violation of some of new norms.. In this regard, to compete for access to Central Asia resources, the major powers has rationalized their objectives qualitatively, if not ideologically. United States designed the platform of liberal democracy and human rights above sovereignty. Russia offered its own idea of “sovereign democracy” and China posed itself as a non- interventionist “responsible state” (Shen 2011:2).

II New Great Game and Energy Resources of Central Asia

The term “Great Game” was popularized by British writer Rudyard Kipling in his novel Kim in 1904. The Great Game was conceptualized to describe the nineteenth -century competition between the Russian and British empires for establishing control over Central Asia. What Rudyard Kipling said about Great Game is still relevant: *“When everyone is dead, the great game is finished. Not before”*. Today Central Asia is once again the centre of a contest between major global powers: the United States, Russia and China and other regional powers. All those new power are on the same ground but with major goals of security, influence, but first and above all they seek energy-the crude oil and natural gas which powered the modern world (Wong 2015:1). The quest for control of energy resources has been dubbed as the “New Great Game”. The rivalry for energy resources and pipeline routes is a power game and militarizing energy is a long term recipe for disaster (Foster 2008).

The key driving factor behind the “renewed big game” in Central Asia is to seek an “unhindered access to Central Asia’s vast tapped and untapped energy resources” (Jain 2007: 45). In addition to the availability of vast reservoirs of energy, geopolitical location of Central Asia has also encouraged various regional and global players such as Russia, China, India, Iran US, the EU and other internal actors to compete for the influence in Central Asia. Thirdly,the issue of Afghanistan is equally important. There is threat to neighboring

countries and others because of the role played by Afghanistan in illegal drug production and its trafficking, and its link with terrorism. For all these reasons post-Soviet Central Asia is important for geopolitical interests of the major powers and international organizations and institutions – the UN, the EU, NATO, and OSCE (Rakhimov 2010:96).

Image No. 4.2 Old Great Game: Competition between Russia and Britain to Control Territory of Central Asia



Source: Harpor Tom (2017), “China’s New Silk Road: Central Asia and the Imperial Legacy of the Great Game”, *Imperial & Global Forum* [Online web] Accessed on 12 May 2017 URL: <https://imperialglobalexeter.files.wordpress.com/2017/05/lion-and-bear.png>.

This new geopolitical game in Central Asia has two aspects; first, discovery of new oil and gas fields; second, transportation of hydrocarbon resources through pipelines to world market. Consequently, the intense competition took place not only for oil and gas production but also for control over pipelines in the region. Mirzokhid Rakhimov reminds that Post-Soviet newly independent Central Asian states are confronting complex security threats such

as terrorism, religious extremism, illegal drug trafficking, transnational water sharing disputes, organized crime and border dispute. Security threats are transnational and national and regional security is also interdependent and interconnected (Rakhimov 2010:96). It is claimed that Central Asian states have not been able to meet these challenges on their own due to lack of prior experience in managing such experience, scarcity of funds, ill equipped security services and absence of a common strategy. Political elites are able to manipulate elections for their legitimacy. The elite act as tyrants and refuse to compromise in political and social life. Multiplicity of these dynamics and the accidental nature of their interaction in Central Asian politics infer that their domestic and transnational troubles will continue to stir political upheaval and would escalate state and non- state violence. In sum, “the alleged ‘stability’ of the region ‘can vanish in no time’ as it rests on a quick sand” (Kavalski 2009: 93).

As pipelines cross various territories, sometime conflict prone territories and areas which are dominated by Islamic militants in Central Asia. In the region Russia and China are facing serious security risks of ethnic violence and political and intra- regional conflicts. In other words, energy resources of Central Asia are interlinked with complex set of political, economic and security issues.

That is why while Russia, China and US scramble for energy resources, their strategic concern are not confined to energy resources, but they are equally worried about military power along with political and economic interests (Jain 2007: 50). Militarization of energy- the role played by military to protect the pipeline infrastructure- has been a crucial instrument in order to protect the energy interests of major geopolitical power. For example, military base of US or Russia in Central Asia were present to protect their energy interest in Central Asia, however, it can be perceived by Chinese Government as a threat to its own energy security. Military presence of major players help them to increase their sphere of political influence which further boost their economic and energy security interests in the region (See Map No. 4.1).

Map No. 4.1 Military Bases of US and Russia in Central Asia (in 2011)



Lendman Stephen (2011), "Encircling Russia with US Bases", [Online web], Accessed on 19 Junly 2017, URL: <http://www.cjournal.info/2011/05/30/encircling-russia-with-us-bases/>.

In addition to this, dominating voices in the energy security debates describe the energy resource competition in Central Asia as a zero-sum game, which could lead to future resource war among the various players (Garrison and Abdurahmonov 2011: 381). For example, for decades Russia has been considering Central Asia as its strategic backyard and its major interest is to have strong hold on its energy reserves and pipeline supply networks, any external power competing for the same purpose can be a source of conflict or resource war in the region (Spivak 2016). US interests in Central Asia can be described in three simple words: security, energy and democracy (Cohen 2006:1). China's major diplomatic goals in the region are maintaining security and stability, having friendly regimes, securing access to energy supply and ultimately through the development of its Western frontier securing its national security (Mariani 2013).

Moreover, the fact is that Central Asia has become a flash point of strategic rivalry among big and medium range powers like Iran, Turkey, India and Pakistan which are wary of negative fallout of the battle for energy resources on their own economic and oil interests (Jain 2007: 46). It seems that energy security syndrome have gripped the psyche of major powers impelling them to mitigate one another's influence in Central Asia, perhaps with a greater vigor and dynamism than ever before (Jain 2007: 50).

However, unlike 18th and 19th century old great empires British and Russia, major power are not tempted into empire building exercises. (Jain 2007: 46). Secondly, the new Grate Game is specifically new in a sense that it does not only involved “big powers” like Russia, China and US but also include “small powers” like Kazakhstan and Turkmenistan. In the New Great Game, the foreign policy behavior of the Central Asian republics equally play an important role in shaping dynamic of the New Great Game (Garrison and Abdurahmonov 2011: 381). After their independence, Some outside actors- particularly Russia -thought that these counties can easily be manipulated form outside. Russia’s rivals also saw them as objects to be won in many ways dependent upon the outside world. Nevertheless, the interesting thing that has developed over time is their success in securing their political independence and ability to chart their own geopolitical course (Kubicek 2013: 173).

In this regard, Alexander Cooley is of the view that in the 21st century, the Central Asian Government are using the renewed external involvement to consolidate their sovereignty, fending off or denying disruptive demands and reinforcing their political control in the domestic sphere. The New Great Game has strengthened the hands of rulers of Central Asia who have been able to take the advantage of rivalry among major powers and are successful in securing economic and political benefits. Thus they have successfully balanced their engagement with major powers through their foreign policy ranging from neutrality to multivector foreign policy and have further shifted towards strategic partnership (Colley 2012 b). For example, in 2009, Kyrgyzstan’s President Kurmanbek Bakiyev hosted Manas Transit Centre, which initiated a bidding war between the United States and Russia. Kyrgyzstan was a hosting Mans Transit Centre base, it took the advantage of competition between Russia and United States and threatened them to close the base. The competition between them enable Kyrgyzstan to have upper hand in negotiation hence he extracted hundreds of millions of dollars from both sides in the form of a Russian assistance package and a renewed lease with higher rent from United States. In 2008, United States also paid transit fees \$ 500 million annually to Uzbekistan and other Central Asian Governments to transport equipment bound to Afghanistan through Northern Distribution Network (Colley 2012 b). Additionally, after prolonged bargaining in 2006, Uzbekistan granted Russia the right to use its airfield at Navois as a base, but only in emergency circumstances. In return Russia was supposed to provide Uzbekistan with modern navigation system and air defense weapons. In other words,

Uzbekistan wants regime stability with Russia support in the case of crisis but it is reluctant to allow peacetime presence of Russian military in Uzbekistan (Blank 2012:149).

Central Asian region is “*politically sandwiched*” between Russia and China with an American component besides, there is no much room for other powers to get involved.” Editor –in Chief of the Journal Russia in Global Affairs (Foreign Policy Research Journal 2012: 31). Russia and China are natural contenders for mastery over resources of Central Asia which might be described as “converging rivalries”. The geographical proximity of the region makes Central Asia a geostrategic interest of both Russia and China. In addition to this, for Russia the region is a transit route to diversify its distribution and for China it provide access to rich deposits to diversify its supply form West Asia. Most importantly, both Russia and China are wary of the involvement of “third parties” in the region. Central Asia has historically been the “backyard” of Russia while for China it is the land of opportunities. However, a number of ‘interlopers’ have recently appeared- The US and European Union, Turkey, Iran and India. Despite this, many Scholars agree that Central Asia is a political sandwich among three major powers- Russia, China and US (Rossi 2012: 4-5).

Many scholars think that changing US’s Central Asian policy in the new context will result in the decline of its position as a major player in New Great Game. Since 2005, prospected democratic change have been dimming. Central Asian leaders are increasingly becoming suspicious about US interference in their domestic affairs. Regime stability has become a major concern especially after a series of “color” revolutions, which took place in Georgia, Ukraine and Kyrgyzstan. US had established its air bases in Uzbekistan in the name of fighting against terrorism. However, in May 2005, after Andijan events Uzbekistan took a decision to end US right to use Karshi Khanabad as its base(K2). Tulip revolution in Kyrgyzstan , economic development of Kazakhstan due to oil boom and leadership change in Turkmenistan are major factors which changed the perception of Central Asian Governments towards US. Consequently, the political space of US has started to decline (Wishnick Elizabeth 2009: 2-3) . For US, it is security situation in Afghanistan which is of great importance. After the 2014 declaration of US Government to withdraw its military forces from Afghanistan also signifies lesser involvement of US in Central Asia. It is argued that

US military presence in Afghanistan was partially linked with US agenda to have access to abundant energy resources of Central Asia.

Behind deployment of the large number of military corps in the name of “*war on terror*”, the main motive of US has been to control the vast amount of oil and gas resources of Central Asia which are still untapped. During Cold War days, when military forces of Soviet Union was present in Afghanistan, US supported and funded Jehadi groups in Pakistan and Afghanistan against Soviet Union. After the collapse of Soviet Union, the United States wanted to use those groups to serve US’s geological interests in energy rich Central Asia. Rashid Ahmed is of the view that since late 1995, Washington has strongly backed US Company Unocal to build a gas pipeline from Turkmenistan to Pakistan across Taliban controlled Afghanistan with the help of the CIA and ISI nexus. There was an intense competition between regional powers and Western oil companies to build a lucrative pipeline in order to transport energy resources towards European market as well as towards Asia. The rivalry came out as a New Great Game. After the 9/11 incident it justified its military presence in the name of “*war on terror*”. He further claims that US military presence in Afghanistan has been largely motivated by its larger agenda to capture untapped reserves of Central Asia. Since the end of the cold war, no other political movement than Taliban in Afghanistan has attracted so much attention. Geostrategic implications of Taliban are creating instability in Russia, five Central Asian republics and in Xinjiang province of China. Therefore, Taliban has become a major player in the New Great Game. Western oil companies are competing for building oil and gas pipelines form Central Asia to Western market and Asia. American bombing on the terrorist bases in Afghanistan has brought the Taliban into the focus of world community and it is regarded as the most radical Islamic movement in the world- a movement which was started with few Islamic students with an agenda of bringing peace in the country (Rashid 2000).

In 2000, with the rise in energy prices, Russia’s influence started to increase in Central Asia. Russia’s main interest was to fulfil its domestic energy demand and re-export Central Asian gas to European market while keeping United States at the bay. On the other hand, Chinese policy makers crafted “West March Strategy” and China increased its engagement in Central Asian region (Wishnick Elizabeth 2009: 3). The growing role of Chinese states-owned companies in the energy- fields of Central Asia started to challenge the domination of

Western oil companies due to the larger diplomatic and financial support given by the Chinese Government. It was not possible without the help of ruling elites of Central Asia who felt threatened by the US political agenda of regime change. China took an advantage of the changing geopolitical environment and largely involved itself with the energy rich states of Central Asia by assuring not to interfere into their domestic issues. At the same time, Al-Qaeda emerged in Afghanistan and instability grew in Pakistan too, which gave a poor image of United States to Muslim world. Increasing geopolitical influence and energy engagement of China and Russia in Central Asia started to write a new chapter and it led to the decline of US's influence in the region.

On the other hand, in reaction to 'color' revolutions, Russia and China both have come together to reach at a broader agreement on the priority of regime stability and limiting the long term presence of US military in Central Asia. Protecting regime stability in Central Asian Countries serves the interest of both Russia and China. Maintaining status quo in the region will not only serve their geopolitical agenda but also protect their energy projects, investments and trade relationship with Central Asia. Despite the split within SCO and the competitive tendencies within the Sino-Russia partnership, the United States will not have easy time to achieve its aims in Central Asia: energy cooperation, regional security and establishing democracy and rule of law. The strategic and energy interest of both Russia and China in Central Asia, pose a greater challenge to US's interests and US finds itself in increasing competition with Russia and China (Wishnick Elizabeth 2009: 2-3). Without help of US, EU alone would not be able to dominate the energy game, and other actors are considered as mid range of powers, thus Russian-Chinese rivalry is at the heart of the 'New Great Game' in Central Asia today.

III China- Central Asia Energy Cooperation and Implications for Russia

The section tries to analyze Russia's state-owned energy investment in different states of Central Asia. Russia's involvement in energy sector has been compared to those of China's increasingly energy investment in the region. The attempt has been made to understand why Russia feels losing ground in the Central Asia energy sector.

Russia possesses some of the world largest undeveloped oil and gas reserves however Russia imports hydrocarbon form Central Asia. The major interest of Russia is to retain its status of the main transit country for energy export from Central Asia to Europe. In addition to this,

strong hold in Central Asia enables Russia to limit foreign influence, mainly of China and US, in its backyard. Russia follows a multi-pronged approach of “soft power diplomacy towards Central Asia through its state-owned energy companies headed by Gazprom and Transneft. Energy diplomacy has been coordinated with other diplomatic approach to maintain the Russian influence in the region” (Bergsager 2012: 9). State owned oil companies of Russia pursue its political agenda along with economic activities in Central Asia. Along with other stakeholders oil companies are also important instrument which influence Russia’s foreign policy in Central Asia. Roy Allison is of the view that many staff of Security Service have been deployed at senior positions in Gazprom and other companies. Thus security and military chiefs play considerable role in influencing political relations with Central Asia. But when it comes to economic affairs and energy diplomacy the role of the Russia’s state- owned and semi state owned companies play a significant role. Semi-state adventure Gazprom under its then chief executive officer Alexei Miller has played a leading role in Russia’s foreign policy in Central Asia and as well as in Caspian region. On the other hand, the new businesses are represented by private companies. (Roy 2004 :282). Roy Allison further explained that the major private oil companies also have an influential lobby in the region. Putin economic policy recognizes that domestic oil and gas companies which operate abroad need support by government. However, this support is double-edged, as it helps Putin to have significant measures of control over these companies. Some companies also support this idea to minimize their investment risk at foreign soil. For example, Lukoil president Vagit Alekperov emphasized that company’s interest and national interest cannot be separated. However, this attitude did not get support by Yukos, the top management of the other leading oil company. The main reason to oppose the merger of the smaller Sibneft company with big oil company was the fear that it would enable Putin to have more political control which would threaten commercial interest of small companies(Roy 2004: 283).

IV Russia’s Investment in Energy Sector of Central Asia

Since Putin came into power in 2000, the participation of Russian SOEs in Central Asia have taken several high level projects. The major share of Russian investment went into development of energy resources in Central Asia. In 1995-2015, LUKOIL invested over 7 billion dollars into 7 production projects in Kazakhstan which is 10 percent of Kazakhstan’s

total production. Since 2005, RN Exploration a subsidiary of Rosneft jointly with KazMuniasGaz is engaged in the development of Kurmangazy oil field on Caspian shelf. Gazprom invested over 1 billion dollars into Kazakhstan's energy sector. Since 2004 LUKOIL's investment into Uzbekistan economy is nearly 2.5 billion dollars whereas Since 2006, Gazprom has invested 400 million dollars into Uzbekistan's energy sector. In addition to this, Gazprom owns JCS Kyrgyzgaz and is engaged in prospective surveys and modernization of the country's gas distribution system. In 2015-2017, Gazprom target was to invest 758 million dollars. Nevertheless, the profitability of investments is low into Kyrgyzstan. Hence, these investments are viewed as economic aid. Since 2003 Gazprom spent 170 million dollars on the survey of the oil fields in Sarykamysh and Western Shaambary in Tajikistan (Kazantsev and Zvyagelskaya 2016: 21-22).

Although these agreements highlight Russia's involvement, the amount of capital invested is not sufficient enough to utilize full potential of Central Asian gas and oil fields. Briefly, there have been more political promises of cooperation than actual investments (Bergsager 2012: 9).

V Russia and Pipeline Infrastructure in Central Asia

(i) Oil Pipeline: Kazakhstan's oil is transported across Russia through Atyaru-Samara pipeline which accounts around 15 million tons per year. The second pipeline - Makhachkala-Tikhoretsk-Novorossiysk pipeline - transports approximately 2.5 million tons annually. Third pipeline is the Tengiz-Novorossiysk Caspina Pipeline Consortium with the capacity of 35 million cubic tons. In 2014, the pipeline pumped 225 million tons of oil and gas (Kazantsev and Zvyagelskaya 2016: 22).

(ii) Gas Pipeline: Soviet era pipeline, Central Asia-Centre gas pipeline, originates from Turkmenistan and run through Bukhara-Ural in Uzbekistan and further crosses territory of Kazakhstan and finally reaches Russia. The pipeline is in the drastic need of upgradation. Gazprom jointly with Uzbekistan's and Kazakhstan's pipeline companies expanded the capacity of these pipelines and improved their reliability. However, due to Russia's decreasing gas import in the region, Gazprom no more interested to invest to further modernize the Central Asia- centre gas pipeline (Kazantsev and Zvyagelskaya 2016: 22).

China has taken the advantage of Russia's dominating behavior and its big-brother attitude towards Central Asia (discussed in earlier chapters) which forced Central Asian republics to find an alternative partner. The relationship between Russia and Turkmenistan has long been troubled due to Russia's insistence to buy Turkmenistan's gas at lower price which Russia used to sell at the higher price in European market. Turkmenistan government ended Russia's domination by inviting China as a major foreign investor in its energy sector. In June 2009, China's Development Bank provided \$ 4 billion loan to the Turkmenistan national gas company Turkmengaz, The purpose of this loan was to finance the exploration and development of world's largest natural gas field- the south Yoloton, and build a gas pipeline between China and Turkmenistan. The loan given for the pipeline construction helped Turkmenistan to compensate financial loss it faced when gas export to Russia was blocked in 2009 (Bergsager 2012: 16).

Since Turkmenistan-China pipeline (also known as Central Asia- China gas pipeline) came into operation Russia's monopoly on Turkmenistan's gas sector completely ended. Now more than 70 percent of Turkmen gas is exported to China. It is worthwhile to mention that Turkmenistan does not allow any foreign country in its offshore project, Russia's influence has been completely eroded in Turkmenistan. Currently, Russia is facing a tough time as China has strengthened its energy ties with Central Asia. Pipelines built with the help of China has strengthened Central Asia's capacity to diversify their energy supply market. Uzbekistan and Kazakhstan's dependency on Russian has also been decreased after construction of Central Asia-China Gas Pipeline. Similarly Kazakhstan-China pipeline has reduced Kazakhstan's dependency on Russian pipeline routes by providing an alternative route to supply its oil towards east rather than completely relying on Russia. By 2020, China is expected to be the largest consumer of natural gas and oil from Central Asia (Beshimov and Satke 2014).

It is worthwhile to mention that Chinese presence in Central Asia has not been limited to energy rich Kazakhstan, Turkmenistan and Uzbekistan but oil and gas deficit Kyrgyzstan and Tajikistan have also come into China's orbit of influence. The '*Westward strategy*' articulated by Chinese President Xi Jinping in his "Silk Road Economic Belt" highlights Central Asia as a key important region for China's economic development. Central Asia's abundant resource coupled with its geographic proximity to China offers a great opportunity

to China for cheap, reliable energy import. China's overall investment has been increasing since the 2000s, and China has invested billions of dollars in the energy industry of Central Asia. In 2013, during the President Xi Jinping's visit to Central Asia, China signed a series of contracts with Kazakhstan worth \$ 30 billion, 31 agreements of \$ 15 billion value with Uzbekistan and \$ 16 billion dollar natural gas deal with Turkmenistan (Morris 2016).

VII Russia-China Competition in Central Asia

The growing rivalry between China and Russia in Central Asian region is gaining attention today. Many experts and analysts are of the view that Central Asia is witnessing a zero sum game. "In Central Asia we are witnessing a zero-sum great game because if the resources will flow towards China, they won't flow towards Russia and Europe," said Federico Bordonaro, a Rome based analyst. Beijing needs Central Asian energy as its energy demand is growing at alarming rate while the same energy is also strategically important for Russia. "Russia and China never able to find a common ground when it comes to (access to energy resources) in Central Asia- and are unlikely to do so in future", claimed Gunter Kanbe, German expert on the issue says. China's main interest is to expand its own economy which needs abundant supply of energy. "China needs raw material and energy and it is trying to get them by whatever means it can" said Gunter Kanbe, he also added that "Central Asia looks like a treasure chest of raw material and energy reserves to leaders in Beijing" (Whitemore 2008).

Experts are of the view that geopolitical competition will prevail between Russia and China. China is projecting itself as a continental power while Russia is struggling to maintain its economic and political influence in Central Asia.

"The two countries may be enjoying a honeymoon but this is a marriage of convenience... Beneath the surface, a creeping competition will erode the foundation of the partnership... No other place will provide more fertile ground for their geopolitical competition than their shared periphery, Central Asia, a.k.a (also known as) Russia's "near abroad" (Marantidou and Crossa: 2014).

However, Russia, perhaps more than any other major power, keenly observes China's moves. For Russia, China's economic "intrusions" into traditionally Russian-dominated areas are

part of the *realpolitik* game, be they in the name of geopolitics, geo-economics, or, more fashionably, in the name of *petropolitik*. Its economy buoyed by high oil prices, Putin's Russia is ready more than at any time in the post-Soviet era, to expand its influence in these "near abroad" regions of Russia. Indeed, the once super military power has now become the super petro-power under Putin, whose mission is to remake Russia as a world power to be respected, if not feared (Bin and Feffer 2006) .

For Russia, the importance of Central Asia primarily lies in its abundant energy reserves. Central Asia's proximity with Russia gives it a strategic leverage. Moscow is keen to maintain control over Central Asian energy and resource export to protect its own position in the market. Central Asia is a potential competitor to Russia's energy export- the life blood of the Russian economy. Its ownership of the old pipeline networks offer control over Central Asian energy exports. Russia's main interest is to enhance the quality of its own products by blending it with higher quality of oil from Kazakhstan, and controlling prices and supply-routes. Since Central Asia started to explore new supply routes such as China-Kazakhstan pipeline, Central Asia – gas China pipeline, Russia started fearing the loss of its strategic leverage and the rise of new competition. Lower profits from energy exports coupled with economic sanction and falling currency value have serious repercussions for Russia.

Russia – China growing competition for the access to Central Asia's energy supply is evident in the fact that China has not only broken Russia's monopoly on oil and gas production but also on oil and gas supply routes by building new pipelines. Earlier Central Asian countries were completely dependent on Russian pipelines, transport infrastructure and technological expertise including oil refineries. The dependency of oil exporting countries - Turkmenistan, Kazakhstan and Uzbekistan- on Russia can be seen in the fact that in 2006, Russia used to control 90 percent of Turkmenistan's gas, 55 percent of Kazakhstan's oil and 36 percent of Uzbekistan's gas export. However, China's entry into Central Asia's energy sector has directly challenged Moscow monopoly and has threatened Russia's interest in Central Asia (Kourmanova 2014).

Natural Gas Trade and Transition of Geopolitics in the Region

Russia's monopoly on the transit of gas supply has been reduced in unimagined way. 80 percent of Central Asian gas used to flow through its pipelines, however since 2010, its gas

imports started decreasing. The main reason was successful construction of the Central Asia-China gas pipeline in 2009. Russia total volume of gas import witnessed a decline: in 2008, it was 66.1 billion cubic meters, in 2011, it reduced to 29.52 billion cubic meters out of which 10.98 billion cubic meters was purchased from Turkmenistan, 7.38 billion cubic meters from Uzbekistan and 10.95 billion cubic meters from Kazakhstan.

In addition to this, Central Asia-China gas pipeline poses greater geopolitical risks to Russia overall position in Central Asia. Central Asia-China gas pipeline has broken the Russia's stronghold on Central Asia's gas transit, and has empowered Turkmenistan to negotiate at more favorable terms for the price and volume of its export to Russia. In this way, China's energy engagement not only reduced Russia's access to cheap natural gas but also challenged Russia's dominance on pipeline routes and its political influence in the region (Shea 2014: 6). In 2013, During the Xi Jinping visit to Turkmenistan, a contract was signed with Chinese Government to supply 65 billion cubic meters gas by the end of 2020. This is the clear demonstration of decreasing Russia's position from a major player to a minor player in Central Asia's gas sector.

Since 2016, Russia has completely stopped buying gas from Ashgabat. In January 2016, Gazprom, the Russia gas conglomerate announced its decision to discontinue import of Turkmen gas while at the same time it decided to increase imports from Uzbekistan. Moscow's decision to discontinue import of Turkmen gas was thought to be aimed at undermining Turkmenistan's self-assumed position as a major player in gas sector. As Turkmenistan is facing some problems with China and is looking for diversification of its export away from China, Russia may be confident of reviving the relationship at its own terms (Bulagov 2016).

Chinese Investment in Kazakh Oil sector and Impacts on Russia

According to KazMunayaGaz's expert, the share of Chinese oil companies in overall oil production in Kazakhstan has reached at 40 percent. Chinese oil companies are engaged in larger projects of the development of oil fields in Aktyubinsk, Atyaru, Mangistau, Kyzylorda and Karaganda regions. Chinese Oil companies have also registered their presence in surveying and development of Darkhan oil field on the Caspian shelf. In 2015, Chinese

investment in these projects was estimated between 43-45 billion dollars which is bigger than Russian investment in the region. China's largest national oil company CNPC is the majority owner of two of Kazakhstan National oil companies which includes 85.42 percent share of AktobeMuniaGaz and 67 percent of petro Kazakhstan (Kazantsev and Zvyagelskaya 2016: 21-22).

Though, after China's entry in the Kazakhstan oil sector, Astana's bargaining capacity with Russia has increased, Russia still controls on oil refineries and pipeline network heading towards European market. At several occasions Kazakhstan's relationship with Russia have become contentious over supply of petroleum products (see image no. 4.3). To deal with Russia's dominating attitude, Kazakhstan takes the advantage of China's economic clout at a time when Russia is facing a serious challenge of economic slowdown. In April 2013, due to domestic imperatives Kazakhstan government decided to limit Russia's gasoline sale and took other restrictive measures to control supply of Russia's petroleum products in Kazakhstan. It was perceived as a serious concern and invoked skepticism among Russian analysts. In addition to this, Kazakhstan demanded a higher price for gas which it was supplying to Russia and threatened that it would divert supply to China. This shows an example of Kazakhstan's strong bargaining power which was not possible without the support of Chinese government. Moscow thought that Kazakhstan has no choice and finally would negotiate on Russia's terms and conditions. Contrary to Moscow's perception events turned towards another direction. China allowed Kazakhstan to send its oil into Chinese refineries but and assured that in the case of blockade by Russia China- Kazakhstan oil pipeline would remain a viable alternative. Moreover, in July 2013, Kazakhstan sold \$ 5 billion stake of the Kashagan oil field to China's CNPC. It is worthwhile to mention that it is known as one of the largest oil fields in the world. China has not only helped to reduce Russia's monopoly on Kazakhstan's oil supply but also helped to decrease its political and economic influence in the entire region. China with its increasing economic clout has emerged as a significant competitor (Shlapentokh 2014).

Image No.4.3 Showing Russia's Monopoly on Pipeline Infrastructure



Source: *Heralding the Rise of Russia* (2011), "Russia Rise Amid Geopolitical Events-March 2011" [Online web] Accessed on 19 July 2017 URL: <http://theriseofrussia.blogspot.in/2011/03/russia-rises-amid-geopolitical-events.html>.

After realizing Russia's declining position in oil and gas sector, it is now struggling for maintaining its influence in other sectors. Russia has made huge investment in Central Asia's mining sector, hydropower and oil and gas refineries. However, Russia's investment has got affected due to economic slowdown and economic sanction on Russia. Petro Leonard confirmed that investment is not decreasing in oil and gas sector but also in hydropower plant in Kyrgyzstan. Lack of investment is stalling Russia's projects in Central Asia. Leonard mentioned that Russia's major oil company LUKOIL sold off its 50 percent share in Caspian investment resources to China's Sinopec for \$ 1.2 billion. Sinopec already owned the other half of shares of Caspian investment resources. The sale, after a period of arbitration, gave Sinopec total ownership of a company which controls fields containing an estimated 200 million barrel of proven oil and gas reserves. Russia's withdrawal from the project of Tsentralnoye offshore field on the Caspian Sea in Kazakhstan. It was discovered in 2008 and is being developed by the Joint venture between LUKOIL , Gazprom and Kazakhtan's state owned KazMuniaGaz. The main reason was that the project required drilling technology

which is banned for sale to Russian companies mainly due to the current Western sanction on Russia. Thus, Russia lost Tsentralnoye offshore oil field project in Kazakhstan (Leonard 2016). With lack of required technology and insufficient investment, Russia can not compete with China's massive investment capability and cutting edge technology along with their skilled labor. All those factors has recently paved the way for Chinese state-owned energy enterprises and they have outstripped Russia in oil and gas industry of Central Asia about 58-62 billion dollar to 12 billion dollar (Kazantsev and Zvyagelskaya 2016: 27) .

Role of Moscow and Beijing in Regional Integration Initiatives

Russia considers Central Asia as its own backyard and China thinks it important for its security and economic development. To keep Central Asia within their sphere of influence, both China and Russia has taken various initiatives by establishing complex institutional mechanism. The main objective of these institutions is keeping Central Asia politically, economically and militarily into Russia's and China's orbit.

In addition to SCO, the region now has two competing projects led by two major powers: Russia led EEU and China led *Silk Road Economic Belt* (SREB). On the one hand, Russia wants to keep Central Asia as a satellite by pushing them to join Russia – led Eurasian Economic Union; on the other hand, China wants to transform the region into a resource providing belt. China's major initiative "The Silk Road Economic Belt" (SREB) will help it to import energy from Central Asia. There is apprehension that competition between Russia and China can disturb the regional unity of Central Asia. Though Central Asia is benefiting from infrastructure development, trade and security assistance, the policies of both Russia and China is to tap energy resources of Central Asian countries and they persuade these countries to join economic and security organizations led by China and Russia. One successful example is Russia's persuasion of Kazakhstan and Kyrgyzstan to join Russia-led Eurasian Economic Union. External rivalries between major powers shape the internal rivalry among five Central Asian states, which might harm to achieve long term stability in already fragile region (Zhambekov Nurzhan 2015).

Image No 4.4 Central Asia between Russia and China



Source: Paramonov Vladimir and Stokov Alex "Russia and China: The Pivot of Central Asia", *Defence Dog* [Online web] Accessed on 19 July 2017, URL: <http://defencedog.blogspot.in/2011/03/russia-and-china-pivot-of-central-asia.html>.

A closer look on Russia's policy of regional integration would help to understand the Moscow strategy towards Central Asia. Since 1991, Russia was eager to re-establish its control over Central Asia through various economic and security treaties such as Commonwealth of Independent States, Custom Union and Eurasian Economic Union. Russia's President Vladimir Putin's political project was to pull former Soviet republics of Central Asia into Kremlin's orbit by persuading them to join Custom Unions. Russia strategy was to control one fifth of world's territory as it was during Soviet Regime. The establishment of Commonwealth of Independent States (CIS) in late 1991 also helped Russia to extend its control on republics which were earlier part of USSR . Russia also proposed the idea of an Economic Union in 1993 and two years later in 1995, Russia signed a treaty on the formation of Eurasian Custom Union with Belarus and Kazakhstan which was later joined by Kyrgyzstan and Tajikistan. When Putin came into power, in 2000, he wanted to reintegrate former Soviet republics by various means and according to his desire Eurasian Custom

Union was transformed into Eurasian Economic community (EEC). It gradually worked on the idea of removing custom barriers. In 2007 Russia, Belarus and Kazakhstan signed a treaty to establish Custom Union (Satke and Beshimov (2014). Since 2013, initiatives have been taken to establish Eurasian Economic Union to realize the dream of “*Greater Eurasia*.” In June 2016, Putin announced that this partnership could open its doors to China, India, Pakistan and Iran as well as former Soviet states and other interested parties (Balgov 2016). Recently, in response to China’s increasing influence in economic sphere, Russia targeted the weak states of Central Asia and strengthened military ties with them. Russia has also an advantage of China’s non-interference policy which limits its military involvement in Central Asia. Russia aggressively pursued its diplomacy in Kyrgyzstan and Tajikistan by extending its military presence in those republics. Russia committed to provide around \$ 1.5 billion dollar for rearmament of armies in both states. So far Kremlin’s foothold in Kyrgyzstan and Tajikistan has been strong. During the Putin period, Russia’s one of key objectives is to legitimize its military presence in Central Asian states. Russia has also managed to increase its military presence through the CSTO. The purpose of CSTO is to promote peace, strengthen inter-regional and intra-regional security. The organization is aimed at collective defense of member states ,and to protect territorial integrity and sovereignty of the member states. It is worthwhile to mention that China is not the part of CSTO, a prominent security organization in the region.

In 2012, Uzbekistan withdrew from CSTO and refused to join EEU despite the fact that Uzbekistan earns 16.3 percent of its GDP form remittances coming from Russia. Many scholars think that the reason behind the withdrawal was the rising influence of China on Uzbekistan, as China was the biggest foreign investor in Uzbekistan (Satke and Beshimov 2014).

Image No. 4.5 China's Growing Presence in Energy Sector while Russia dominates in Military Power.



Source: Paresh Nath, “Game in Central Asia”, *The Khaleej Times*, [Online web] Accessed on 16 April 2017, URL: <https://in.pinterest.com/pin/368239707009818455/>.

China took the advantage of the stagnant Russia economy and by using the policy of aid, loan and investment China increased its sphere of influence in Central Asia. As Central Asia shares 2,800 kilometers border with Xinjiang, China's huge investment in Central Asia also serves the purpose of economic development and stabilization of its border. China has been investing billions of dollars in the energy sector, which includes a series of contracts. In 2013, China invested \$ 30 billion in Kazakhstan, it signed 31 agreements of \$ 15 billion with Uzbekistan and also invested \$ 16 billion in gas sector in Turkmenistan. Besides, China also provided loans and aid to Turkmenistan and it is expected that it provided at least \$ 1 billion to Tajikistan. In 2013, China also upgraded its strategic partnership with Kyrgyzstan. Beijing views Central Asian countries as important allies in the fight against Islamic extremists that foment ethnic unrest in Xinjiang. So far Russia and China are equally concerned about their energy investment in the region, and therefore their strategic interests have threats like Islamic insurgency, drug trafficking and organized crime have brought these countries together, through the regional cooperation in SCO. However,

deeper Chinese engagement in Central Asia makes competition inevitable between these two giants. In military sphere, Russia has stronger presence in the region; and in the case of confrontation China's pipeline infrastructure and energy investment in the region would not be safe. Thus the safety of China's huge investment in energy sector relies on Russia's security system. Thus when it comes security, Russia has an upper hand whereas China's economic presence especially in the energy field are far ahead of Russia (Marantidou, Crossa 2014).

Image No. 4.6 Central Asian Leaders Carefully Observing Activities of Russia and China.



Asia Times (2017), "Beijing Signals Iran Membership as Shanghai Security blocs expand", [Online web] Accessed on 15 May 2017, URL: <http://www.atimes.com/article/china-signals-iran-membership-shanghai-security-bloc-expands/>.

Russia and China Competing for Investment and Trade

Not only in energy trade but also in the trade of other goods China is far ahead of Russia. Due to increasing supply of finished products and landing profitable projects, China has become an important factor in Central Asian trade. China's trade with five Central Asian

countries passed \$ 50 billion in 2015 while Russia's trade remained limited to 20.8 billion dollar in 2015 (Kazantsev and Zvyagelskaya 2016: 27-28).

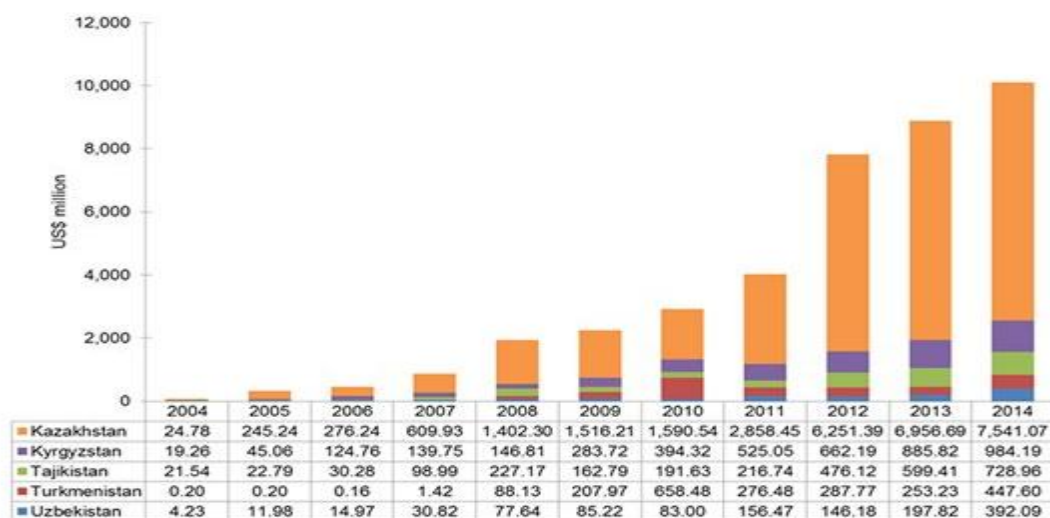
Russia is no longer the number one partner in business with Central Asian countries. It is worthwhile to mention that Russia's economic engagement with Central Asia is multi-faceted encompassing mining, construction, telecommunication, transport and agriculture. China surpassed Russia in trade and Russia's trade witnessed a decline after 2011. Russia's trade with Central Asia was earlier 27.3 billion dollar in 2011, and it decreased to 20.8 billion dollars in 2015. Russia's export to Central Asia is primarily manufactured goods like foodstuffs, machinery, textile and transportation equipment. The main products exported from Central Asia to Russia are raw material, agricultural produces and different type of chemicals. It is worthwhile to note that Kazakhstan has been the gateway for Russia to reach out rest of the Central Asia states. As Central Asian countries are still bound to pay Soviet era debt, Russia takes the advantage of the situation to increase its military presence in Central Asia countries particularly in Tajikistan and Kyrgyzstan (Oliphant 2013:7). China has also established strong trade relationship with economically weaker states of Central Asia- Tajikistan and Kyrgyzstan.

China has replaced Russia as the main trading partner of Central Asian republics. China buys goods and raw materials which were earlier exported to Russia, and it has also created an environment of tough competition for Russian manufacturers. It is predicted that this trend will be continue in the future even if China's economic growth would decrease for short period. It purposefully adopts the policy of payments in Yuan in its trade with Central Asia. This policy will have serious repercussions for Russia's position in Central Asia. For the trade gap of Russia has widened for last three years form 2014-2016 as the Russian economy suffered from the collapse of oil price and consequently decline in investment in infrastructure and industry development (Kazantsev and Zvyagelskaya 2016: 27-28).

Central Asia countries have become the largest recipients of FDI from China. Among all Central Asian states, Kazakhstan ranks first (See the figure no. 1). In 2015, Kazakhstan accounted 75 percent of the Chinese foreign direct investment which was followed by Kyrgyzstan (10 percent) and Tajikistan (7percent). In terms of sectoral distribution, oil , gas and metals received the lion's share of the investment while infrastructure projects such as

roads, railways and pipelines also attracted enough investment in the region (Hong Kong Means Business, 2015).

Figure No. 4.1. China’s Increasing Foreign Direct Investment in Central Asia



Source: Hong Kong Means Business, (2015), “Overview of Central Asia market on the Silk Road Economic Belt”, HKTDC Research [Online web] Accessed on 22 April 2017, URL: <http://hkmb.hktdc.com/en/1X0A4C4W/hktdc-research/An-Overview-of-Central-Asian-Markets-on-the-Silk-Road-Economic-Belt>.

Note: Data Prepared by Hong Kong Means Business, HKTDC Research (2015) based on Statistical Bulletin of China’s outwards Foreign Direct Investment).

To attract Chinese foreign direct investment, Central Asian Governments have crafted their policies to make business-friendly environments. In other words, the business environment which suits the interests of the both governments have been prioritized by both side. However, In terms of ease of doing business, Kazakhstan was on the top while Tajikistan ranked the last in 2015 in Central Asia (See table no. 4. 1).

Chinese firms are heavily investing in Special Economic Zones (SEZs) of Central Asia countries. In Uzbekistan, Chinese companies have invested in SEZs in Navoi, Jizzak and Angre where mobile phone and textile would be manufactured. An automobile manufacturing plant has been opened in at Kastanay as a joint venture between the two countries. Cement and flat glass factories are also operating in Kazakhstan with the help of

Chinese investment. However, manufacturing is also being promoted to some extent in Central Asia. Most of the Chinese investment goes in energy and raw material extraction, highways and rail projects. China prefers to establish manufacturing units in Xinjiang Province (CCR Advisory Group 2016). Similarly Russia also prefers to modernize and build roads on its own side of the border which runs along Kazakhstan. However, it took part in modernizing the train carriage fleet in the other Central Asian republic (Kazantsev and Zvyagelskaya 2016: 27-28).

Table No 4.1 Ease of Doing Business in Central Asia

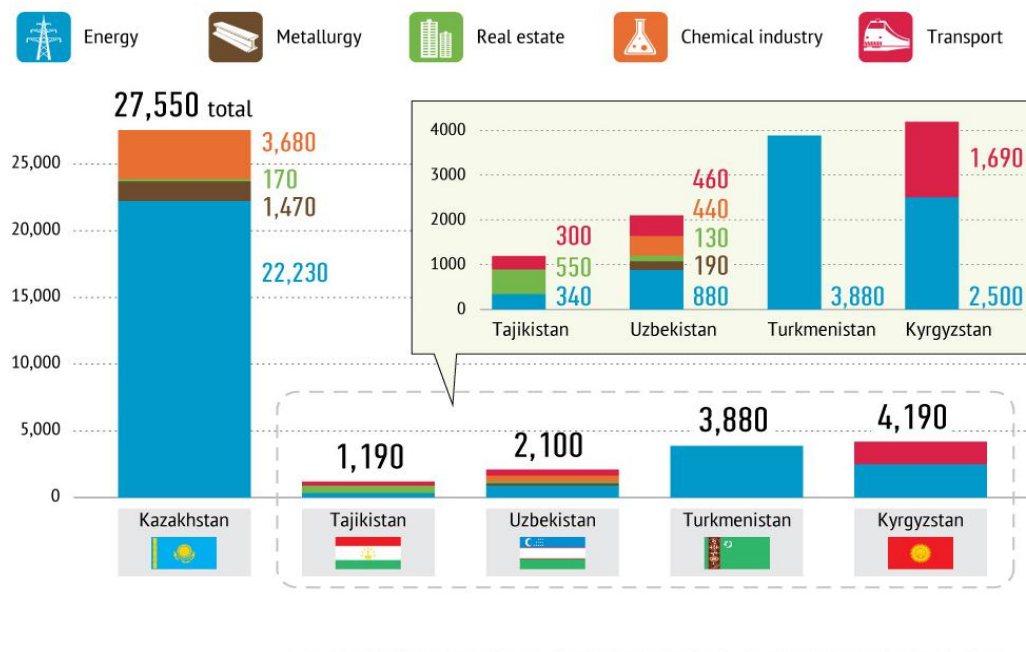
Country	Rank
Kazakhstan	77 th out of 189
Kyrgyzstan	102 th
Uzbekistan	141 th
Tajikistan	166 th
Turkmenistan	-

Source: Hong Kong Means Business, (2015), “Overview of Central Asia market on the Silk Road Economic Belt”, HKTDC Research Accessed on 22 April 2017, URL: <http://hkmb.hktdc.com/en/1X0A4C4W/hktdc-research/An-Overview-of-Central-Asian-Markets-on-the-Silk-Road-Economic-Belt>.

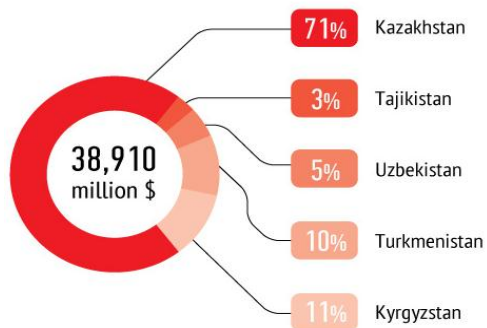
Note: Data Prepared by Hong Kong Means Business, HKTDC Research (2015) based on source of World Bank data 2015.

Between 80 to 90 percent of Chinese exports to Central Asia consists finished goods while 74 percent of Central Asia’s export to China includes raw material such as oil and gas and metals (for more details See figure no. 1). According to some Central Asian economists the region benefited largely from Chinese investment, the over emphasis on raw material export to China has raised the concern that Central Asia could become a de facto “raw material colony” of Beijing. Some Central Asia’s manufacturing firms have gone out of business due to “dumping” of cheaper goods in the Central Asian market by China. Riots against Chinese companies are occasional because China hires Chinese labourers for construction projects in Central Asia. The most serious incident took place on 30 August 2016, when a suicide bomber blew himself in front of the Chinese embassy in Bishkek, Kyrgyzstan (CCR Advisory Group 2016).

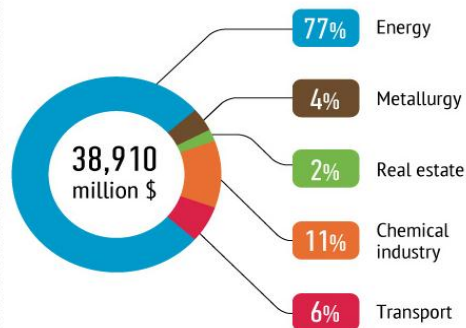
Figure No. 4. 2 China’s Share of Investment in Diffenet States of Central Asia (Millions Dollars)



Share of countries in China’s investment in the Central Asia, 2005–2015



Structure of the China’s investment in the Central Asia by sectors, 2005–2015



Source: Bordachev Timofy (2016), “Russia and China in Central Asia: The Great Win –Win Game”, *Russia International Affairs Council*, Accessed on 25 April 2017, URL: http://eng.globalaffairs.ru/valday/Russia-and-China-in-Central-Asia-The-Great-Win-Win-Game-18259#_ftnref1 (Note: Data is prepared by author based on China Global Investment Tracker).

Russia as a Key Player in Central Asia

Labour migration, machinery manufacturing, hydropower plant and business and arms and ammunition are main areas where Russia dominates. Cash strapped Kyrgyzstan and Tajikistan economies are dependent on remittances sent from Russia. The world Bank report indicates that in 2013, remittances accounted 31 percent of Kyrgyzstan's GDP and 48 percent of Tajikistan's GDP . These countries do not get remittances from China because Central Asian labourers are not there in large number. China also lags behind in hydropower projects. Russia is investing in hydropower projects on Vakhsh section of Amu Darya in Tajikistan and on Naryn water stream in Central Kyrgyzstan, a tributary of Sry Darya River. Strategic control over water resources gives Russia a greater negotiating power with downstream states of Kazakhstan, Uzbekistan and Turkmenistan which are in dire need of water resources. In future hydropower could be the area of China-Russia competition because energy projects require huge amount of water for their operation. China could invest in hydropower in future because of China's shift towards renewable resources (Satke and Bashimov 2014).

Russia is involved in manufacturing sector especially in automobile and shipbuilding. It is also involved in manufacturing of agriculture equipments, helicopters and carriages. It is worthwhile to mention that China is only newcomer in these sectors. Most importantly, Russia remains a key supplier of arms and ammunitions .Russia has also military presence in Central Asian countries while China still prefers to follow non- interference policy. With the help of its military presence is able to maintain the security and stability in the region. As nothing could be achieved without the stability and peace even the largest energy projects of China require security from various types of threats. At the front of security Russia dominates the region and has strategic leverage which helps to fulfil its geopolitical goals (Kazantsev and Zvyagelskaya 2016: 27-28).

Some of the scholars are of the view that Russia has longstanding historical, economic, and political ties with Central Asian governments, that cannot be diminished in short and medium period of time. Despite China's increasing economic footprints in Central Asia, Russia will remain a key player in Central Asia. Central Asian ruling elites and common people still consider Russia as a reliable partner in comparison to China, America and others.

Thus, Russia is still the most prominent external actor in Central Asia in terms of a) high level political relationship b) its security cooperation in the region with large number of military presence c) various range of investment projects in different countries of Central Asia including in energy sector d) economic trade with Central Asia countries through various regional organizations e) Central Asia is home of 7 million Russians and 4 million workers of Central Asian states work in Russia f) Russia still controls large amount of oil supply of Kazakhstan passing through Russian pipeline routes g) long historical legacy of over 70 years of Soviet rules which consolidated Russia's domination in various spheres and continue to leave a strong mark on political elites, media, cultural activities.

Russia regards it as the protector of Central Asia, by virtue of its historical legacy. From the eighteenth century to the nineteenth century most of Central Asia was part of the Russian empire including some of the northern parts of Kazakhstan. Nearly 70 years of Soviet rule consolidated domination of Moscow in every spheres of life from politics to culture, economy to society. The two prominent leaders in the region, President Nursultan Nazarbayev of Kazakhstan and President Islam Karimov of Uzbekistan were strongly influenced by Soviet-era culture and politics.

There are approximately 7 million ethnic Russian who live in different states of Central Asia. The presence of Russian ethnic minority provides a strong base for Russia in the region. Among 7 million Russian population half of them (4.2 million) live in Kazakhstan which constitutes 24 percent of Kazakhstan's total population. The demographic composition of Russian ethnic minority groups also have significant numbers in Kyrgyzstan (12%), Uzbekistan (5.5%), Turkmenistan (4%) Tajikistan (1.1%). In addition to this, around 16 million people use Russian language as their main language in day-to-day life. Nearly quarter of the population of Central Asia is Russian speakers. Besides this, political elites and military officers of Central Asian states are considered as the "*Soviet product*" and accordingly they have soft corner for Russia. In this way, Russia has strategic leverage by using cultural influence through language and people-to-people contact. In case of surge in anti-Russia sentiments in Central Asia, Russia has capability to influence the public opinion in the region (Garibov 2013).

It is too early to say whether the phenomena of cooperation /competition between Russia and China will lead to reach an agreement on jointly controlling the region or the region will

serve as a field of confrontation between them. As some Chinese and Western experts are of opinion that China is not in a position to outflank Russia and become the leader in the region in the mid term. What is certain, however is that with more dependence on Central Asia energy supplies , it will become increasingly important for China to maintain influence in the region and to protect its interest especially energy supply and billions of dollars of investments. In addition to this, China cannot solve any future crisis arising in Central Asia in order to protect its own interest and in line with evolution of *sovereignty* and *non-interference*; it will inevitably cooperate with Russia to maintain *peace and stability* in the region which ultimately matter most to both of Russia and China.

Chapter- Five

Risks, Challenges and Opportunities to China in Central Asia

China is facing multi-faceted challenges in Central Asia. Its investment is facing risks of growing terrorist activities in the region. Terrorism has acquired trans-national character and a single country is not able to contain it. The strong hold of Taliban in Afghanistan and neighbouring countries is a serious concern for China. The Xinjiang Province of China is also facing separatist movement and Islamic militancy, the porous border makes the problem more complicated. Only peace and stability in Xinjiang can ensure the safe transportation of oil and gas from Central Asia to China. Apart from terrorism, the Central Asian region is also ridden with inter-regional rivalry, water disputes, ethnic conflicts and political instability. Fergana valley remains the center of conflict between Uzbekistan, Kyrgyzstan and Tajikistan. Ethnic and cultural faultlines are also present in all these countries.

Lack of governance and rampant corruption are also major issues in the region. However, China gets benefit from this situation. China has developed good relations with autocratic regimes of Central Asian Republics and it can easily negotiate with these regimes. However, people are suspicious about peaceful transition of regimes in the case of sudden death of their political leaders. China is also harnessing the opportunity of economic reforms, especially in Kazakhstan. Multi-vector policies, crafted by these countries, provide more opportunity to China than Western countries. After *Colour Revolution* Central Asian republics have become suspicious about the role of America and Western countries and they find China as more reliable because it has similar political structure and it does not want democracy at the cost of autocratic regimes of the region.

I Rise of Islamic Militancy in Xinjiang

The case study of Xinjiang provides a deeper insight to understand China's opportunities and challenges in Central Asia. The Xinjiang province is economically and geo-strategically important for China as it is the major source of oil and gas and offers transit routes for pipelines. However, many Chinese analysts have expressed their concern over the economic viability and efficiency of pipeline infrastructure projects. It is believed that China's increased involvement in energy sector of Central Asia is primarily driven by its desire of reducing economic inequalities between East and West part of Chinese territories. China's

major concern is economic and political integration of Xinjiang as it is apprehensive of secessionist ambitions of Central Asian Uyghurs. Construction of oil and gas pipelines to Central Asia would help China to have a better control over its western province (Dannreuther 2011: 135). It will also help to consolidate regime stability of Chinese Communist Party over its disturbed frontiers and will strengthen national security of China.

Instability in Xinjiang province can prove catastrophic for China's energy supply from Central Asian region. Pipelines passing through politically instable and conflict-prone province of Xinjiang are vulnerable to terrorist attack or political turmoil in the region. However, China's overall energy strategy in Central Asia is premised upon building-up overland oil and gas pipelines from friendly and stable authoritarian countries which is more secure than continued reliance on a maritime energy supply from West Asia. In future, the two major gas and oil pipelines originating from Central Asia can become potential target for revolutionaries/ terrorists/ extremists. In 2009, when ethnic riots took place in the Urumqi, capital of Xinjiang province, it raised serious concerns about the safety of Central Asia-China gas pipeline. Urumqi riots of 2009 happened at a time when the construction of Central Asia-China gas pipeline was almost completed and was to be started to supply natural gas from Turkmenistan to China (Wong 2015).

China has fear that secessionist forces can disrupt economic development and create social tension in order to bargain with the Chinese Government. This possibility became more apparent after the terrorist attack on the World Trade Centre in New York in 2001. The incident showed that a small group of motivated and obsessive individuals could wreak havoc on the world. In order to provide security for pipeline infrastructure Chinese government needs to resolve its disputes with secessionist forces of Xingjiang which is both challenge and opportunity to China. Chinese can take it as an opportunity and along with securing oil and gas supply it would also be able to resolve its ethnic dispute. Thus china energy policy is inevitably linked with ethnic issue which would minimize the risk of disruption of energy supply. China is apprehensive that strict military action in its own territory against Uyghurs would invite the anger of Central Asian neighbouring countries and other Muslim countries like Afghanistan and Pakistan and it can turn into direct confrontation with international community including Russia (Swanstorm 2005: 579).

Social Conflict and Unrest in Xinjiang Province

This section analyses the various factors which makes Xinjiang province vulnerable to social conflict and unrest. Groups which are working against China can be put under three major categories: extremist, separatist and terrorist groups. In this regard chapter shed a light on how the issue of Islamic identity has become vital factors for China to ensure its energy interest in Central Asia. As Xinjiang province is populated by Uyghurs Muslim ethnic groups, and it shares close border with three republics of Central Asia where Uyghurs Muslim ethnic groups have a sizable population, the situation becomes tricky to China. The link of Xinjiang's Uyghurs Muslim ethnic groups with Taliban and al- Qaeda adds the fuel in the complex situation which China is facing.

Chinese Government blames that it is Uyghur militants which are responsible for the unrest in Xinjiang province. China is against the demand of Uyghur Muslim people in Xinjiang province (officially known as Uyghur Autonomous Region) who want to establish an independent state called East Turkmenistan. East Turkestan Islamic Movement is a movement of Uyghur Muslim People which claims that it fights against the repressive and cruel policies of Chinese Government. On 1 March 2014, an attack was launched by extremist groups in which 29 people were knifed to death. Abdullah Mansour ,who is the leader of East Turkestan Islamic Party, said that attack was “an exclusive offer” for China to reconsider its cruel policies in Xinjiang (Blanchard Ben 2014) .

Since September 11, 2001, China has tried to represent to world community that actions taken against Uyghurs is part of the global “war on terror”. China has exploited the climate that followed after the attack on the United States. The fact that some Uyghurs were fighting in Afghanistan helped China to portray Uyghurs as a serious threat to world community. Absence of free media has shaped the perception of Chinese public as it is wished by state. Lack of information has made the Chinese public unable to take independent judgements. Chinese government's view on Xinjiang clearly shows its mercilessness to the situation (Human Right Watch 2007: 8).

“Xinjiang will always keep up the intensity of its crackdown on ethnic separatists forces and deal them devastating blows without showing any

mercy”, Xinjiang Party Secretary Wang Lequan January 2003 (Human Right Watch 2007: 3).

This is not a coincidence that since 2001 China has taken major initiatives to have a strong hold on the Xinjiang province while the same year also witnessed rising oil and gas demand for Beijing. China’s repressive policy towards Xinjiang can be seen through the lens of its geostrategic and geo-economic importance for China. The strategic importance of Xinjiang province lies in the fact that it holds many natural resources such as coal, oil, gas and other minerals which play an important role for China’s national energy security. Secondly, Xinjiang provides a gateway to further access to energy resources form Central Asia and Russia which are strategically important for China’s energy security as it helps China to reduce its oil and gas dependency on West Asia (Pantucci 2010).

Map No. 5. 1 Strategic location of Xinjaing Province Provides Opportunities While also Impose Risks and Challenges to China



Source: Mitche Tom (2015), “China’s Great Game, New Frontier, Old Foes”, *Uyghur Human Rights Projects*, [Online web] Accesed 15 April, 2017, URL: <http://uhrp.org/featured-articles/china%E2%80%99s-great-game-new-frontier-old-foes>

East Turkestan Islamic Movement (ETIM) which advocate of an independent and self governing “*East Turkestan states*”, is the most prominent challenge to China’s social stability, economic development and national security. Cheng Guoping, State Commissioner for counter terrorism and security said that Uighurs, mostly Muslim people form Xinjiang, have gone to Syria and Iraq via South-east Asia and Turkey to fight for militant groups . Rights groups say that the unrest is the result of reaction to repressive government policies. However, Chinese government denies any repression in Xinjiang (Sarkar 2017).

The Chinese Government several times claimed that its security agencies disrupted plots by Islamic terrorist in Xinjiang. Chinese Government has responded with police crackdown as well as with restrictions on Uyghurs’ religious activities and their cultural rights. China alleges that the leader of Uyghur group and the East Turkestan Islamic Movement had ties with Taliban and other terrorist groups (Wishnick 2009: 4).

Many Western experts have questioned the trope of Islamic radicalisation and have acknowledged that a religious renewal has been occurring. They are of the opinion that the threat of radical Islam originates from Pakistan and Afghanistan, not from Xinjiang and Central Asian neighbouring republics. Even they have questioned whether ETIM exists as a cohesive militant group or not. However, China’s security strategy in Central Asia and Xinjiang has long emphasised on combating the three evils of separatism, extremism and terrorism (Wishnick 2009: 4-5).

One of the China’s significant announcement was the “Go West” strategy which was propogated just before China’s entry into World Trade Organization in 2001. China daily claimed that “*Go West*” policy as an “*economic milestone for nation*”. The “Go West” strategy officially known as the Western Development Programme which covers the municipality of Chongqing and the provinces of Gansu, Guizhou, Qinghai, Shaanxi, Sichuan and Yunna and the Autonomous regions of Gaungxi, Inner Mongolia, Ningxia, Tibet and Xinjiang. Since the announcement of the policy some \$ 325 billion has been invested in major infrastructure projects in the Eastern region which is one of the biggest economic regeneration programmes of all times (China Daily 2011). Moreover, in order to achieve the aim of the economic development of the region, Chinese Government took an initiative to

Image No. 5.1 Clash between Uyghurs Ethnic Groups and Chinese Armed Forces in Xinjiang Province



Source: Seytoff A. Alim (2014), “China’s Double Standards on Terrorism”, *World Policy Blog*, [Online web], Accessed on 15 April 2017, URL: <http://www.worldpolicy.org/blog/2013/03/02/china%E2%80%99s-double-standard-terrorism>.

link Xinjiang province with energy neighbouring countries of Central Asia. The growing energy transportation ties between Xinjiang and Central Asia is proving a new feature of China’s oil and gas industry. It is worthwhile to mention that Xinjiang province has China’s largest reserves of oil, natural gas, coal and it also possesses major deposits of some important minerals. China’s strategy aimed at boosting local economy of Xinjiang and at the same time repressing activities related with the promotion of Uyghur self determination. Though, Chinese policy has resulted in the development of Xinjiang’s economy its major beneficiaries are urban Han populations rather than rural Uighur population. The Xinjiang Production and Construction Corps, an initiative led by China’s State Council has brought a large number of Han migrants into the province to work in construction projects, particularly in energy sector. Consequently, it has changed the demography of the region and the total percentage of Uyghurs Muslim population saw a decline while the percentage of Han Chinese ethnic group has increased. For example, in 1990s Uyghur saw a decline in their

share of population from 60 percent to 46 percent in the province. According to 2003 census data Uyghur constituted 45 percent while Han accounted around 40 percent of the population (Wishnick 2009: 4-5). According to PRC National Census 2010, they accounted 45 percent of total population of Xinjiang which shows that figure remain the same as of 2003. The Census claims that 99 percent Uyghurs live in Xinjiang province. They are 10 million in numbers out of 22 million. Out of 22 million populations 14 percent belong to different minority groups which include Tajik, Kyrgyz, Tartars, Uzbek, Hui, Kazakh, Mongolian other than Uyghurs (Patrick and Shan 2015: Xiv).

As Han Chinese, who came to Xinjiang for employment opportunities, are more educated and easily grab skilled jobs, Uyghurs are engaged in low-skilled work wherever it was available for them. The increasing gap between the Uyghurs and Han Chinese resulted in Urumqi riots in the capital of Xinjiang. At the Xuri toy factory in Gunagdong, in 2009, two Uyghurs were killed and many injured by Han co-workers after false rumours were spread that a Uyghur had raped a Han woman. According to Chinese authorities the riots led to 197 deaths most of them were Han Chinese. Chinese Government responded the riot with a new wave of repression against Uyghurs. Uyghurs alleged government for downplaying Uyghurs casualties (China Today 2010, Wishnick 2009: 4-5).

Michael Clarke quotes Dru C. Gladney who argued that “If China does not explore other options beside repression, restriction and investment, millions of Uyghurs Muslims might become disenfranchised, encouraging some to look the intifada, the Taliban or al-Qaeda for inspiration.” Michael Clarke also discusses the view of Chinese dissident Wang Lixiong. In his book “My West China: Your East Turkmenistan,” Wang Lixiong portrayed conflict in Xinjiang as “*Plasticization*” of the region and warned the government that “the full mobilization of people and full extent of its hatred” would be directed against the state. Furthermore, taking the view of those authors Michael Clarke examined that the Palestinization of the conflict in Xinjiang would threaten China’s domestic security and stability which is the main concern of the Chinese Communist Party under President Xi Jinping. It has the potential to sabotage China’s economic strategy in the province and entrench the Uyghur issue into the wider discourse of global radical Islamism which will further complicate China’s diplomacy in Central Asia as well as in West Asia (Clarke 2017).

Michael Clarke, an associate professor at the National Security Australian National University, thinks that China's policy towards Xinjiang province is an inherently imperial project. Despite China's claim that Xinjiang has been "an inseparable part of the unitary multi-ethnic Chinese nation" it has remained beyond Chinese dominion. He is of the view that since the establishment of the People Republic of China in 1949, Beijing has been focused on achieving the territorial, political, economic and cultural integration of Xinjiang and its non-Han ethnic groups into Chinese state. Xinjiang was "peacefully liberated" by the People's Liberation Army (PLA) in 1949 and after that China's approach to the Xinjiang province has been defined by one overarching goal- to integrate Xinjiang with China. He points out that China's policy towards Xinjiang has not been limited to consolidate China's territorial control and sovereignty over the province but to absorb politically, economically and culturally, the twelve non-Han ethnic group of Xinjiang into People Republic of China. The geopolitical position of Xinjiang province as a Eurasian crossroads sharing border with Russia, the Central Asian republics, Mongolia, Afghanistan and Pakistan- combined with ethno-cultural dominance of Turkic and Mongol people to result in only intermittent period of Chinese predominance control. He further informs that only after the Qing conquest in the mid-eighteenth century China have been able to establish its control over the province. However, from the middle of the twentieth century to the early nineteenth century, Xinjiang experienced a number of rebellions or independence movements by Turkic-Muslim people, often with significant external influence from Central Asia and Soviet Union (Clarke 2017).

Since 1990, Some Uyghurs in Xinjiang argue that they also deserve same kind of the political freedom which their ethnic and religious brothers have got in Central Asia. Their view is shared by the large number of population in Central Asia however, not by governments of respective republics. Approximately 300,000 Uyghurs are supposed to live in Kazakhstan and Kyrgyzstan and separatists in Xinjiang get arms and ammunition and moral support from their ethnic and religious brothers in Central Asia. It has been a disturbing factor which contributes to political mobilization in China and Central Asia. Containment of the support to rebels is high on Chinese agenda in relations with Central Asia republics.

Out of total trade of Xinjiang province, 83 percent happens with Central Asian states and China's 80 percent trade with Central Asia transits through Xinjiang. This shows that

Xinjiang economy stability largely depends on the security and economic development of Central Asia (Tukmadiyev 2013: 89). Any kind of trade disruption from Xinjiang to Central Asia would have direct implications for the national security and social stability of the Western provinces. Therefore, insecurity is the main driver of China's security engagement with Central Asia. China's Western border is characterised by insecurity and turbulence. Ranging from Pakistan to Kyrgyzstan the region has become a hotbed for extremism and political radicalisation. The problem has become more worse as China's western borders are vulnerable to its own separatist groups including politically radicalised groups and several criminal groups. China's major concern is that all these groups could join hand with each other and would make Chinese border vulnerable which remains poorly guarded. Hence the situation in Xinjiang and Central Asia has helped to frame China's concept of three evils- Separatism, Terrorism and Extremism. (Swanstrom 2015:3).

The mantra of three evils became the basic foundation of Shanghai Cooperation Organisation. It was set up in 1996 after the name of the Shanghai Five consisting of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan. In addition to these five members, Uzbekistan joined as a member in 2001 after which the Shanghai Five was renamed as Shanghai Cooperation Organisation in 2001. During 1950s large number of Uyghurs fled from Maoist China and took shelter into Soviet Central Asia where they were well treated. Since the independence of Central Asian neighbouring countries, China major concern has been not to allow Uyghurs Muslim ethnic groups of Xinjinag province to join hand with the hundreds of thousands of Uyghurs living in Central Asia. After 1991, China put immense pressure on Central Asian republics of Kazakhstan, Kyrgyzstan and Tajikistan to stop separatist activities by Uighyurs on their soil. China offered sweeteners such as resolving border disputes with these republics that had plagued Chinese-Soviet relations during the Soviet Union. Within a decade the border between China and Central Asia were demarcated and settled (Rashid 2013). It is evident that Uyghur extremist used Afghanistan and northern Kazakhstan as their training ground. Beijing claimed that 1,000 Uyghurs were present in Afghanistan. Since 2001, the situation has changed due to the regime change in Afghanistan and the presence of US military forces in the region which Uyghurs separatists are seeking a new base from where they can operate. US crackdown on Osama Bin Laden and Taliban had a positive effect on Chinese security and it destroyed the safe haven for extremists and separatists. In

this way, China's struggle against the rebels has been further reinforced by the US operations against Taliban and al-Qaeda despite it had a negative impact on China's influence in the region. One of the China's geopolitical goals behind engaging with Central Asia through its western frontier of Xinjiang province is to minimize the US's influence in the region.

Central Asian Governments are secular in their political nature and hostile to any Islamic revivalism, and have few reasons to support to extremists and terrorists organizations on their soil. China has used the fear of Central Asian countries as an opportunity to legitimise its crackdown on militants and other Islamist groups in Xinjinag (Swanstrom 2005: 572-573). In November 2004, Kazakh Government acknowledged that it had extradited fourteen Uyghurs to China and Kyrgyzstan since 1997. In October 2004, China and Russia also made a joint call for international efforts to fight against terrorists. Russia took help of China against Chechen rebels and China sought help form Russia against Uyghurs separatists. In this way, China's relationship with Central Asian countries and Russia have proved as an opportunity to China to solve its domestic unrest with the cooperation of the respective governments (Human Rights Watch 2007: 23). Though, Central Asian countries have effectively silenced independent Uyghur organizations on their soil and on several occasions have repatriated refugees in response to requests made by China. However, some Uyghurs have been getting training and have been fighting along with Taliban in Pakistan and Afghanistan (Rashid 2013).

II Terrorism in Afghanistan and Pakistan

When Pakistan admitted that several militants got training in Pakistan and were deported to Xinjiang, Beijing took initiative to re-evaluate its diplomatic relations with Pakistan. Consequently, at several occasions, China moved closer to India but without destroying its relationship with Pakistan which remains close ally of China. However, China took several measures to handle Pakistan's support to Muslim militants in Xinjiang. For example, the road between China and Pakistan was closed at various occasions, as unwanted goods and individuals tend to pass through that route to Xinjiang. Paradoxically, most of the weapons confiscated by Chinese authorities at the border were Chinese weapons that China earlier sold it to Pakistan. Pakistan provided arms and ammunition which it got from China to Taliban which supports separatists of Xinjiang. Several times Chinese Government warned

the former Taliban Government not to support and provide training to Muslim militants from Xinjiang. However, Taliban hardly paid any attention to these warnings despite the fact that China was engaged in trade and reconstruction of the infrastructure in Afghanistan (Swanstrom 2005: 73).

However, China's dual approach which targets Uyghurs separatists as well as religious extremists, have raised some doubts about the cooperation. Though, countries like Afghanistan and Pakistan are willing to hand- over Uyghurs separatists yet they question China's suspicious attitude towards Islam. The February 2012 violence marked the high point of concern for Pakistan as the Xinjiang Regional Government Chairman almost accused Pakistan of harbouring the roughe elements of ETIM which is alleged to be funded by al-Qaeda and works in Pakistan. In addition to ETIM, Turkestan Islamic Party (TIP) which emerged in 2007 has been alleged by Chinese Government to be actively involved in supporting Uyghurs' cause. Uyghurs militants are trained in Pakistan and launch attack on Kashgar and Khotan cities in Xinjiang province. Further the leaders of TIP have close link with Islamic Movement of Uzbekistan (IMU) and Jund-al-Khilafa. (Dhaka 2013: 100). Therefore, the close nexus between various militants and terrorist organizations across the border create the complex situation which pose threat to China's interest in the region.

Unlike US which has used hard power in order to deal with "war on terror" in Afghanistan, China prefers to use soft power. Chinese scholars criticised US policy in Afghanistan which has resulted in large number of death of civilians and massive destruction in Afghanistan without solving the problem in a satisfactory way. Moreover, Afghanistan is known as the "*historical graveyard of empires*" which includes five great invaders form Alexander the Great in 330 BC to Monglos, the British to Russia in the 1980s and most recently it is United States of America (Payne 2009) .

Despite the criticism of US policies on "war on terror" China has been so far restrained in factoring that it has own insecurities in its backyard. Though, China has demonstrated through its policies in Central Asia that it can play both ways politics with economics and economics with politics. Nevertheless, dealing with Afghanistan is a tricky game. Unlike Central Asia it has a "*third element*" which is geo-cultural, the Islam. The major objective of China's Afghanistan policy is to secure an Asian bargaining for maintaining its hegemony

in its vicinity. More specifically, it provides China an important foothold into Afghanistan affairs which have direct repercussions for its geo-economic interests in Central Asia and at home in Xinjiang province. In this way, Afghanistan is an important factor which provides regional dividends both in terms of access to natural resources and also in terms of regional balance of power. China's geopolitical objectives are three- fold: to contain separatism, to create a southern connectivity in order to access to natural resources of Central Asia and northern Afghanistan and finally to calibrate India's South Asian dominance with special hegemony over Afgh-Pak region (Dhaka 2013: 98).

Scholars have identified multiple challenges related with the question of security in Central Asia which includes territorial disputes, water management issues, ethnic violence, and religious fundamentalism. As security and stability of Central Asia are directly and indirectly linked with internal security of China, hence a stable Central Asia is primary concern for China. Polina has pointed out that Fergana valley in Central Asia is strategically important on account of its dense population. The Fergana valley constitutes less than 5 percent of Central Asian territory while its population density is 1600 people per square mile. The valley is highly prone to natural hazards: such as earthquake, landslides and floods (Polina 2014:3-7). Territorial disputes, ethnic conflicts and tension at borders increase vulnerability of the region to a greater extent. Fergana Valley accommodates all seven existing enclaves of three Central Asian countries which retain the ethnic tension and violence. In addition to this, three Central Asian republics share their close border with Afghanistan which put additional risks and challenges to the security of the region (Polina 2014:3-7).

As Chinese officials accept Central Asia has a central position in China's national security and economic development, any serious problem in the region directly or indirectly poses security risks and challenges to China's financial and strategic investment in the energy sector. Central Asian states currently face several threats stemming from bad governance, patrimonial-authoritarian regimes, unclear succession plans, corruption, ethnic conflicts and unrest of labourers. Each of these threats has been discussed in details in the following pages. In addition to this, growing anti-Chinese sentiment among Central Asian native

communities has also been taken into consideration which is a threat to long-term energy interest in the region.

III The lack of Governance in Central Asia

The energy strategy of China was based on the premise of secured supply of oil and gas transported through overland pipelines. Friendly regimes and geographical proximity of Central Asian republics convinced Chinese government that in future Central Asia will prove a trusted source of energy supply. This belief is more emphasised by the fact that US influence on Central Asian oil and gas supply is very limited. Chinese Government believes that economic growth will assure political legitimacy and stability in Central Asia which in turn will protect China's long term interest in the region. Beijing's foreign investment and aid policy are largely aimed at helping current political leaderships in Central Asia in achieving their desired economic growth. It has been argued that economic growth and political stability in Central Asia will also improve the economic and security environment in Xinjiang province (Wong 2015). This type of argument often fails to acknowledge the fragility of Central Asian regimes which are autocratic and patrimonial. The particular formation of these regime-types is the root cause of many problems along with bad governance in Central Asia.

Despite Central Asian leadership has pledged to support democratic institutions, the five states embraced non democratic set-ups which have following common features: personal dictatorship, authoritarianism, presidentialism and neo-patrimonial and sultanistics regimes. A group of Western scholars accuse Central Asian governments of using rhetoric of promoting democratization for the purpose of attracting financial aid and investment from Western countries. In the initial years of independence of Central Asian republics, the democratization was perceived as a linear process which would be fully realized with the help of civil society and political elites. However, later it became apparent that Central Asian leaders perceive democracy as a major threat to their political survival. Leaders of Central Asia have been responsible for the democratic stalemate in their countries. However, some scholars argue that historical legacies, political culture and socio-economic conditions are bottlenecks to the process of full democratization (Omelicheva 2015).

In post-Soviet countries of Central Asia, the remains of the former regime are present in the traditional mentality of political elites and in oligarchic structure along with its connection with clan politics. The authorities represent the model of the “neopatrimonial” authoritarian regime with a super-presidential ruling (Konopelko 2014: 42). “Patrimonial authoritarian regimes” in Central Asia has been defined as regimes which combine the formal institution of authoritarian presidential system with informal “networks of vested interests”. Government decisions usually takes place behind the closed doors and the state institutions are largely associated with corruption (Wong 2015). Furthermore, “patrimonial authoritarian” regimes are run by a strong leader of the ruling party and the armed forces is the key feature of their political system. Elections in these countries have lost their character of a free political competition. Although the elections are held regularly, they do not provide an opportunity to transfer power. Their only purpose is to legitimize existing regimes so that they could easily manage a plebiscite for the popularity of Presidential system rather than striving for a democratic set-up based on people’s representation (Konopelko 2014: 42). All five Central Asian states are nominally democratic or can be called “hybrid regimes”. Since the independence, politics has been dominated by the Soviet era elites and people have no say in Government’s decisions. The space for civil society and the opposition, which can act as a check and balance, has been limited in all Central Asian states with the exception of Kyrgyzstan (Oliphant Craig et al. 2015: 4-5).

IV Nexus between Resource, Rent and Regime Stability

In energy rich countries-Kazakhstan, Turkmenistan, Uzbekistan- the governance depends on generating rent from energy resources which is utilized to meet the demands of public. However, the very rent is also used to suppress and disenfranchise citizens. Many observers are of opinion that governments are largely detached from the need of their citizens which have often been depicted as “resource curse” in literature (Oliphant Craig et al. 2015: 5).

When it comes to the question of political stability in Central Asian republics, one needs to explore the link between natural resources and political stability. While Kazakhstan, Turkmenistan, Uzbekistan are blessed with energy reserves of oil and gas, Kyrgyzstan and Tajikistan are considered as energy deficit countries. In his study, Pal Istvan Gyene claims that among five Central Asian states, Kazakhstan, Turkmenistan, Uzbekistan are relatively

more stable than the later two. Kyrgyzstan and Tajikistan do not possess oil and gas resources and are largely dependent on remittances. While economy of Turkmenistan and Kazakhstan are largely dependent on revenue generated from energy export which bring them closer to the ideal “rentier state”. With some limitations, Uzbekistan has also characteristics of a “rentier state” as elite group in Uzbekistan also enjoy same privileges which are enjoyed in other rentier states. In his study, Pal Istavan Gyene tries to show that there is a close relationship between natural resources and political stability. Oil rich states of Kazakhstan and Turkmenistan are comparatively more stable than those of non- oil rich countries of Kyrgyzstan and Tajikistan (Gyene 2016:) 172) .

Revenue from oil and gas helps to consolidate the authoritarian regimes which care little about democratic rights of their citizens. Michael Ross emphasises the fact that “Oil does hurt democracy”. Not only West Asian countries but also Oil rich countries of Central Asia are authoritarian in nature. Authoritarianism is one of the prominent features of oil exporting countries across the world. Ross further explains that in oil rich countries governments use the oil revenue for suppressing dissent of people which otherwise might have demanded for the greater accountability. Michael Ross explains “taxation effect” according to which after deriving sufficient revenues from the sale of oil, the government is likely to tax their populations less heavily or not at all, and the public in turn will be less likely to demand accountability from- and representation in – their government (Ross 2001: 332).

In Central Asia, Turkmenistan is the best example to understanding how gas and oil shape the state-society relationship. Being an allocation state or rentier state, Turkmenistan earns most of its income from the export of gas and oil respectively and the government distributes the rent among society. Following rentier state policies, Turkmenistan’s government usually distribute natural gas income by providing free electricity, water and natural gas supplies instead of collecting tax from citizens. Since government play a role of resource-provider rather than imposing tax on its citizens, the government becomes less accountable to its citizens. The rentier policies of Turkmenistan reflects unequal relationship between the government and the society. It resulted in the absence of active civil society, free media,

vibrant middle class and political parties. The role of bureaucracy is also limited to preserve the regime stability of respective states (Kuru 2002).

Matveeva is of the view that in the initial period of independence, regimes in Central Asia were succeeded to legitimise themselves as they successfully contained ethnic, tribal and clan divisions and distributed resources at least in a minimally acceptable way. Natural resources of oil and gas provide opportunities to political leaders to ensure their regime stability by distributing the rent in a judicious way. In the case of Central Asian Republics economic means were used to fulfil political ends by political leaders of newly born Central Asian (Matveeva 1999: 27-28) She further explains that :

“Control over the valuable assets distributed during the privatization process enabled the new leaders to secure the personal loyalties of a closed network of supporters and opened up opportunities for corruption on an unprecedented scale. Economic liberalization (where it took place) and abolition of restrictions on trade in valuable commodities created a gigantic car-boot sale of everything which could be sold quickly and preferably for hard currency. The oligarchy which emerged out of these processes, with powerful vested interests and the money to protect them, gained new prominence in the shadow of formal political institutions” Matveeva 1999: 28).

However, Ondrej Ditrych quotes Buzan Barry and points out that sultanistic character of Central Asian republics make them repressive which is a common feature of weak states. Buzan Barry defines a weak state which is internally contested and chronically insecure. Among Central Asian states, Kyrgyzstan and Tajikistan have been labelled as failed states due to internal sovereignty, absence of internal consensus and effects of organised crime on state institutions (Ditrych 2006:3). Tajikistan is considered as the most poor state in Central Asian region. President Emomali Rahmon is unable to manage the governance internally and externally. Twenty five years of his rule has been witnessing internal violence, lack of accountability, corruption and mass migration. Remittances and drug trafficking are key sources of income. Tajikistan is ruled by policies such as controlling religious groups and repressing political oppositions. The ban has been put on moderate Islamic Renaissance Party of Tajikistan (IRPT) which foster resentment. International agencies doubt the credibility of “free and fair” elections. Dozens of arrests were made in 2015 to silence dissenting voices. Opposition leaders were exiled to Turkey and many of them were later murdered. Social

activists face harassment and NGOs “*operate in high risks, uncertain environment*” (International Crisis Group 2016 a: 1).

During the Tulip Revolution, in 2005, a palace revolt took place due to fractious and greedy elite (Olcott 2005). Though Kyrgyzstan represents itself as only parliamentary democracy in Central Asia, yet multiple security challenges threatens its stability. Kyrgyzstan is ethnically divided between Kyrgyz and Uzbek and geographically between north and south which makes it prone to ethnic violence. Besides, Kyrgyzstan is not able to deliver basic services to its citizens. Political institutions are under stress (International Crisis Group 2016 b:1). On 30 August 2016, a bomb attack on Chinese embassy in Bishkek demonstrated the vulnerability to terrorist attacks. In 2014, border guards in Kyrgyzstan killed 11 people which were supposed to belong Uyghur militants and had illegally crossed the border (Nechepurenko 2016) .³⁴ In this regard, lack of governance, and a range of security challenges suggest that Kyrgyzstan needs to boost credibility of its institutions, counter the threat of growing radicalization and adopt liberal attitude towards non-violent Islamists (International Crisis Group 2016 b:1).

Quest for Political Legitimacy: The Role of Personality Cults

In his article, James G. Mellon, observes that after the collapse of the Soviet Union system in Central Asia have been invoking a variety of myths for nation-making. In all five Central Asian states, different forms of symbolism, imageries and myths have been invoked to suggest that the particular nation, represented by the particular regime, enjoys a special or ancestral identification with a given territory. Whether these myths are true or not, they helped the leaders of their respective countries of Central Asia to provide them a kind of legitimacy to rule over them (Mellon 2010: 137).

In the earlier phase, the key objective was to fill the ideological emptiness of post communism, to construct stronger sense of belongingness to national identity, maintain national unity of their respective republics and contain Islamic orthodoxy. The leaders of Central Asia fashioned their nationalism which has often been described as “patrimonial

nationalism". It is an elite form of nationalism which is centred around a person- the president. More above the leaders of newly independent Central Asian states portrayed themselves as nation builders. In the eyes of millions of citizens, they presented themselves as the father of their respective countries. Nevertheless, the aim of leaders was to legitimize their own power rather than bringing a form of democratic society. They use nationalism as a strategic tool to maintain their power (Dagiev 2014: 1).

The leaders usually use rhetoric that people of Central Asia are tired of the uncertainties of democracy. Martha Olcott is of the view that it is not the people but the leaders themselves are frightened of uncertainties. The main motive of leadership in Central Asia is to transfer power to heirs of their own choice (Olcott 2001:11). In this regard, the most striking feature of the politics of Central Asia since 1991 has been the durability of the personality cults. One successful example is President Nasultan Nazarbayev in Kazakhstan who successfully completed his 25 years of rule. In Uzbekistan, Islam Karimov (died in 2016), and in Turkmenistan, Saparmurat Niyazov [died in 2006] succeeded to maintain their rule in the name of political stability in their respective countries. At that time the leaders had two alternatives: either adapt themselves according to new growing realities or to ignore challenges due to their fear of losing the power. The leaders made conscious efforts to keep the popular expectation low and not to face any situation of political instability. Old political elites renamed their communist party as their nationalist party and the same old ruling elite became the leaders of the newly independent Central Asian republics (Matveeva 1999: 43).

Personality Cults: The Way to Consolidate Power

Central Asian republics offer a beautiful example to understand how visual representations constitute power. Personality cults did not end with the death of Stalin and Mao, it continued in various forms in Central Asia. Paintings, statues and other visual forms constitute power and invoke nationalism to strengthen personality cults. The appropriate example is Turkmenistan's case where a golden statue of Saparmurat Niyazov, Turkmenistan's former president has been built.-Niyazov is known as "Turkmenbashi" or "head of all Turkmen" and his statue is located on a 230 foot white tile-clad tripod which is managed to rotate to face the sun. However, after four years of his death, in 2010, the statue was taken down by

his successor- President Gurbanguly Berdymukhamedova. In addition to this, during the Niyazov period, President Niyazaov's (1985-2006) book *Ruhnama* was part of curriculum. During his presidency (1995-2006), Turkmebashi banned graduate programs and reduced the number of years attended in schools, discouraged students going to foreign universities, and classes on his spiritual guidebook, the *Ruhnama*, became mandatory (Fitzpatrick 2010) .

Image No. 5.2 Golden Statue of Turkmenbashi: Consolidation of power through visual representation



Source: Fitzpatrick A. Catherine (2011), “ Golden Turkmenbashi Statue is back”, *Eurasian.Org*. [Online Web] Accessed on 12 March, 2017, URL: <http://www.eurasianet.org/node/64458>.

After the Turkmenbashi death in 2006, his successor, President Gurbanguly Berdymukhamedova, also adopted the similar policies. His picture is published at the front-page of newspapers. President's picture can easily be found everywhere – in Cabins of Turkmenistan Airline, at the entrance gate of a primary school, on the dashboard of all

official taxi. His large poster in bookshops and in every hotel shows that President Gurbanguly Berdymukhamedova is competing with Turkmenbashi for popularity.³⁵

Furthermore, in 2015, the first monument of President Gurbanguly Berdymukhamedova was erected for the public notice. The monument is 6 meter high statue of the leader seated on the horse back. It also reflects his fondness for the local Akhal Teke horse which is known for its power and stamina (Gurt et al. 2015).

As visual representations constitute power, Turkmenistan present a case where all state run television channels are strictly guided to broadcast more and more images of Turkmen President. Television spends several hours per day to report his nature walk, to describe his love for the horses and dancing children who greets him everywhere he goes. He was also declared as “Man of the Year”. Bookstores are filled with books authored by President Berdymukhamedov’s on his thought on family and hours. In addition to this, every corner in the capital is under surveillance, phones are tapped and day-to-day activities are under the gaze of a panopticon state.³⁶

Another interesting example of personality cult is President Nursulatan Nazarbayev in Kazakhstan. Couples of statues and museums are dedicated to him. Many statues memorize events when gifts were given to him by foreign governments. One statue depicts Bill Clinton giving him a set of golf balls. His handprints have been cast in metal. Citizens place their own paw inside it and wish to fulfil their desires. Astana Day is also celebrated on his birthday and he also wrote the national anthem (Orange 2011).

³⁵ Source: Fitzpatrick A. Catherine (2011), “Golden Turkmenbashi Statue is back”, *Eurasian.Org*. [Online Web] Accessed on 12 March, 2017, URL: <http://www.eurasianet.org/node/64458>

³⁶ Source: Fitzpatrick A. Catherine (2011), “Golden Turkmenbashi Statue is back”, *Eurasian.Org*. [Online Web] Accessed on 12 March, 2017, URL: <http://www.eurasianet.org/node/64458>

Image No. 5.3 Personality Cult: Accomodating different ethnicities and interests of major powers.



Source: Orange Richard (2011), “Nursultan Nazarbayev: Kazakhstan Great Balancer”, The Telegraph, [Online web] Accessed on 12 April 2017, URL: <http://www.telegraph.co.uk/news/worldnews/asia/kazakhstan/8426757/Nursultan-Nazarbayev-Kazakhstans-Great-Balancer.html>.

Personality cult also exists in Uzbekistan. Students are tested on their knowledge of books authored by former President Islam Karimov. Almost everyone in public life, from members of parliament to university professors quote the Uzbek leader, beginning their sentences by saying, “As our respected president has said...” (Najimova 2002).

Despite the fact that Personality Cults are thriving in Central Asia, it is not necessarily a permanent feature. Personality cults in Central Asia are constructed around their leaders, however recently exposure to other culture and governments has increased. “To the extent these countries modernise economically and continue to have more contact with the outside world, I think they will find more and more difficulties to retain these remnants of glorification of local leaders.” said Ian Bremmer, president of the Eurasian Group, a research and Consulting organisation in New York. Contrary to this argument Martha Olcott is of the view that:

Personality cults in Central Asia are more political than cultural. “They [Leaders] certainly did not [Legitimize] themselves by creating a competitive political system. So what they chose to do legitimate themselves was to reinterpret the cultures of the countries in order to make it seem more natural that there were very strong leaders at the top,” (Najimova Adolat 2002).

Threat to Regime Change and Uncertainty over Succession

Personality cults create serious problems and among them the most crucial is the unclear succession plan. Kazakhstan is also facing the same problem. The country is one out of five states where China has invested heavily in oil sector. Kazakhstan's current authoritarian leadership under the president Nursultan Nazabayev is known as pro-China which protects China's energy investment from changes at policy level. However, Nursultan Nazabayev is more than 75 years old and still have not resolved the succession issue. The issue of succession has become a serious concern for Chinese Government which so far has enjoyed friendly relationship with the government of Kazakhstan (Wong 2015).

In July 2016, during the field trip in Kazakhstan, when researcher asked a young student studying history, in Eurasian National University, Astana about his opinion regarding coming Presidential election in Kazakhstan and possibility of change of the leadership. He replied that "certainly we want change, (new leadership) however we are uncertain over capabilities of the new leadership. We are uncertain whether new leader will be able to handle the domestic and foreign affairs like President Nursultan Nazarbayev or not. The local people are of the opinion that Kazakhstan is surrounded by two powerful countries - Russia and China, and any political instability in the country would invite these powers to interfere in domestic affairs by taking the advantage of the situation". He also told that a large number of Kazakh citizens did not want to see Dariga Nazarbayev, the daughter of President Nursultan, as the next President of Kazakhstan (Wong 2015).

Patrimonial authoritarian system eliminates any incentive for the president or ruling elite to provide goods and services for common citizens. It undermines the legitimacy and popular support for the current regimes and threatens its medium term survival (Wong 2015). It is in China's interest to maintain the status quo of current regimes of Central Asia. China has managed so far to earn support from current political regimes in Central Asia. However, any kind of public revolt and unsuccessful regime-change would have serious repercussions for China. In that case China's energy supply might be disrupted and its investment would face a greater risk. If a pro-China regime falls and individuals having anti-China sentiments would succeed then energy trade with China would badly be affected. Central Asia- China gas pipeline is currently responsible for supplying 50 billion cubic meters gas annually to China. The

pipeline currently passes through three states of Central Asia and the rest of the two are in the process of integration through pipeline. Regime-change in any of these countries would drastically change energy relationship between China and Central Asia, in the worst case China would have to face the loss of 50 billion cubic meters gas annually (Wong 2015).

It can be concluded from the above analysis that political stability in oil and gas rich countries in Central Asia is vulnerable to regime change. Even the possibility of popular mobilization at larger scale cannot be denied. If an “Arab Spring” kind of situation arises in Central Asia, it would abolish current political regimes in a single stroke. Some current reports shows that numbers of oil workers’ strikes which took place in towns of Western Kazakhstan, have raised serious concern and attracted wide media attention. For example, the year of 2011 witnessed a bloodiest violence in the town of Zhanaozen, Western Kazakhstan. Kazakh Government and some foreign oil companies violate the labour rights of thousands of workers employed in Kazakhstan’s petroleum sector by using repressive law and exploiting them. Thousands of workers employed in Kazakhstan’s oil and gas sector downed tool in May 2011. Three separate labour strikes happened in China’s state-owned CITIC, operating in the petroleum sector in Western Kazakhstan. Human Rights Watch claimed that in June 2011, when clash erupted between oil workers and the police, 12 people were killed and many of them got serious injury (Human Rights Watch 2012). On 8 August 2011, at Aktau a Union lawyer, Natalia Sokolova ,was sentenced for six years of imprisonment for raising the voice for oil workers. Ozen MuniGas fired 989 employees for participating in strike (Human Rights Watch 2011). Though, oil workers’ strikes were suppressed forcefully by Kazakhstan government, it might happen that in future a large section of dissatisfied population would join these protests, who are annoyed by lip service of the government.

VI Extremism, Separatism and Terrorism in Central Asia

The Islamic Movement of Uzbekistan has emerged as a dreaded terrorist organization which operates from the autonomous region of Federally Administered Tribal Areas in Northwest Pakistan and Taliban-dominated regions of Afghanistan. The IMU has allied with Taliban and Al-Qaeda and has thus increased its spatial scale. The IMU was responsible for an attack

at the Jinnah International Airport in Karachi, Pakistan on June 8th 2014 which claimed 39 lives. The State Department has listed IMU as a foreign terrorist organization and has cautioned that the main goal of IMU is to topple the current government in Uzbekistan. The existence of IMU is a serious threat to China's energy investment in Uzbekistan and Central Asia- China gas pipeline passing through the territory of Uzbekistan (Gupta 2014: 5).

Apart from this, Taliban's increasing activity near Afghanistan-Tajik border is also a matter of concern. Since 2014, Militant groups like Islamic Movement of Uzbekistan (IMU), Islamic State (IS) and the Taliban have become active near Turkmen border. Moreover, 2,000 to 4,000 Central Asian citizens have migrated to Iraq, Syria and Afghanistan to join ISIS and Taliban. There is apprehension that they will bring back violent and orthodox Wahhabist ideology to the region. Nevertheless, there is little possibility that a small number of Jihadists will find sympathisers among Central Asia's moderate Muslims. The greater threat is from the side of Central Asian Governments which follow the policy of repression of any religious group that promotes Islam which differs from the moderate version accepted and promoted by the state. Any sect or group which tries to reinvent Islam or reinterpret it in the context of philosophies which are not dominant is seen with suspicion and can easily be categorised as criminals or terrorists. Groups such as Hizb ut-Tahrir and Tablighi Jamaat which did not conform to statist version of Islam were banned and followers of those groups were imprisoned. This long term repression might prove dangerous for Central Asian republics and the repressed can return in a disruptive and violent way.

Though, there is a potential threat of extremism and terrorism in Central Asia, the governments of Central Asia disproportionately represent these problems in their narratives. One of the key reasons for such behaviour is to justify oppression by authoritarian leaderships of respective countries and get support of the international community. In the name of regional security, Russia and China have provided their vocal support which has provided credibility to such fears of governments of Central Asia. However, several observers are of opinion that threats of Islamic extremism is overplayed by Russia and China to increase their security presence in the region

VII Inter regional Rivalry in Central Asia

Many Chinese scholars argue that China's biggest security concern in Central Asia is internal turmoil within the regimes and its effects (International Crisis Group: 2013: 17).

i) **Water sharing dispute** :Water sharing dispute in Central Asia has been one of major driving factors for regional rivalry among Central Asian states. Though China's objective in Central Asia is to assure access to energy resources , energy extraction process requires a huge amount of water. Water is a scarce commodity in the region and its distribution is skewed and therefore water resource is a perennial source of friction among five Central Asia states, particularly between upstream and downstream nations. Dams in the upstream countries of Tajikistan and Kyrgyzstan create trouble for the downstream countries of Uzbekistan and Turkmenistan because of the lack of water supply during the summer. Uzbekistan and Tajikistan relations have deteriorated because of the Rogun Dam in West Tajikistan. As oil rich countries Kazakhstan, Uzbekistan and Turkmenistan are dependent on water resources of Tajikistan and Kyrgyzstan. The complex relation between water and energy accompanied with greater risks of ethnic conflict between makes China's energy supply unsecure (Gupta 2014: 7).

ii). **Ethno-political conflicts in Central Asia:** The lack of internal consensus among local leaders is reflection of ethnic and cultural faultlines. Due to the ethnic conflicts the leadership of respective countries have lack of control over their territories. For example, Ferghana Valley, Osh and Andijon cities are the the most disturbed regions of Central Asia. It is divided in three irregular jigsaw pieces between Uzbekistan, Kyrgyzstan and Tajikistan. Fergana Valley poses a greater risks of uncertainty and threats the security situation in Central Asia. In 2010, unrest between Kyrgyz, and Uzbek in Ferghana Valley spread across territories of Tajikistan, Uzbekistan and Kyrgyzstan. As Kyrgyzstan shares 1,000 kilometre border with China, the ethnic riots directly affected Xinjiang's export to Kyrgyzstan , Uzbekistan and Kazakhstan.

Image No. 5.4 Stalin Policy during 1930s has been a Root Cause for Ethnicity based Conflict between Uzbekistan and Kyrgyzstan in Central Asia



Source: Beary Brian (2012), “Emerging Central Asia”, CQ Global Researcher, [Online web] Accessed on 18 April, 2017, URL: <http://library.cqpress.com/cqresearcher/document.php?id=cqrglobal2012011700>.

The history of ethnic conflict goes back to 1930s . Joseph Stalin divided the republics according to his cartographic project. Each republic was given fertile land without considering the fact that the entire Valley was a patch work of ethnicities and it was not easily possible to turn them into nationalities. Since the disintegration of the Soviet Union, the tension started to increase in the Ferghana Valley as three newly independent republics started asserting their national identities despite they had multiethnic enclaves. Different communities of Kyrgyzstan and Uzbekistan formed their own political organization. Uzbekistan advocated for an autonomous Ferghana Valley within former Kyrgyzstan SSR . While Kyrgyzstan political group called for a takeover of Uzbekistan agriculture land. Since 1991, the tension has flared into large scale inter- ethnic warfare at many occasions (Wilson and Wilson 2015) .

After independence, Tajikistan, Kyrgyzstan became more vulnerable as they had poor economic condition. These states are facing anti-government sentiments in the form of radical Islamic movements. Their territories are used for drug trafficking route and have become the safe haven for organised crime. The Fregana Valley is densely populated and

home of nearly 10 million people and it is extended over 22,000 square kilometres. In addition to these features, growing inter-communal tension in Southern Kyrgyzstan is a serious problem and it took several lives in inter ethnic clashes of June 2010. In 2005, Uzbek forces opened fire on Uzbek protestors in Andijon which killed nearly one thousand people. In 1999 hundreds of Islamic Movement of Uzbekistan (IMU) guerrillas seized villages in Kyrgyzstan to launch attacks into Uzbekistan (Recknagel 2010). Most of the observers agreed that due to unemployment and poverty in Fergana Valley extremist organizations are able to get their cadre. Militant groups of Afghanistan, Pakistan, and Saudi Arabia are also responsible for facilitating funding, education and training to terrorist organizations of the region (Nichol Jim (2010: 3).

So far China has stayed away from deploying military forces and it follows the principle of “non interference” . China prefers not to interfere in the domestic issues of Central Asia. However, it is argued that despite China’s massive investment in Central Asia, it is not assured about its security. Chinese investment faces threat from radical fundamentalist groups operating in the Fergana Valley. Anti-Chinese sentiment is also present and Chinese embassy was also attacked which was strongly criticised by Chinese government. During the incident, a suicide car bomber struck the Chinese Embassy in Bishkek on 30 August 2016 in which he killed himself and injured three Kyrgyz employees. President Almazbek Atambayev take steps for counterterrorism measures after government recognized it as a terror attack. Thus, Central Asia is known for political unrest however it has experienced few militant attacks despite growing concerns about Islamic extremism.³⁷

Marlene Laruelle is of the view that China’s non-interventionist policy could change if the Central Asian states fail to guarantee their own security. In 2009, a senior Chinese military leader said that China can intervene in Central Asia in order to protect China’s borders. Though, it did not receive official comment in Central Asian capitals. Silence over it reveals local anxieties (Laruelle 2015:3).

³⁷ RFE/RL (2016), “Suicide Bomber Attacks Chinese Embassy in Bishkek”, Accessed on 18 April 2017, URL: <http://www.rferl.org/a/kyrgyzstan-bishkek-chinese-embassy-explosion/27953904.html>

Despite being a regional power China is not able to safeguard its physical holdings in Central Asia because Central Asian republics would not allow large deployment of Chinese army in the region as they are also concerned about protecting their sovereignty. Flagship energy projects such as Central Asia-China gas pipeline and Kazakhstan China pipeline along with refineries, bridge, tunnels and electricity substation built with Chinese money are potential targets of terrorist attack. China has made it clear that it will not unilaterally intervene beyond its border to protect its infrastructure projects. China's security policy along with Central Asian republics' reluctance of deployment of Chinese army is not able to secure China's Central Asia energy supply (International Crisis Group 2013:16).

Some Western scholars think that China has hidden agenda in Central Asia and it is pursuing grand geopolitical strategy. In addition to this, China is accused of having aim of ultimate control and domination over the Central Asian region. It is argued that these claims are excessive and exaggerated by Western scholars. China knows that in case of military intervention Central Asian countries will easily get help from Russia. Regional elites of Central Asia continue to retain strong cultural and political ties with Russia. In any adverse situation Central Asian governments would like to turn towards Moscow as Kazakhstan, Kyrgyzsta and Tajkistan have joined Moscow's Collective Security Treaty Organization (CSTO) and also moved towards Eurasian Economic Union.

VIII Growing Anti- Chinese Sentiment among Central Asian People

Sinophilia and Sinophobia go hand in hand in Central Asia. Many scholars are of the view that Sinophobia is still dominant among people of Central Asia and it might have long term consequences. While official versions often claim that friendly relationship with China is based on mutual benefits and trust on each other; experts, local media and opposition parties think differently. Many people still think that China has imperial desire in the region which China is not expressing at the moment. Even optimistic people who consider that China's economic and geopolitical presence is a guarantor of stability for Central Asia, turn out to be Sinophobic in Cultural realm.

There is a serious concern about growing number of Chinese population in Central Asia countries. According to an estimate, more than 300,000 Chinese live in Kazakhstan, 200,000 in Kyrgyzstan and 150,000 in Uzbekistan, Turkmenistan and Tajikistan together.

Considering the small population of Central Asian countries these numbers are significant. A sizable Chinese Diaspora in these countries creates anxiety among native communities about Beijing's intentions. China always brings its own people, workers and professionals to employ in infrastructure projects in Central Asia. China does not provide job training to local people and also does not buy large quantity of local goods and products. Rumour has been spread that China's intention is to buy agricultural land in Central Asia and settle millions of its peasants (Orozobekova 2011). China's policy is driven by its intention of creating employment opportunities for its own people. Both Chinese Diaspora and Chinese investment help China to increase its influence in the region.

It is argued that largest beneficiaries from China's energy investment are ruling elites of Central Asian states. They see Beijing as necessary for their political survival against domestic rivals and external threats. For these elites, Chinese cash flow and massive development projects help to construct an image of capable leadership who are skilled in sound economic management (Beshimov and Satke 2015).

Pro-China lobby includes president's families, political elites and the private sector oligarchs and directors of large state-owned companies are linked with China through variety of political, personal, regional and corporate allegiances. Interests of these people are intertwined with China's national interest. They have established strong connection with Chinese leadership through embassies, business contracts and political leaders. China has little need to finance institutional mediators in order to protect its interests, it has direct access to them. This kind of official pro-Chinese lobby might create adverse public opinion with possible counter-effect of generating a more overt anti-Chinese lobby (Laruelle 2015:4).

China's energy investment not only helps governments of Central Asia to reduce its dependency on Russia but also protects them from US's overt agenda of promoting human rights and democracy in the region, which the leadership perceive as a threat to their regime stability. Remarks made by Uzbekistan's former President helps to understand the view of leadership: "in 22 years of bilateral relations between Uzbekistan and China, the latter has never set any political demands" (Beshimov and Satke 2015). However, local media, opposition groups and common people are often sceptical of China's growing economic

presence in Central Asia. While there is variation among five republics, they share some common concerns like inflow of Chinese labour, dispute about land and territory and scepticism about the management of commercial deals (Beshimov and Satke 2015).

Experts are closely examining China's policies towards its minority groups. In this context, Xinjiang offers a litmus test for China because Central Asia is also concerned about it. China's attitude towards minority groups will have larger impact on its relation with neighbouring countries of Central Asia. In Xinjinag province minorities remain confined to the sectors of least growth. Chinese Government is reluctant to listen any autonomist demand even to cultural one which can encourage separatism (Peyrouse 2016: 23). In addition to this, China's national policies are institutionally structured in such a way that it provides little opportunity to Uyghurs to have access to higher education, whereas Han Chinese easily get higher education and technical specialization required for better job-opportunity.

Central Asia is also facing many challenges. The inflow of Chinese labour in Kyrgyzstan and Tajikistan has invited public resentment. An upsurge of Chinese labourers has escalated competition with local labourers for employment opportunities in mining, agriculture, construction, trade and transportation. Monotonic increase in the number of Chinese small and medium business in both Kyrgyzstan and Tajikistan is also a major source of anger among native communities and commercial associations of the respective states. However, labour migration problem have not been a major issue in Kazakhstan and Turkmenistan as China is only involved in energy sector mainly. Uzbekistan has set up a strict visa regime in order to control immigration. There is no record of violence against Chinese companies or their employees in Uzbekistan and Turkmenistan where governments of these two republics can easily suppress hostility towards Chinese people. In Kazakhstan, Nazarbayev's regime tolerates anti-Chinese sentiments but use preventive measures to control aggressive behaviours. In weak states of Kyrgyzstan and Tajikistan, attacks on Chinese companies and assassinations of Chinese businessmen occur frequently (Beshimov and Satke 2015).

Incidents of clash between Chinese workers and local residents have increased in Tajikistan after China's land acquisition in Tajikistan. It became a grim issue in 2011, when Tajikistan leased out 2,000 hectares of its farmland to China. After some days a decision was taken by

Tajik Government according to which disputed land along the Chinese border was handed over to China. With the effect of that decision China-Tajikistan's century old problem was resolved. However, the opposition leaders described the deal as the failure of Tajik diplomacy and the violation of the constitution (Beshimov and Satke 2015). According to Tajik academician Rahim Masov, who was also a member of Sino-Tajk border delimitation commission, Beijing was well aware of natural deposits in acquired land. The Tajik geologists and experts claimed that the territory has significant amount of reserves of gold and also some rare metals like uranium, nickel and mercury particularly located in the Sarikul Valley, (Sodiqov Alexander 2011).

Anti-Chinese sentiment in Kazakhstan is not only limited to the energy sector, dumping of Chinese goods and labourers in Kazakh market has also complicated the problem. Former opposition leader Marat Auezov advised Kazakh Government to deal cautiously with China. He reminded that during Kazakhstan- China border agreement in the mid 1990s, Kazakhstan ceded huge area of its territory to China. He also expressed concern about the agreement according to which China uses water from Kara-Irtysh River, that flow from China into Kazakhstan, to help develop its own oil fields in Xijiang Uyghur Autonomous region. China's practice of hiring Chinese workers in its projects also intensifies this distrust. In addition to this, in 2007, Kazakhstan's parliament raised the concern about China's excessive acquisition of the Kazakhstan's oil reserves. In response to this allegation, the Kazakhstan Energy Minister announced that he would block further Chinese acquisition in the energy sector. Some of state officials also highlighted that China's aggressive policy posed a threat to Kazakhstan's sovereignty. The growing criticism among indigenuous community and politicians can be seen as a threat to China's further energy investment in Central Asia (Ogutch and Ma 2007).

Cultural difference between these two different ethnicities- Chinese and Turkic- is another driving factor which has contributed to increased anti-Chinese sentiments among Central Asian native communities. Central Asian experts are of the view that due to "civilizational differences" two region are irreconcilable at cultural level as many Chinese still consider that Central Asian people are "barbarians". In addition to this, some scholars have also pointed out that a sense of hierarchy is embedded in Chinese tradition which does not regard alien people as equal(Laruelle 2015:7).

Chapter-Six

CONCLUSION

The thesis examines the growing energy cooperation between Central Asia and China, and explores its implications for Russia. The study engages with the geopolitics of energy resources in Central Asia. Global energy security has long been seen through the lens of geo-politics. However, the research focuses on other dimensions, too. The study deals with the question of ethnicity, non-state actors, the role of MNCs, the flow of global finance and institutional framework. In this work an attempt has been made to narrow down the research to the investigation of the geopolitics of energy security in the context of Central Asia, China and Russia.

Energy relationship or energy security cannot be understood only from the perspective of demand and supply. The researcher has analysed the energy security of consumer and producer states from different perspectives including, geopolitics, geo-economics, institutional mechanism, cultural similarities and differences, ethnic diversity, linguistic domination, etc. In Central Asian region, geopolitics along with geo-economics plays greater role than anywhere else. The growing energy competition between major oil and gas companies, the safety and security of pipeline infrastructure, the role of ethnic and religious conflicts, and domestic political turmoil in energy exporting countries- all provide a comprehensive understanding of geopolitics of energy resources in Central Asia. Above all, the role of new emerging economies, particularly of China and India, has fuelled energy competition in Central Asia.

Geo-political thinkers have also great impact on contemporary politics. Many academicians and diplomats continue to believe in Makinder's "heartland theory" which claims that "He who controls the heartland controls the world." Given the importance of geostrategic location, coupled with abundant oil resources, Mackinder theory remains relevant to understand the ongoing contestation and cooperation between many geopolitical powers like US, EU, Russia, China and India for establishing hegemony on Central Asia. Brzezinski Zbigniew, US's well known strategist and the security advisor under President Bill Clinton, represented Eurasia as a "chessboard" on which the struggle for global primacy would be

played in the foreseeable future. Many geo-political thinkers' ideas about Eurasian space were extremely violent and it fuelled the race for hegemony in Eurasia.

The demise of the Soviet Union not only led to fall of a great power but created a geopolitical vacuum in Central Asia. The geopolitical vacuum invoked renewed interests among great powers like US, China, Russia in the region. In the 21st century, the struggle for control on energy resources and pipeline routes among major powers is popularly known as New Great Game. Apart from major powers, Central Asia has become the centre-stage for the competition and co-operation between many minor powers like Iran, Turkey Pakistan and Afghanistan. Besides, geopolitical powers, the major oil companies from US, EU, Russia and China also fight with each other to outbid their competitors and maximize their profit. Their competition is not limited to bid out their rivals in the production and extraction activities; they also want to outbid them in the construction of pipeline projects.

Major geopolitical powers operating in Central Asia can be divided into two camps. These are Western alliance and anti-Western alliance. US, EU and Turkey constitute one group while Russia, China and Iran belong to the other. The anti-Western alliance is heterogeneous. Iran and Russia are major energy exporters while China is a major energy consumer. Their interest clash with interests of US and its allies (EU and Turkey). US, EU and Turkey have desire to ship away Central Asian energy resources towards West via the BTC pipeline supported by US and Trans Caspian Pipeline proposed by EU. Nevertheless, it is against the interest of Russia which considers itself as the traditional geopolitical power in the region. Russia energy security interest lies in maintaining its monopoly on transportation of Central Asia oil and gas through the Soviet era pipeline routes which are headed towards North. China is a new comer in the energy field of Central Asia and its interest lies in flow of oil and gas from Central Asia towards East via Kazakhstan-China Oil Pipeline and Central Asia-China Gas Pipeline. While India proposed TAPI Pipeline for supplying natural gas from Turkmenistan to Southwards fuelling its new emerging market.

At the same time, various separatists and terrorists groups also try to have their share in hydrocarbon resources. Taliban created social and political turmoil not only in Afghanistan but also joined hand with separatists and militant groups like IMU(Uzbekistan), Chechen(Russia), East Turkmenistan Islamic Movement(Xinsiang). On many occasions,

governments and oil companies negotiate with separatists and terrorists for smooth functioning of energy projects. Considering juxtaposition of Central Asia with Afghanistan, the Afghanistan factor becomes crucial to understand geopolitics of TAPI Pipeline. While geopolitics of China-Kazakhstan relation and China-Central Asia relation gets affected by Uyghur separatists groups of Xinjiang province which pose serious threats to pipelines. All major powers perceive terrorist groups like Taliban and Al Qaeda as a major threat to their energy project in Central Asia.

However, unlike the current situation where diverse stakeholders are present in Central Asia, the situation was completely different in early years of 1990s. Kazakhstan, Turkmenistan, and Uzbekistan were solely dependent on Russian pipeline system to export their oil and gas to the world market. Russia's key interest was to consolidate its geopolitical influence and take the strategic leverage of its Soviet era pipelines-system. In this regard, it has been shown in detail how Russia often used the tactic to block the oil export of Kazakhstan to world market. Russia also used to buy Turkmen gas at lower price and sold it at higher price to Europe. Throughout the 1990s, Russia successfully managed to control Central Asia's oil and gas supply due to lack of alternative options for these countries. These countries were primarily dependent on Russian pipeline infrastructure and Russia strongly opposed the construction of new pipelines. Russia's control over pipeline infrastructure provided it strategic leverage over other geopolitical players and also helped to generate large amount of transit fee.

Nevertheless, Russia's dominating attitude provoked Central Asian leaders to find alternative energy partners and pipeline routes. Energy rich Central Asian states opened their doors for major geopolitical players. In 2003, the former Kazakh Foreign Minister, Kasymzhomart Tokayev, said, "As far as pipelines are concerned, our policy is clear and simple,[we will] have as many export routes as possible." In the mid of 1990s, Kazakhstan invited US and its major oil corporations because of the urgency of capital investment and technology. Most importantly, the aim was also to balance Russia's geopolitical domination. Russia was also not able to provide finance and technology to Kazakhstan. Nevertheless, when US started extracting energy fields, and construction of BTC pipeline was started; it became a major

issue of confrontation between Russia and Western countries. In 2000s, Kazakhstan invited China to check the dominance of US as well as of Russia.

In this background, one of hypothesis that claims that Central Asian states see their relationship with China as a counterbalance to Russia's influence has been proved. China's high presence in oil and gas fields and its huge investment in pipeline infrastructure in the region have eroded Russia's influence in energy sector of Central Asia. Russia is no more the biggest economic trade partner nor is it the largest energy investor in Central Asia. While China has become one of the biggest energy investor in the region and it is one of the largest trade partners of all Central Asia states. Russia, which used to buy 80 percent of Turkmenistan gas, is no longer a consumer of Turkmenistan's gas. Since the opening of Central Asia-China gas pipeline in 2009, most of Turkmen gas has been flowing towards China through it. Today China has become the largest gas importer of Turkmenistan and it also imports the significant amount of gas from Kazakhstan and Uzbekistan. In order to expand the capacity of Central Asia-China Gas Pipeline which is set to increase upto 65 billion cubic metres by the 2020, Tajikistan and Kyrgyzstan would also be included in China's energy strategy.

In 2006, Kazakhstan-China pipeline was put into operation. Kazakhstan which was used to transport its almost all oil via Russian pipeline, now started to export a significant amount of oil to Chinese market. Thus, since the 2000s, China has become the largest energy trade partner of Central Asian states. In return, "Regional elites and governments of the region receive generous funding from Beijing, discrete diplomatic support if Russia becomes too demanding and warm expression of solidarity at a time when much of the international community especially, Western countries question the region's long term stability."

Undoubtedly, China's increasing influence in the energy sector has increased the bargaining power of energy rich states of Central Asia. It has helped them to break Russia's monopoly on pipeline infrastructure due to which Russia used to benefit geopolitically and geoeconomically. China's penetration into Central Asia and fading hegemony of Russia is the success story of multi-vectors foreign policy adopted by Central Asian governments. Multi-vector Policy also helped to contain US agenda of regime change in the region in the name of

democracy and human rights. The foreign policy of Central Asian countries has mainly been crafted to protect its sovereignty and develop its oil and gas resources and secure multiple pipeline transportation routes to different destinations. The energy policies of Kazakhstan suggest that rather than depending on one foreign partner Kazakhstan has been following a strategy of diversification.

Nevertheless, one needs to keep in the mind that Central Asian leaders invited China not exclusively at the cost of Russia. Secondly, apart from China, US and EU are also playing as important actors in the region. For energy rich Central Asian countries, especially for Kazakhstan, Turkmenistan and Uzbekistan, multi-vector foreign policy means that they have relation with Russia, with China, with US and also with Europe. In South Asia, due to the emerging energy demand of India, Central Asian states have invited it as a member of SCO. However, Russia will continue to play the role of a major power in the region with its military strength, historical legacy and geographical proximity. Especially in case of Kazakhstan, the country is always conscious to accommodate Russia's interest because Kazakhstan shares 7500 kilometres long border with Russia and a significant number of Russian diaspora live in Northern part of Kazakhstan.

Turkmenistan has completely broken Russia's monopoly on its gas pipeline routes by inviting China. Russia is no longer importer of Turkmen gas and has stopped buying its gas from January 2016. China remains a single importer of Turkmen gas; therefore, the challenge before Turkmenistan is to balance China's monopoly on its gas export. Following the multi-vector foreign policy, Turkmenistan is interested in the construction of TAPI Pipeline and Trans Caspian pipeline which will help to decrease its dependency on China. However, the construction of TAPI pipeline has been delayed due to the geopolitical rivalry between India and Pakistan and Trans Caspian Pipeline is awaiting the consensus between Europe, Iran, Russia.

Uzbekistan has also invited Chinese state-owned oil enterprises for the exploration of its oil and gas fields with the joint venture of Russian oil companies. In comparison to Turkmenistan and Uzbekistan, Western oil firms largely remained concentrated in Kazakhstan. The reason lies in the degree of economic reforms which has put restriction on penetration of Western oil firms in the energy fields of Uzbekistan and Turkmenistan.

Secondly, autocratic leadership of Uzbekistan and Turkmenistan have been suspicious about the real intention of Western oil firms after the event of '*color revolution*' which took place in Kyrgyzstan in 2005 and other post- Soviet states. The *colour revolution* revealed the real political agenda of the West which is intended to regime-change to pursue energy diplomacy in Central Asia. Therefore these countries restricted their entry into their oil and gas fields and welcomed Chinese SOEs.

So far as energy security is concerned, it lies in security of demand as well as safe transportation of energy resources to world market. Central Asian states face many-fold challenges due to their landlocked position, lack of finance and technology. Aging infrastructure, such as road, railways, and most importantly oil and gas pipelines, air flights and communication network, is also bottleneck for Central Asian countries. China provides finance to Central Asian governments for the development of their oil and gas fields. China also provides them an alternative market with alternative pipeline routes which is not controlled by Russia. However, China's main purpose is transportation of Central Asia's oil and gas to Chinese market.

China is best suited to energy security interests of Central Asian states. It provides them huge financial aid, loan at cheaper rate and invests in their aging infrastructures of road, railways, pipeline and highways and also provides technological assistance. Above all, what lies in the heart of China's energy strategy is China's assurance of regime stability to Central Asian leaders. Unlike Western financial assistance which usually demands political and economic reforms, Chinese investments and loan enhance the political stability of Central Asian regimes. These factors make China relatively more suitable investment partner for Central Asian leaders.

Many experts believe that current political system of Kazakhstan, Turkmenistan and other Central Asian Countries have striking features of rapid corruption, weak check on the executive, and low level of transparency. All these features of their political system are compatible with China's non- democratic system and these are harnessed by China in its own favour. Kazakhs Government attracts FDI from China and President Nazarbayev and his closest associates are personally benefited from it. In return, Kazakhstan protects Chinese oil corporations from the policy change which could potentially threat Chinese investment.

Mutual interdependence of both sides suggest that their energy partnership will go long way. Thus, the political interest of both sides goes hand in hand with achieving their economic goals

To promote Chinese agenda in Central Asia, China's three big state-owned oil companies (CNPC, SINOPEC, CNOOC) work as arms of government rather than working for just profit. The primary goal of Chinese SOEs is to rationalise government policies on energy security in Central Asia and they do not worry about costs of their projects. Unlike Western oil firms, Chinese SOEs get diplomatic and financial support from Chinese government. Additionally, Chinese SOEs are supported by host countries of the region as any action taken by the governments of Central Asian countries against them directly impact the bilateral relations.

Following '*loan for resource*' policy in the region, China prefers to sign energy deals based on '*energy equity*' approach. The simple logic behind equity approach is that instead of ensuring contracted amounts of oil and gas, direct ownership of resources seems best way for China to ensure the efficiency of projects which help to secure long-term energy supply. Due to the competition for Central Asian energy resources, China provides additional finance and easily available loan on low interest rate to enable Chinese oil companies to outbid its Western oil firms. In addition to this, China creates favourable environment for itself through the help of the regional organisation of Shanghai Cooperation Organization (SCO). SCO has played an important role in bringing together all Central Asian states and China not only in the field of energy security, but also in political, economic, cultural arena. Apart from SCO, several other institutional mechanism and treaties such as BITs IGAs, IMUs and most importantly International Energy Treaty facilitate legal framework for the long term energy partnership between Central Asian states and China.

No one can underestimate the role of geopolitical factors in facilitating the relationship between China and Central Asia. Geopolitics lies in the heart of growing Chinese investment in energy sector. China is largely dependent on import of oil from Persian Gulf and Africa, transporting by tankers through Sea Lane of Communication (SLOCs) which have maritime chokepoints. China's energy insecurity can be highlighted by the fact that SLOC and Chokepoints are dominated by US with its strong naval presence. America's naval

supremacy is unlikely to be challenged in the near future under the light of the fact that China lacks a “blue water navy” to dominate the sea lane of communication. Though, China has embarked on the security of SLOC by taking initiatives to build up its naval capability and to develop its research and development (R&D). However, to bypass US supremacy is not possible in near future, the best strategy left for China is to diversify its energy import and transportation routes.

Due to the given circumstances China’s energy and strategic engagement has been growing with Central Asian states since 2000s. Central Asia has occupied a significant place in China’s foreign policy. China’s old saying is that a close neighbour is better than a distant relative. Central Asia’s geographical proximity and strategic location in Eurasian heartland ensure China that it can rely on the energy transportation routes from Central Asian countries. The land based pipeline routes are cheaper than currently used maritime routes and are free from US domination.

Central Asia is important for China not only for its vast amount of oil and gas reserves but also for its geographical proximity with Russia, Mongolia, Afghanistan and Politically unstable province of Xinjiang. Given the fact that China shares 2,800 kilometres border with Kazakhstan, Kyrgyzstan and Tajikistan, and US has withdrawn its troops from Afghanistan; China’s core strategy is to promote security and stability in Xinjiang province. China’s one of the main motives behind huge investment in the energy infrastructure of Central Asia is to promote economic development in its Xinjiang province. Construction of oil and gas pipeline network from Central Asia to China via Xinjiang province lies in the heart of the China’s energy strategy towards Central Asia. Xinjiang province was liberated by PLA in 1949, since then Chinese policies towards the province has been to integrate it with Chinese main land. Close economic relationship with Central Asian countries will allow Chinese government to deal with political instability and will ensure social and economic development in Xinjiang province. In this sense, China’s engagement with Central Asia serves two fold interests of China: first strengthen political control over Xinjiang province; secondly to have access to energy resources of Central Asia. Nevertheless, it does not mean that China does not have any geopolitical interest or it does not consider Central Asia as its sphere of influence. Unlike Russia, China has managed to hide its geopolitical agenda by

continuously emphasizing that Central Asia is important for China for economic reasons. Many critics are of view that China wants to increase its influence in neighbouring countries .

One of the key hypotheses of the research which claims that 'China has enhanced its position in various fields of Central Asian region such as politics, economy, culture, infrastructure, security and more recently energy resources particularly oil and gas, which have made Central Asia more attractive to China has been proved. In 1990s, China started its relation with Central Asia mainly for improving political ties and main focus was on security arrangements. The key priority was to resolve border disputes with Central Asian states . Once the border issues was resolved in the mid of 1990s, the political and security ties facilitated bilateral economic trade. Economic trade between two sides has reached \$ 50 billion. Almost each and every household in Central Asia has been using Chinese products and Central Asian markets have been flooded with Chinese goods which are available at cheaper price. China has taken initiatives to revive its centuries old cultural ties with Central Asia. Beijing has established Confucius Centre mainly in Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan which ensures promotion of Chinese culture, language and music. Culture has been integral part of Chinese energy diplomacy. China also facilitates people to people contacts especially by offering educational exchange programme and for this purpose '*the SCO Network University*' was started in 2010.

Nevertheless, energy remains in the heart of Central Asia-China relations, other sectors are used to facilitate and strengthen the energy ties. The study has found that Central Asian countries have become the largest recipients of FDI from China. Most of the FDI from China goes to energy sector in the region. Kazakhstan ranks first in Central Asia. Beijing has invested billions of dollars in the energy sector. In 2013, China invested \$ 30 billion in Kazakhstan. It signed 31 agreements to \$ 15 billion with Uzbekistan and also invested \$ 16 billion in gas sector in Turkmenistan. Besides, China also provided loans and aid to Turkmenistan and it is expected that it provided at least \$ 1 billion to Tajikistan. In 2013, China also upgraded its strategic partnership with Kyrgyzstan. China's engagement with Central Asia shows that China's energy strategy has been extended form upstream projects to downstream projects. China has also started to build oil refineries in Kazakhstan,

Kyrgyzstan, and Tajikistan. China's engagement in Central Asia has become multi dimensional.

China has carefully crafted its energy diplomacy which has challenged Russia's monopoly not only in the field of oil and gas production but also in pipeline transportation routes. In addition to this, China is trying to reduce dependency of Kazakhstan, Kyrgyzstan and Tajikistan's on Russia's oil and gas refinery system. China has successfully managed to erode Moscow's economic influence in the region. The research focuses on implications for Russia's overall position in Central Asia after China's increasing presence in the region. The study comparatively analyses economic trade and energy ties of both Russia and China with different states of Central Asia. The findings shows that Russia's economic position has been declined in the region mainly because of the current decline in world energy prices as well as due to Western sanction on Russia after Ukraine crisis 2014. However, an overall analysis shows that despite China's unprecedented economic influence, Russia still remains an import political actor in the region. Economic decline in Russia is a short and medium term crisis, which could be overcome with the rise in world energy prices (which has already started to show progress) or after lifting sanction on Russia by Western countries. Apart from economic factors, the following factors have been responsible for enabling Russia to remain one of the key geopolitical powers in Central Asia:

- ❖ Russia has longstanding historical, cultural, economic and political ties with Central Asian governments.
- ❖ Nearly 70 years of Soviet rule in Central Asia consolidated domination of Moscow in every sphere of life from politics to culture and economy to society.
- ❖ There are approximately 7 million ethnic Russian who live in different states of Central Asia. They play an influential role to maintain Russia's overall influence in the region
- ❖ In case of surge in anti-Russia sentiments in Central Asia, Russia has capability to influence the public opinion in the region.
- ❖ Political elites and military officers of Central Asian states are considered as the "*Soviet product*" and accordingly they have soft corner for Russia.

- ❖ Central Asian ruling elites and common people still consider Russia as a reliable partner in comparison to China.
- ❖ Recent growing anti-Chinese sentiments among common people of Central Asia will be in favour of Russia and they might reconsider Russia as a reliable and trustworthy partner for Central Asia.

Apart from above factors, China cannot compete with Russia when it comes to the question of security and stability in the region. With the high presence of its military forces, Russia remains a key guarantor of security to Central Asian states through the multilateral mechanism of the CSTO. In contrast, China follows the policy of non interference due to which it cannot deploy its military forces inside Central Asia, except the deployment of border forces. In the current scenario, China necessarily depends on Russian military forces to protect its energy investment. Thus, from the security perspective, Russia will remain the dominating player in the region.

In the end, the researcher would like to suggest that policy makers of Central Asian Republics must take some initiatives to diversify their oil and gas revenue based economy. They need to focus on the development of their non-energy sectors including manufacturing and agriculture. It will help to generate employment opportunities for the large number of people and will make economy less vulnerable to external shocks. Development of manufacturing sector will also help Central Asian countries to improve unfavourable balance of trade with China. Investment in manufacturing sector will provide a fertile ground for small and medium enterprises. Central Asian states with relatively low population density and having large size of land area should develop their agriculture sector. Agriculture sector will create abundant employment opportunity for rural population and would reduce regional disparities.

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